

# Social protection and poverty

A CONTRIBUTION TO POLITICAL DEBATE AND POLICY DEVELOPMENT

Biennial report 2012-2013

COMBAT POVERTY,  
INSECURITY AND SOCIAL EXCLUSION SERVICE



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## SUMMARY

# INTRODUCTION

The Combat Poverty, Insecurity and Social Exclusion Service is publishing its seventh biennial report this year. As in previous editions, the report will help evaluate the effective exercise of the fundamental rights which may be jeopardised by poverty. It also includes recommendations for the various governmental authorities in order to restore the conditions for the exercise of these fundamental rights. After all, this is the legal purpose of the Service.

This edition of the report is devoted to the fundamental right to social protection, and specifically, to social security and social assistance. It is often pointed out that more than other member states of the European Union, Belgium has been able to mitigate the effects of the economic crisis thanks to its social protection system. This is true. However, we can only conclude that this system does not provide the same protection to everyone, and that recent developments – the transfer of child benefits, the degressive system for unemployment benefits, pension reform – are cause for great concern.

The report has been drawn up in collaboration with a wide range of actors: people living in poverty and their own organisations, support providers from both public and private services, representatives of the social partners, health insurance funds, administrations, public social security institutions... It is a theme that has engaged many people. The approach, which was new for many of the participants, was very much appreciated as well: starting with listening to the experiences of people living in poverty or economic insecurity and the dysfunctions they describe, analysing them, and together formulating recommendations, whilst devoting enough time to this process. Over the course of a year and a half, many meetings were held (3 plenary meetings and 20 meetings on specific topics). For each one, full reports were drawn up so that participants could verify whether their contributions had been properly understood, and, if desired, could prepare the next meeting together with others.

We organised specific meetings about the social protection for the unemployed, for the ill and disa-

bled, for pensioners, and for children and their families. There were also plenary sessions, during which transversal issues were identified.

In order to compensate for the potential disadvantages of this thematic and thus fragmented approach, we conducted some 30 interviews with people living in poverty or insecurity and organised a focus group with frontline workers from various sectors. The stories we recorded during these meetings clearly indicate that in general, these people tend to be confronted with multiple problems simultaneously; that poorly functioning social protection in a given area weakens protective mechanisms in other areas; that periods of changeover from one status to another are times at which the social protection may be threatened.

We hope that this report will serve as a source of inspiration for all those developing policy, at various policy levels, and can contribute to the political debate and political action concerning social protection in Belgium.

A brief summary of the various chapters of the 2012-2013 Report is provided below. For the specific recommendations, please see the end of each topical chapter in the report.

# I. SOCIAL PROTECTION: TRANSVERSAL ISSUES

Various issues form a common thread between social security and social assistance. They represent important challenges for social protection and at the same time have an impact on poverty and insecurity.

The right to social protection is a fundamental one. Therefore, the effective realisation of this right is not merely optional. It also means that everyone, including the most vulnerable, has a right to live in dignity.

As a result of various developments, the essential role played by social protection regarding poverty has been under pressure for some time. The economic crisis in the 1970s led to high social security expenditures and, at the policy-making level, this was gradually accompanied by a discourse whereby these expenditures were regarded as economic costs to be contained. In addition, there is the increase in poverty and social inequality in areas such as employment, health, housing and education, which has hampered the system's capacity to reduce poverty. Social developments such as an ageing population also constitute a major challenge.

These evolutions also have an influence on social protection's ability to achieve its transfers. Within the social security system, the rights have become more conditional, often under pressure of the activation policies. This has undermined both of its basic goals (guaranteeing minimum protection and maintaining a standard of living). It also leads to more people shifting from social security to social assistance. Within the social assistance system itself, activation is also on the rise. Moreover, social security is moving in the direction of social assistance. Specifically, through selective measures in the social security system in favour of 'needy' individuals and families, an attempt is being made to limit the negative consequences of the greater conditionality, as well as the increased poverty.

Introduction of the category of cohabiting persons for certain social security benefits was a budgetary

measure taken in the wake of the economic crisis of the 1970s. The impact of this is illustrated for the unemployment benefits. A comparison is also made with the situation for the subsistence allowance, where there has always been a category for cohabiting couples. Not only the financial and economic costs and benefits of the category are discussed, but also its consequences for the housing market, family and other forms of solidarity and the health of those involved.

The chapter is concluded with two issues which have become matters of more urgency due to the increased selectivity and conditionality of the social protection: the changeover from one status to another and the non-take-up of rights. Other trends can also be associated with these issues. For example, the more complex legislation for social protection increases the chance that those who are entitled to it may be given incorrect or incomplete information.

The recommendations based on this chapter are summarised in the section entitled 'In Conclusion'.

## II. SOCIAL PROTECTION FOR THE UNEMPLOYED


Quality employment is a key stepping stone in the fight against poverty. However, the careers of poor people are often characterised by alternating periods of precarious employment and unemployment. This chapter therefore begins by examining the increasingly precarious nature of the job market and poverty among workers. Belgium has nearly 3,5 % 'working poor' (which amounts to some 220.000 individuals). The most vulnerable workers generally combine multiple conditions of precarious employment: temporary jobs, low wages, involuntary part-time hours, odd working schedules... In 2010, 10,1 % of employees with a temporary contract were at risk of poverty, as compared to 2,5 % of employees with permanent contracts.

The chapter then discusses three types of social benefits that are available as a stopgap measure in the absence of employment income: unemployment benefits, integration income and bankruptcy benefits for the self-employed. With regard to unemployment insurance, we have sought to determine the extent to which the reforms in effect since November 2012 have had an impact on poverty. A first point situates this in the European political context and the dual approach that has become predominant in recent years: increasing the rate of employment and an activating social protection. We then discuss one of the major changes in the wake of the reform: the more degressive structure of unemployment benefits. Although the amount of benefits has been increased during the first three months of unemployment, the degression now affects all categories of households (including singles and heads of household) and is more rapidly applicable to cohabitants than previously. The amount of the benefits will grow more varied for each category of household. In this way, it will become difficult for the unemployed to obtain a picture of their budget for the following month. Whereas the most vulnerable need to be able to estimate their income as precisely as possible in order to be able to know which of their needs they can meet first. The degression also risks pushing more unem-

ployed people into poorer quality jobs and therefore, increasing the poverty among those who are employed. Other aspects of the reforms are also analysed, such as a change in the conditions for eligibility for unemployment insurance based on number of days worked, changes in the integration allowances and the tightening of the two criteria for suitable employment. The measures for activation (activation plan to encourage job-seeking behaviour) are also described.

With regard to social assistance, the goal of the integration income is to offer protection from poverty for individuals without any other means of subsistence, however these amounts are too low. The law of 2002 on the right to social integration strengthened the link between the integration income and the reintegration into the workforce, through tools such as a contract: the PIIS (Projet Intégré d'Insertion Sociale or comprehensive social integration plan). However, imposing a larger number of granting conditions for a guaranteed income has pernicious effects for the poor: due to their precarious living conditions, they have great difficulty understanding and negotiating the written terms of the contract and respecting the required conditions.

Finally, this chapter examines the issues specific to the self-employed. Bankruptcy insurance functions, to a certain extent, as unemployment insurance for the self-employed. Yet, as it is only designed for the self-employed who have 'gone bankrupt', it does not offer a solution for self-employed workers in serious financial difficulties who are not, however, bankrupt. Finally, it creates an obstacle to returning to employment: the bankrupt self-employed lose their benefits as soon as they have worked a single day. Apart from this insurance, the self-employed may call upon the public social welfare center. However, this is a step that many of them do not dare to take, and they tend to only ask for help at the last minute, when their problems have become serious and extensive. Moreover, many social workers are not familiar with the issues that affect them. More and more public social welfare centers



have taken initiatives in order to better develop the support for this target group.

Based on these conclusions and analyses, the dialogue group recommends raising awareness of and explaining the changes stemming from the reforms of unemployment insurance. They call for all actors concerned to be given the necessary resources and tools to provide accurate information and explanations that are accessible to all. The dialogue group also regrets that the reforms put in place in implementation of the federal government accord of 2011 were not subjected to a preliminary study in order to evaluate their potential impact in terms of poverty ('measure the impact on poverty'), with the participation of associations representing the poor and social services. They therefore recommend evaluating the impact of the reform of unemployment insurance in terms of the impact on poverty. They also recommend assessing the effects of the increasing conditionality of the integration income.

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# III. SOCIAL PROTECTION FOR THE ILL AND DISABLED

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Everyone has the right to live in the best possible health and to have access to affordable and quality healthcare. Although Belgian healthcare is regarded as meeting this standard, people living in poverty have poorer health, more frequently have difficulty paying for their medical care, tend to postpone this care more and consume the available range of health care options differently. Moreover, the presence of illness, a chronic condition or disability can lead to higher costs for medical treatment and other care, and to an income reduction. This can create a vicious circle of poverty and poor health.

This chapter examines to what degree our system of social protection allows poor people to exercise their fundamental right to the protection of health. First of all, we emphasise that the fight against the growing social health inequality demands an integrated health policy that combats the trend towards emphasising individual responsibility and takes into account all the social determinants of health, such as education and housing. At the same time, the rising pressure on the labour market means that labour conditions and circumstances are increasingly having a clear impact on health and incapacity for work.


The focus is on the extent to which access to healthcare is encouraged by the social security system on one hand, and by the social assistance system, on the other. As a part of social security, the compulsory insurance for medical care and benefits offers financial reimbursement for healthcare costs and incapacity for work for anyone who is registered in the National Register. People with a higher risk of poverty or insecurity or with structurally high healthcare costs such as the chronically ill, are eligible for specific measures such as higher reimbursements, the maximum bill, social third payer's scheme... so that they are required to pay less personal fee or do not have to pay the insurance refund in advance. Despite efforts to automate the eligibility for these measures, there are people who do not benefit from them although they are entitled to the

right. An additional problem is that structural healthcare costs are not taken into account in calculating the available income. Moreover, since important forms of care and medication are not covered by the mandatory insurance, certain groups of people continue to face problems in taking (or receiving) proper care of themselves in the event of illness.

When people are unable to work due to illness, the compulsory insurance for medical care and benefits intervenes in order to compensate for their loss of income. In recent years, the number of workers on long-term incapacity for work has increased. At the same time, the disability benefits have not kept pace with the economic growth, and the result is that it is difficult to live with dignity at the same time as carrying increased healthcare costs. On top of the complexity of the various statutes for incapacity for work, those entitled to receive benefits are being put under extra pressure in the current climate of budgetary shortage and activation. The increased emphasis on their socio-professional integration can bring many risks if this is not accompanied by the availability of appropriate options on the labour market.

For people who receive a benefit for disabled persons, it is often extremely difficult to combine their right to the allowance with an income from work, or with cohabitation with a partner who has an income. Essentially, the price they are forced to pay for working or for love is an allowance which is too low to offer a minimum protection and to cover the extra costs stemming from their disability.

It is up to the public social welfare centers to determine whether those requesting aid are exercising all of their rights. With regard to health, they are required to see to it that proper arrangements are made with the compulsory insurance for medical care and benefits by registering them with a health insurance fund of their choice, and by determining whether they are eligible for disability benefits. In addition, the social support



consists of reimbursement of medical and pharmaceutical costs, which may or may not be based on a medical card, and emergency medical care for people without a legal residence permit. Since public social welfare centers, in the context of their legal mission to allow everyone to live a life that reflects human dignity, have the power to shape their healthcare policy autonomously, there are major differences in their methods. This diversity creates an impression of arbitrariness and can lead to legal uncertainty for people for whom social assistance is the final safety net.

Developing a coherent healthcare policy that is integrated into all areas of policy so that the effective right to protection of health can be realised for all should be a priority. In addition, it is necessary to ensure access to the compulsory insurance, to keep healthcare affordable and to fight exclusion from medical care. The protective character of the sickness benefits and of the benefits for disabled persons must be reinforced.

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# IV. SOCIAL PROTECTION FOR CURRENT AND FUTURE RETIREES

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The retirement and survivors' pensions are an important element of social security and are essential for ensuring the minimum protection and standard of living for the elderly. Nevertheless, poverty indicators show that a large group of the elderly are living in a situation of poverty and social exclusion. The nuances in the figures reveal the diversity of the situations.

The life and career path that people follow has a major impact on their situation when they reach retirement. In this context, we refer to the effects of 'premature ageing' among the poor, whereby their living conditions have a serious impact on their health and life expectancy.

For years now, the ageing population or the increasing proportion of senior citizens in the population has been presented as a major social challenge. Measures have been taken both at the European and the Belgian level to deal with this demographic evolution. The emphasis in this policy is on increasing the amount of job opportunities for older employees and the effective age of retirement. Some are also calling for raising the retirement age, based on arguments such as the increasing life expectancy.

In terms of effectively combating poverty, the notion of working longer as a solution to the issue of an ageing population certainly raises some questions. Due to their position in the labour market and their health situation, people living in poverty often have a very difficult time completing a full career. Of particular relevance in the debate is also the observation of major differences in life expectancy between social groups. As long as these differences remain, raising the (legal) retirement age will have the effect that those with the lowest incomes will have less of a chance to enjoy retirement compared to those who


are better off. The creation of sufficient and high-quality jobs for both the existing unemployed population and the expanding active population as well as for senior citizens who are working longer will therefore be the most urgent challenge.

With regard to the level of pensions, major differences are observed depending on the type of pension, the system (civil servants, employees, the self-employed), gender and the age of the retiree. An international comparison shows that when it comes to the minimum protection of senior citizens – but also in safeguarding standard of living – Belgium does not score very well. The lack of a systematic recalculation of pensions, the tendency of the oldest pensions to lag behind the current economic prosperity, and a low replacement ratio are emphasised as problems. In recent years, the minimum pension has been increased on several occasions, but the situation remains problematic for those who cannot access a full minimum pension on account of not having worked a full career.

The equivalencies (periods used to calculate the pension which are counted as periods of work, even if there has been no paid work) are crucial in terms of fighting poverty. The impact of a certain number of periods counted as equivalent has recently been reduced by federal legislation. However, this reform carries the risk that poor people will be harder hit and it may have other undesired effects.

The pension system has hardly been simplified. Errors in the information provided and calculation procedures are not excluded. It is difficult for individuals to monitor these procedures and to verify their accuracy. The communication from the administrations towards citizens, particularly towards people living in poverty, is therefore a major challenge.





As a solution to the problems in this first pillar, that of the legal pension, the second and third pension pillars (which are built up through capitalisation) have been proposed. Figures on the use of the second pillar however indicate that there is an inequality in two areas, both in terms of access to this pillar and regarding the level of the additional pension amounts. Both the second and the third pillar in fact confirm and reinforce the existing social inequalities.

The income guarantee for the elderly (IGE) is allocated to elderly persons who do not have sufficient financial resources. As benefits within the social assistance system, they are subject to an investigation of resources. The calculation of the amount and the degree to which certain income may be exempted, however, are subject to critique. It is important to further increase the amount of the IGE, together with the amount of the minimum pension and the lowest pensions. Important efforts are being made regarding the automatic eligibility for the IGE, but they could be further reinforced, in a general attempt to reduce the non-take-up of entitlements.

In addition, the report also emphasises the importance of a strong, supportive federal policy that improves the living conditions during the active phase of life, of making the legal pension a strong pillar, and of various measures aimed at increasing well-being among senior citizens.

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# V. SOCIAL PROTECTION FOR CHILDREN AND THEIR FAMILIES

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Child benefits are particularly important for families living in poverty because they represent a fixed amount which can be relied upon each month, and which can be freely used for raising their children.

Since its creation, the system of child benefits has expanded tremendously and has regularly been adapted to the evolutions within society and families. Thanks to this adaptability, notwithstanding the associated increasing complexity, and due to the ongoing efforts to automate eligibility, we have received very little indication from poor people of problems with access to rights to child benefits, or with exercising this right. In Belgium, virtually all children establish the right to child benefits. As of 31 December 2002, the four systems for child benefits covered 97.3 % of children between the ages of 0 and 18 living in Belgium.

By contrast, there are many questions, concerns and doubts surrounding the transfer of the competence for child benefits from the federal level to the level of the Communities and to the Joint Community Commission in Brussels. With this in mind, in this chapter, we highlight the strengths of the current system for child benefits which should be maintained when the transfer is made. As an example we cite the unconditional payment up until 31 August of the school year in which the child receiving the benefits reaches the age of 18, an essential aspect – which is nevertheless regularly called into question – if one considers that disadvantaged youth are more prone to dropping out of school.

The recent attention focused on child poverty revived the debate on the role played by child benefits in the fight against poverty. The risk of poverty among children is generally lower in those European countries which devote a higher percentage of their gross national product to families and children; child bene-

fits therefore also have a role to play in combating poverty, in addition to measures aimed at promoting employment and providing social protection adapted to the needs of people with or without paid work.

In this chapter, several crucial questions are discussed, such as the respective roles of child benefits and income from work in the fight against poverty; basic benefits and social supplements, and their relative importance; as well as consideration of the child's age and position in the family.

On certain issues, there was unanimous agreement, thus forming the basis for recommendations. It is for this reason that the dialogue group calls for inscribing child benefits in the Constitution as a right linked to the existence of the child – the eligibility would become effective as soon as the child is born – of which he or she is the beneficiary, and not as a matter of children's rights. In fact, child benefits offer support for the raising of children, which – in the majority of cases – is the responsibility of the parents. There is also a proposal to no longer link the child benefits with a socio-professional status, which is a logical consequence of the recognition of child benefits as a right associated with the child's existence. This would simplify the procedure, as the step of seeking a beneficiary would no longer be necessary.

# IN CONCLUSION

In conclusion, we have formulated a number of recommendations that reflect the elements which are common to the four themes, as identified in the first chapter (transversal issues). They have to do with essential aspects of social security and social assistance and, in this way, form the outlines for maintaining and reinforcing everyone's social protection against poverty. These recommendations should be seen as complementing the proposals in the thematic chapters, and vice versa.

## **Ensuring the effectivity of the fundamental right to social security**

Social protection is a fundamental right: that means it is recognised as an essential element for living in accordance with human dignity. The right to social protection is inscribed in the Belgian Constitution and in various international texts that have been ratified by Belgium. It is also referred to in the Cooperation Agreement concerning the Continuation of Poverty Reduction Policy. Strengthening the fulfilment of the right to social protection is therefore not an optional goal. No one should accept the fact that some people are not sufficiently protected.

## **Reducing the pressure on social protection**

A number of trends in society are placing social protection under pressure and threaten, above all, to portray it as an economic cost. In this report, various ideas are outlined which could reduce this pressure, such as preventing risks, diversifying the sources of funding for social security, and coherently implementing the European recommendations on active inclusion.

## **Reinforcing everyone's rights**

Due to the pressure on social security, there is a trend towards the increasing use of selective measures. Yet these measures bring certain disadvantages: a greater

administrative burden, stigmatisation of the beneficiaries, greater insecurity for those entitled to benefits, and higher risk of non-take-up. In addition, they also diminish its legitimacy. They contribute to a blurring of the distinction between social assistance and social security, as the idea of need is being more accentuated in the latter system. We call for a general policy that leaves no one on the sidelines. Selective measures are sometimes necessary, but they must not become the cornerstone of the social security system.

## **Review the category of cohabitating persons**

The category of cohabitating persons leads to lower benefits than for those falling under the category of singles, thus undermining family and social solidarity. The existence of this status within the social security system raises other questions as well because it is based on the idea of need, which is diametrically opposed to the principle of insurance on which social security is based (a cohabitating individual who has paid the same social contributions as a single person receives lower benefits). The category of cohabitating persons raises questions in terms of the equality between men and women. In this report, we propose getting rid of this category in the social security system, reviewing the levels of benefits for cohabitating persons receiving social assistance and performing a study of the real advantages and disadvantages of this category, both in terms of public expenditures and the 'costs' for the persons involved.

## **Ensuring the changeover from one status to another**

The changeover from one status to another is a vulnerable point in the lives of people living in poverty. Such moments occur frequently. We propose that the social benefits associated with one status be maintained for a given period after an individual has lost this status, further harmonisation of the definitions of concepts used in different regulations and encouragement of collaboration between institutions (the health insur-

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ance funds, public social welfare centers, social parastatal organisations, trade unions...) in order to facilitate the transition from one status to another.

### **Combating the non-take-up of rights**

The formal recognition of a right does not in any way guarantee that it will be exercised, especially if the potential rights-holders are living in poor social economic circumstances. The reasons for non-take-up of rights are manifold, as are the potential initiatives to reduce it. We recommend the greatest possible simplification of the regulations concerning social security and social assistance (particularly to prevent an accumulation of selective measures and to avoid different status qualifications), continuing the effort towards automation of eligibility for the rights, maximum simplification of the administrative formalities that potential rights-holders must fulfil, and expanding the proactive initiatives for providing information, with respect for privacy.



**Combat poverty, Insecurity and  
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