



Belgium

# Assessment of the 2008-2010 National Reform Programmes for Growth and Jobs from a social inclusion perspective: The extent of synergy between growth and jobs policies and social inclusion policies

A Study of National Policies

**Sebastiano Cincinnato & Ides Nicaise**

HIVA, K.U.Leuven

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## Executive summary

Overall, the social dimension in the employment and growth strategy has not been strengthened considerably, both in the new NRP and since the last Implementation Report. Synergies between the NRP and NSRSPSI exist, but they remain rather superficial. The links between social inclusion and the Lisbon strategy are more implicit than explicit - although there is some proof of efforts to strengthen feeding-in and feeding-out. Finally, an in-depth assessment of the impact of employment strategies on social inclusion and vice versa is missing.

Regarding feeding-out, the Belgian social inclusion strategy can be identified as an 'active welfare state strategy' with a primacy of financial and activation measures. Financial measures primarily aim at 'making work pay' through a stepwise alleviation of the fiscal pressure on labour, with priority for low-income groups. As far as targeted activation programmes do exist, they remain focused on older workers and job search monitoring. In this regard, policies targeted at other high-risk groups are under-exploited. Nonetheless, the focus on older workers may generate positive feeding-out effects, especially since the measures introduced by the Generation Pact have reached cruising speed. Prolonged employment until the legal age of retirement not only enhances overall employment and safeguards the sustainability of the social security system in the long run, but it also enhances the social protection level of pensions. Job search monitoring, on the other hand, may also generate negative feeding-out effects. This policy may simultaneously contribute to the integration and the precarisation of the workers and/or the unemployed.

As regards feeding-in, a noteworthy improvement is that the NRP endorses the strategic importance of education and training with a view to achieving the knowledge-based society. This feeding-in aspect is not just acknowledged in theory, but also in practice. In recent years, efforts for more equal opportunities in education have been intensified. Furthermore, Belgian policy still underlines the principle that income redistribution boosts consumption and thus generates multiplier effects. The revaluation of social benefits (mainly by establishing a structural link between social security benefits and average welfare growth) has been partly justified with this argument.

A new federal government has been installed on 20<sup>th</sup> March 2008. This government intends to make more extensive use of 'sustainability impact assessments', including the anti-poverty impact of policies as an essential element. Finally, the government decided to introduce a quarterly 'poverty barometer'. Currently, the tool is in its final stage of development.

## 1. The implementation of the 2005-2008 NRP

Generally speaking, the social dimension in the employment and growth strategy has not been strengthened since the last Implementation Report. As we argued in a previous report (Nicaise & Morissens, 2007), the social dimension of the employment and growth strategy reveals itself through a series of heterogeneous measures aimed at safeguarding social cohesion and inclusion. A coherent approach of both economic and social objectives is largely absent. Although a new approach to social inclusion has not been tapped, there is some proof of continued efforts regarding feeding-in and feeding-out. Apart from the fact that these policies and programmes have been discussed in the federal council of ministers, they are not supported by an impact assessment (neither ex-ante nor ex-post). Moreover, the delay in data collection makes an assessment of the impact of recently implemented policies difficult. Nevertheless, we would like to stress the importance of prior impact assessments, especially since longitudinal databases (such as SILC and GGPS) are available.

Regarding feeding-out, we identified the Belgian policy strategy, in previous reports, as an 'active welfare state strategy' with a primacy of financial and activation measures. In general, this strategy has not changed, and efforts have been increased. These efforts remain centred on the lowering of fiscal pressure on labour and targeted activation programmes. First, fiscal policy reveals a specific attention for the low-income groups, but a more targeted approach is lacking (e.g. single persons without children). The most important measure in this respect is the increase of the minimum taxable income from € 6 150 to 6 400 for low- and average-income households as of 2008 (a measure that will cost 150 million annually). Second, the targeted activation programmes remain centred upon older workers and job search monitoring. The conditions to exit the labour market through early retirement have been tightened and job-search monitoring has been reinforced and extended to new age cohorts. Nonetheless, a targeted activation approach for ethnic minority groups/migrants largely remains out of the picture.

Regarding the sustainability of public finances, the Stabilisation Programme 2008-2011 prescribes a budget surplus of 0.5% to ensure a sustainable budget policy (High Council of Finance, 2008). Whereas initially a break-even was anticipated (Court of Audit, 2008), the National Bank of Belgium recently announced a deficit of 0.3% in 2008 (compared to a deficit of 0.3% in 2007 and a predicted deficit of 0.8% in 2009). It is obvious that continued (structural) efforts are more than necessary. Finally, the liberalization of the energy market remains problematic. The authorities have set forth a range of measures aiming at a closer follow-up, stronger regulation and increasing competitiveness, but these have yet to be fully implemented.

In our previous report (Nicaise & Morissens, 2007), we highlighted two important feeding-in aspects. First, the strengthening of the social security system has been effectively pursued. In the third quarter of 2008, the basic amount of the guaranteed income of older people and the minimum old-age and subsistence pensions has been increased. Note that these were singular measures and that structural reinforcements are needed as well. Regarding the investment in human capital, we can note a slight shift towards a stronger awareness of the long-term effects of improved education (in terms of social stratification and segregation). Human capital investments, however, largely remain subordinate to employment policies.

## 2. The social inclusion strand in the 2008-2010 NRP

Overall, the NRP plans to address the 2008 key recommendations. Continued efforts will be made in order to further decrease the fiscal pressure on labour. These measures will not only be of a universal nature, but also aim at specific target-groups such as low-income families. The overarching strategy is that of making work pay. Wages and labour in general, should be attractive enough to keep people from falling or staying in unemployment. The attainment of this objective follows three policy lines.

- First, there are measures to raise the employment rate. By raising the employment rate of specific target-groups and encouraging education and lifelong learning, authorities aim to create a broad and (highly) educated labour force.
- Second, measures to create more and better jobs are put in place as well (e.g. attractive wages and tax reduction policies, combination work and family life).
- Third, the authorities aim at improving the matching of supply and demand. Since regional differences in employment are considerable, an increased mobility of the labour force as well as an increased cooperation between the regional employment offices is to achieve this matching.

There is a social dimension to the strategy as well. Social benefits should remain adequate so as to guarantee a life in accordance with human dignity (i.e. not in poverty). In recent years, many social benefits have been raised (e.g. minimum pensions, invalidity benefits, child allowances), both singularly and structurally. Especially the structural interventions are interesting since they (automatically) link the level of the benefits to the standard of living. Nevertheless, some social benefits still guarantee an insufficient level of social protection (e.g. some unemployment benefits, the living wage). Moreover, the precarious equilibrium of the national Budget is worrying. Belgian authorities almost have a tradition in balancing the Budget with one-shot measures. In the long term, this puts the financial sustainability of policy at risk. A stronger budgetary consolidation, oriented towards structural surpluses without tampering the principles of flexicurity, thus remains a priority.

All in all, compared to the previous NRP, no genuine strengthening of the social dimension can be observed. Synergies between the NRP and the NSRSPSI certainly exist, but remain rather superficial. Feeding-in and feeding-out aspects are more implicit than explicit. An in-depth assessment of the impact of employment strategies on social inclusion and vice versa is missing. Although, it must be noted, the feeding-in aspect in the NSRSPSI is more apparent than the feeding-out aspect in the NRP. With a view to achieving a viable flexicurity system, we strongly recommend that feeding-in and feeding-out aspects be integrated, alongside a detailed impact assessment.

### 2.1. Feeding-out aspects

One of the strongest, though mainly implicit examples of feeding-out in the NRP is the relevance given to active ageing. The employment rate of older workers remains low in Belgium, 34.4%

compared to the EU27 average of 44.7% in 2007<sup>1</sup>. Since the measures introduced by the Generation Pact just reached their cruising speed recently, it is expected that its influence will become visible in the coming years.

The strong emphasis on active ageing in Belgian policy must primarily be regarded as a means to achieve the overall employment rate of 70% by 2010. The NSR on pensions links this policy to the building-up of pension rights and thereby the fight against poverty among the elderly. Ensuring employment until the legal age of retirement not only enhances overall employment and safeguards the sustainability of the social security system in the long run, but it also enhances the social protection level of pensions. The social inclusion strand, however, can be made more explicit. The active ageing strategy lacks a specific attention for the gender and other dimensions. The employment rate of older women, for example, is far lower than the employment rate of men, 26% compared to 42.9% in 2007<sup>2</sup>. Furthermore, the NRPs commitments targeted at more vulnerable groups such as jobless households, working poor, lone parents, people with a disability and ethnic minorities remain rather vague. Job creation for these groups remains necessary as a precondition for durable integration in society.

The 'service voucher' system and the job search monitoring are examples of feeding-out. The NRP describes the voucher system as an example of the successful combination of flexibility and security. The job search monitoring is said to have successfully integrated unemployed people in the labour market. Although the potential usefulness of the 'service voucher' system and the job search monitoring as tools of activation cannot be denied, we already argued in our previous report that their actual impact is rather questionable: both policies contribute both to integration and precarisation of the workers and/or unemployed (Cincinnati & Nicaise, 2008).

In order to reconcile family life and work, the Belgian authorities already developed a set of measures such as time credit, parental leave and daycare. The NRP states that efforts in these areas will be continued. From a social inclusion perspective, especially daycare provision is interesting. The NAPincl explicitly links the expansion of daycare provision as a means of combating child poverty. It would facilitate the labour market participation of jobless households with children and especially lone parents. As we argued in a previous report (Morissens, Nicaise & Ory, 2007), this is no guarantee for success since the lack of child care is not the only obstacle on the way to employment. Nonetheless, the expansion of child care services combined with a targeted approach may generate considerable feeding-out effects.

As regards in-work poverty, there is relatively less attention to the problem. In-work poverty is not a major problem in Belgium (4% compared to the EU25 average of 8% in 2006<sup>3</sup>). However, it is more problematic for the self-employed (13.7% compared to 2.7% for employees in 2006<sup>4</sup>). Policy regarding this issue, however, is centred upon the employees (e.g. by the adjustment of minimum wages) whereas the self-employed generally stay out of the picture.

The Belgian authorities will pursue their efforts in reducing the fiscal pressure on labour. A whole range of measures has been developed in order to achieve this objective. They target the population in general as well as low-income families in particular. As we argued in a previous report (Nicaise & Morissens, 2007), inflation has considerably undermined the purchasing power of low-income households. Of course, fiscal policies such as tax reductions or exemptions can

<sup>1</sup> Source: Eurostat – Structural Indicators.

<sup>2</sup> Source: Eurostat – Structural Indicators.

<sup>3</sup> Source: Eurostat.

<sup>4</sup> Source: EU-SILC 2006 – Calculations by Eurostat and DG Statistics.

not achieve this objective in isolation from other policies. Although it is a sensitive subject among the social partners, a discussion on indexation mechanisms differentiating between wages and social benefits may become unavoidable.

Inter-regional gaps in labour market participation are considerable in Belgium. In 2006, the variation coefficient in unemployment rates was 55.1% (48.3% in 2002)<sup>5</sup>. Especially the situation in the Brussels Capital Region is worrying. In 2006, the unemployment rate was at 18.2% (compared to 5.2% in Flanders and 11.4% in the Walloon Region)<sup>6</sup>. In order to combat these regional disparities, the regional employment offices will strengthen their cooperation even further. This may have a positive influence on social inclusion. Measures are, in fact, aiming at reducing regional gaps through literacy programmes, language courses, increased mobility, etc.

Finally, concerning the liberalization of the energy market, measures to address the negative effects have been put in place and further measures have been planned. The social tariff for gas and electricity has been expanded, while more automatic assignment mechanisms have been introduced. The coverage of the Social Fuel Oil Fund has been expanded, its access has been facilitated, and the funding has been strengthened. These measures specifically aim at vulnerable groups. Whether these measures are effective in preventing social exclusion, however, remains to be seen.

## 2.2. Feeding-in aspects

Overall, policies and measures developed in the context of the NSRSPSI are effectively taken into account in the NRP. Especially the 'active inclusion' pillar of the NSR has been thoroughly integrated in the NRP – child and family poverty, and housing to a far lesser extent. Assessing these actions in terms of feeding-in and mutual reinforcement is, nonetheless, not obvious. It is sometimes difficult to classify measures as fostering feeding-out or feeding-in. Many aspects to the NRP discussed in the section above could thus be discussed from a feeding-in perspective as well. This simple observation can be regarded as a sign that synergies between the NRP and the NSRSPSI are clearly visible. As we discussed in our previous report (Cincinnati & Nicaise, 2008), the 'making work pay' perspective is very strongly reflected in the NSRSPSI. Social inclusion measures are often assessed in terms their contribution to employment and economic growth (e.g. active inclusion of vulnerable groups, child and family poverty). Put this way, the feeding-in aspect gains a greater importance than the feeding-out aspect. We could re-discuss some of the measures presented in the previous section in terms of feeding-in, but in this section we will focus on other measures.

As we argued in a previous report (Nicaise & Morissens, 2007), Belgian economic policy is partially based on the old Keynesian principle that income redistribution boosts consumption and thus generates multiplier effects. The revaluation of social benefits is an important measure in this respect. Not only does it boost consumer confidence, it guarantees a decent standard of living for those who rely on social benefits. During 2008, many social benefits were safeguarded from devaluation, especially pensions. In March 2008, a pension bonus was introduced for the lowest and oldest pensions. In July 2008, the minimum pensions of employees and self-employed, and the guaranteed income for older people were increased by 2%. Moreover, it has been decided that the solidarity contribution on pensions will be gradually diminished. In September 2008, the newest pensions (commencement in 2003 and between 1988 and 2003) were raised by 2%. In

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<sup>5</sup> Source: Eurostat.

<sup>6</sup> Source: BISA – Brussels Institute for statistic and analysis.

October 2008, the minimum pensions of the self-employed were raised again by 2%, along with the guaranteed minimum income for older people.

The general outline of these measures was thus the revaluation of minimum pensions. Since several sources mention the growing stratification between low- and high-income households (Nicaise & Morissens, 2007; Study Commission on Ageing, 2008), these measures prove to be important. One problem has, however, not been addressed yet, namely the additional pension funds. In fact, high-income households are more likely to have additional pension funds which make it an important source of stratification. Moreover, revaluation measures until now remained rather piecemeal. A more structural intervention is necessary. It has, therefore, been decided to link social security and social assistance benefits to the average welfare growth by a structural mechanism. The implementation of this mechanism is currently on-going.

In a previous report (Nicaise & Morissens, 2007), we mentioned that investment in the education and training of socially excluded groups is probably the most promising kind of feeding-in strategy. Despite some improvements, the latest NSRSPSI still seems to underestimate this approach. It still lacks an integrated, strategic view on education as distinct from labour market participation. The NRP, on the contrary, endorses the strategic importance of education and training with a view to achieving a knowledge-based society. The feeding-in aspect is acknowledged, not only in theory, but also in practice. In recent years, intensified efforts for more equal opportunities in education are becoming more and more visible. This emerging policy change deserves to be further encouraged and to be emphasised in the NSRSPSI as well.

### **3. Governance**

Since the 20th of March 2008, Belgium has a federal government. After almost a year of political instability and stagnation, the political parties of the majority decided to install a government in order to set to work. The social situation was in fact deteriorating and the resigning government was not able to tackle emerging problems. Therefore, two ministers - representing both the French and the Flemish Community, respectively - were appointed to lead the debate about the state reform in order to allow the federal government to focus on socio-economic policy issues. The method, however, did not book any results. The political tensions between the political parties of the two main linguistic communities persisted. Currently, state reform negotiations have been interrupted because of the financial crisis.

As regards the monitoring and evaluation of social inclusion and employment policies, the situation has not changed considerably. Therefore, our assessment is the same: due to the existence of well-defined guidelines in the European employment strategy, the monitoring and evaluation seems to be more successful for employment than for social inclusion measures. In the field of social inclusion, the government has now decided to introduce a quarterly 'poverty barometer' to supplement the EU-SILC indicators and refine poverty indicators further. Currently, the tool is in its final stage of development. Its introduction will strengthen the monitoring of social inclusion policies. Furthermore, the federal government intends to make more extensive use of 'sustainability impact assessment'. The anti-poverty impact is an essential element of the SIA. Each dossier discussed by the federal council of ministers is supposed to include a SIA.

Considering the involvement of stakeholders, an increased participation of social partners is desirable. As we argued in a previous report, 'an increased participation of unions could possibly strengthen the interlinkage between social and employment policies and they could act as

catalysts to improve the integration of social policies in the coordination process that is in place for employment policies' (Nicaise & Morissens, 2007).

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