MEASURING BELGIUM’S SOCIAL INVESTMENT TURN TUR\:
THE AT-RISK HOUSEHOLD APPROACH

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Abstract: 
As a consequence of demographic, economic and social changes in the society, during past decades European welfare states witnessed enormous transitions in terms of social policy development. Traditional welfare state policies aimed at ‘passive’ income protection were complemented with a specific focus on activation, investment in human capital, reconciliation of work and family and elderly care. By using the new approach of ‘at-risk household-type modeling’, we aim to assess whether and to what extent a social investment turn is discernible in Belgium’s social policy since the mid-1980s. The main goal of this new method is to exceed the boundaries of specific policy programmes and schemes targeted at the working age population, and to measure the combined effects of policies in the fields of social security, social assistance, taxation, wages, social services, leave schemes and other welfare-related areas (e.g. schooling) on the income protection and services available to households that are confronted with a specific traditional or new social risk (Van Mechelen, 2011). This paper will focus on three at-risk-household-types: 1) early school leavers; 2) elderly people; and 3) lone parenthood. From the results, it can be concluded that Belgium was to a considerable extent on the path to social investment. The shift from passive cash payments to more activating and employment-related services and measures is most pronounced when looking at the case of the lone parent that aims to reduce working hours and the long-term unemployed elderly couple.

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1. **INTRODUCTION**

As a consequence of demographic, economic and social changes in the society, during past decades European welfare states witnessed enormous transitions in terms of social policy development. Modernization of social policy was the main aim of the idea behind ‘social investment’, which was a prevailing topic on the EU-agenda. According to the Lisbon European Council: ‘Investing in people and developing an active and dynamic welfare state will be crucial both to Europe’s place in the knowledge economy and for ensuring that the emergence of this new economy does not compound the existing social problems of unemployment, social exclusion and poverty’ (Council of the European Union, 2000). The underlying idea was that investments in peoples productivity and skills positively contribute to a vicious circle of growth, employment and social inclusion (Cantillon, 2011).

Policymakers shifted from a focus on ensuring reasonable living standards for those unable to work – either permanent due to old age or disability, or temporary because of sickness or unemployment – to investment in education, activation and family-oriented services with a view to improving people’s ability to balance work and family. Active labour market policies became increasingly seen as an valuable alternative to passive benefit receipt (Bonoli, 2011).

The design of minimum income protection schemes became progressively geared to encouraging labour market participation, relying on either negative incentives (reduction in benefit levels, tightening of conditionalities, …) and/or positive incentives (in-work benefits, tax credits, counseling,…)(Kenworthy, 2008 & 2010; Eichhorst et al., 2008; Weishaupt, 2011). Moreover, investments in public and subsidized childcare, paid parental leave systems and other measures to promote women’s labour participation have intensified the reorientation of policymakers from passive to active welfare policies (Guillari & Lewis, 2005).

Much has already been written about the emergence of the social investment approach. The shift away from the old redistributive welfare state is most clearly illustrated by the profound social reforms aimed at expanding active labour market policies and weakening earnings-related benefit provisions in Nordic and Anglo-Saxon (Clegg, 2005; Kvist et al., 2008; Sjöberg, 2011). By contrast, most continental European countries initially appeared to be missing out the turn towards the investment strategy. Until the early 2000s the consensus in welfare state literature was that the continental welfare model was rather resistant to significant welfare reform and to adapt to the new economic, social and demographic environment (Esping-Andersen, 1996; Scharpf & Schmidt, 2000; Pierson, 2001). More recent studies, however, have shown that many continental European countries did witness
considerable change in welfare arrangements during the past decades. For example, important unemployment policy reforms have been adopted since the late 1980s in Belgium, France, Germany as well as the Netherlands, though incrementally, through an accumulation of small changes (Clegg, 2007). These reforms have been characterized by tighter eligibility conditions, stronger reliance on activation policies and increased employment opportunities for the unskilled without a job. Likewise, reforms in France, Germany and Austria have also included an attempt to modernize old age pension systems and the health insurance system (Palier, 2010).

This paper offers an analysis of the main policy changes targeted at the working age population in Belgium since the mid-1990. Its aim is to bring forward empirical evidence on the extent to which a social investment turn has taken place in Belgium, using a new research approach. The existing literature on social policy change in Belgium during the past two decades tends to provide descriptive overviews of policy reforms in a limited number of social policy areas (e.g. unemployment or pensions), whether or not illustrated by trends in caseloads and social spending patterns (see, for example, Clegg, 2007; Hemerijck & Marx, 2010; De Deken, 2011). This paper draws on the at-risk household-type modeling approach which builds on the model family simulation technique in the sense that its starting point are hypothetical families. However, whereas traditional standard simulations focus on the functioning of the welfare state institutions (unemployment insurance, healthcare insurance, pensions system), the new approach models at-risk household types. The at-risk household type technique will be fully discussed in section 3.

Three risk categories will be discussed in this paper: the lone parent, the elderly long-term unemployed and the disabled. The latter case represents a so-called old social risk while the first two family types are confronted with ‘new’ social risks. The emergence of the social investment strategy is indeed often associated with the rise of new social problems due to economic, social and demographic evolutions such as the emergence of the knowledge economy, increasing flexibility in the labour market, rising female participation rates, destabilisation of households, population ageing etc. Bonoli (2005) identifies five new social risks: the combination of work and family, lone parenthood, low schooling, flexible employment and care dependency. In this paper we focus on the first three social risks and compare them with policy changes with regard to an old social risk, i.e. work incapacity. Focusing on these risk groups, we will elaborate upon policy changes in tax and benefit systems as well as on the conditionality of benefit receipt and the availability of social services in the areas of work and child care. We will include not only measures taken by the federal government but also social benefits and services provided by the Flemish government.
The at-risk household approach is expressively designed for the purpose of obtaining better insight into the existing and changing interactions between multifarious social schemes at a household level.

The remainder of this paper is built up as follows. In the next section, we will briefly review the literature on welfare state change in Belgium. The third section discusses the at-risk-household type approach and presents the main assumptions behind the results. The results themselves are presented in section 4. A final section draws conclusions.

2. **The Social Investment Turn in Belgium: Evidence from the Literature**

Although the continental welfare state has for a long time been considered to be ‘a frozen landscape’ (Esping-Andersen, 1996), recent studies have shown that policy development in Belgium during the past decades is no longer a tale of institutional resilience. One of the most profound changes discussed in the literature concerns the transformation of the Bismarckian welfare model that rests strongly on the principle of social status maintenance to a welfare state where the main emphasis is on minimum income protection and solidarity (Cantillon, 2005; DeLathouwer, 2004; Marx, 2007; De Deken, 2011). For example, the insurance nature of the unemployment scheme has weakened considerably due to reforms on the contribution side (e.g. a shift from proportional to progressive social contributions) as well as on the benefit side (e.g. a decreasing gap between minimum and maximum benefits). While the decrease of the earnings-relatedness of benefits schemes initially coincided with a strengthening of minimum income protection, this trend came to an end in the course of the 1980s when Belgians public debt rate had grown to unsustainable levels (Hemerijck & Marx, 2010). During the 1980 and 1990s most social minima did not keep up with wage growth or the development of the general standard of living (Cantillon, et al., 2003; De Vil et al., 2011; Goedemé et al., 2011). The 1990s also marked a turning point in the sense that it saw the expansion of several government initiatives to implement an activation strategy: mostly demand side measures such as direct job creation, employment subsidies and reductions in employers social security contributions for specific groups like the unemployed and the low-skilled, but also a growing number of unemployment benefit suspensions and increasing expenditure on childcare provisions. In addition, during the 1990s deliberate efforts have been made by the government to cut back the broad range of early exit options, however such attempts met much resistance from the social partners given the popularity of these schemes by both employers and employees (Marx, 2007). Nevertheless, in the early 1990s the number of early pensioners started to decline, initially slightly but much more strongly towards the end of the 1990s (De Deken, 2011).
It is clear that since the 1990s one can observe intensified efforts to transform Belgian welfare state institutions. However, changes have been implemented gradually, through a succession of piecemeal reforms and not through an abrupt paradigmatic change (De Deken, 2011; Hemerijk & Marx, 2010). De Deken (2011) identifies several explanatory factors for the relative rigidity of the Belgian welfare state: the complexity of policy-making within the context of Belgium’s federalism and linguistic regionalism, the lack of transparency of existing social regulations and the decisive role of trade unions and employers’ organizations in social security governing bodies. Especially with regard to active labour market policies the consensus in the literature was until a few years ago that reforms were not sufficient to create real pay-off. As argued by Hemerijck and Marx (2010, p. 148), “the Belgian welfare state proved unable to reverse the cycle of ‘welfare without work’”. However, in a recent paper on social policy change since the late 1990s Vandenbroucke (2012) seems to suggest that more fundamental reforms did take place during the past decade. He argues that “policies pursued under the banner of the active welfare state were successful in implementing a strategy that aimed at incrementally improving employment incentives” (Vandenbroucke, 2012, p. 55).

Vandenbroucke (2012) draws among other things on data on changing social expenditure patterns since 1970 to illustrate the modernization of the Belgian welfare state. On the one hand, spending on active labour market policies as well as child care provisions sharply increased relative to GDP while, on the other hand, spending on traditional functions of the welfare state declined. For instance, old age spending decelerated and there was a steady erosion of the amount spent on child cash benefits. Spending on working-age benefits remained relative stable (e.g. unemployment insurance benefits and work incapacity benefits). The overall level of public social spending in Belgium remained more or less unchanged, at a comparatively high level. Vandenbroucke (2012) further shows that the modernization of the Belgium’s spending profile took place mainly during the 1990s rather than during the 2000s. However, the focus of policy-makers continued to shift towards more service-oriented provisions, although during the past decade trends have been much less outspoken. De Klerk and Van Wichelen (2008), for example, show that since the early 2000s spending on active labour market policies has shifted from a high level of direct job creation towards more spending on employment services and vocational training.

The aim of this paper is, as outlined earlier, to re-examine in further detail whether and to what extent a social investment turn is discernible in Belgium’s social policy. We will not draw on spending data but focus on the changes in income protection and social regulations regarding a number of model families. We include model families that face a variety of social risks: a lone parent wanting to reduce working hours, a low-skilled couple aged 55 who is dismissed due to a companies’ restructuring, and low-skilled person aged 55 that becomes
disabled. The focus on model families allows to provide a very comprehensive picture of changes in various policy domains (income protection, child care services, parental leave opportunities, early exit options, expectations with regard to labour market integration,...) and how social schemes interact at the household level. The next section further explains this so-called at-risk-family approach and presents a number of methodological choices. Next, we will present the main results.

3. AT-RISK-HOUSEHOLDS TYPES

This paper draws on a new research tool, known as at-risk-household-type modelling. The existing literature on welfare state change in Belgium is mainly based on descriptive overviews of significant policy changes (e.g. Hemerijck & Marx, 2010) or analyses of caseloads and social spending patterns (e.g. De Deken, 2011; Vandenbroucke, 2012). An important limitation of caseload and social expenditure trends is that they cannot provide an accurate picture of policy changes as they are typically also affected by external factors, such as changes in demographic conditions and economic circumstances. Spending on unemployment, for example, is to a large extent explained by the economic environment. Even the average level of spending per benefit recipient may not be very informative about policy reforms since these trends are highly influenced by changes in the profile of beneficiaries (i.e. duration of economic dependency, previous wage, household composition, age, etc.). Another drawback of macro-indicators such as caseloads and social expenditure is that most commonly used databases such as Eurostat’s ESPROSS or the OECD’s SOCX distinguish between a limited number of categories, but that it is not always evident to which category certain expenditure are allocated (De Deken & Clasen, 2013). Moreover, it is not always possible to isolate specific branches from the broader categories (e.g. to distinguish spending on general social safety nets from other means-tested benefits) (Van Mechelen, 2009).

Besides spending data some authors also use model family simulations to illustrate the transformation of Belgium’s welfare state (e.g. Vandenbroucke, 2012). The model family approach simulates net incomes of hypothetical household and is often used to compare benefit packages across countries or across time (see, for example, OECD, 2011; Nelson, 2011 ; Van Mechelen & Bradshaw, 2013). The advantage of the model family technique - as compared to macro-indicators - is that they solely reflect policy inputs and how they impact at

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1 We refer the reader to De Deken (forthcoming) for a more detailed discussion of the strengths and weaknesses of social expenditure data.
the household level, standardized for economic, population or other differences. Moreover, model family simulations allows to take into account policy changes in the tax system as well as in the multifarious social schemes and to provide insight into existing interactions at micro level. For example, replacement rates typically include replacement incomes as well as taxes, child cash benefits and housing allowances.\(^2\)

The methodological approach that we use in this paper builds on the model family simulation technique. At-risk-household-type modelling may be regarded as an extended variant of model simulation modelling, whereby the focus is on (1) at-risk households rather than institutions and (2) not only net incomes but also accompanying measures and services available to the at-risk households. First, whereas traditional model family simulations considers the functioning of the welfare state institutions (e.g. unemployment insurance or pensions systems), the new approach models at-risk household types. Our focus is, for example, not on social assistance regimes or unemployment insurance schemes but on young persons with little work experience regardless of the social scheme that they benefit from. Second, at-risk household modelling intends to broaden the scope of model family modelling by not only simulating net incomes but also providing an overview of the conditions associated with benefit receipt and the accompanying services and regulations in the field of work, education and care. For example, with the at-risk-household-type approach, one is able to consider the specific situation of, say, an 55-year-old worker that is dismissed due to a company's restructuring, to give an overview of early exit options and unemployment insurance entitlements, to simulate his income situation for each option, and to discuss his work and activity requirements as well the services available in the field of training, outplacement and work. This should yield a more complete and detailed picture of the welfare status of households than could ever be attained with the traditional model family simulation method. The main goal of the novel approach is to thus exceed the boundaries of specific programmes and schemes and to measure the combined effects of policies in the fields of social security, taxation, wages, social services, and other welfare-related areas (e.g. schooling) on the living standard of households confronted with a specific social risk.

In this paper we consider three at-risk-household types:

- A lone parent case, i.e. a mother, age 35, with two children (aged 2 & 7), father unknown. Due to sickness of one of the grandparents – who have up till now fulfilled a large part of the caring responsibilities - the lone parent wants to reduce working

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\(^2\) For a more detailed account of the advantages and disadvantages of model family simulations, see Van Mechelen, 2009.
hours from 100% to 50% of a full time job in order to facilitate the combination of work and family life. She is earning the minimum wage. The youngest child is in part time day care. The assumption is that she uses the most prevalent leave or career break scheme for lone parents with young children.

- A case of long-term unemployed elderly, i.e. a couple, both 55 years old, married, with two children (aged 19 & 20) in tertiary type A education. Both partners are unemployed since 12 months. Before becoming unemployed they worked full time at minimum wage. They were dismissed due to a restructuring of their company. Employment prospects are limited as the only work experience that they have acquired is no longer relevant in a post-industrial economy.

- A case of disabled elderly, i.e. a couple, both 55 years old, married, with two children (aged 19 & 20) in tertiary type A education. The male is disabled. He has to spend his life in a wheelchair after a car accident which left him paralyzed from waist down. Before the accident he worked full time at minimum wage. The female still works full time, also at minimum wage.

In order to assess the financial incentive for each at-risk household type to increase its work intensity, this paper also includes variants where the lone parent case works full time at minimum/average wage, and where one of the unemployed elderly partners finds a full time job at minimum/average wage.

Clearly, these cases are to be taken as stylized examples. Model families intend to be illustrative, not representative (Eardley et al., 1996). For example, the share of workers that actually work for the minimum wage is relatively small in Belgium. Even social assistance recipients that enter the labour market often earn more than the minimum wage (Bogaerts et al., 2012). One could therefore argue that the simulations based on minimum wages underestimate the gap between social benefit levels and low wages to some extent (and hence exaggerate the inactivity trap). On the other hand, the simulations shown here do not take into account the cost related to work (e.g. transportation).

Simulated net incomes include gross earnings, taxes, social security contributions, special social security contributions and child cash benefits. Gross earnings in the case of minimum wage earners amount to the so-called guaranteed average monthly income of those aged 21 or above excluding seniority payments. In the case of average wage earners gross earnings are equal to twice the minimum wage.\(^3\) For the lone parent working part time the results also

\(^3\) According to SILC data, the minimum wage amounts to 45% to 49% of the average wage, though the percentage varies somewhat across time and economic sectors (see
include career break benefits (1995) or parental leave benefits (2007 and 2012) as well as child care costs. The youngest child in this case is supposed to be in formal subsidized child care in Flanders, part-time in the case where the parent works part-time and full-time in the case where the parent works full-time. For the unemployed elderly simulations take into account unemployment insurance benefits, including seniority payments for those aged 50 and above. The results of the elderly disabled includes either sickness cash benefits (during first year of work incapacity) or incapacity insurance benefits (after year 1). All household types are assumed to have no income from capital.

We analyse policy trends starting in 1995, up to the present. In order to be able to isolate the effect of the current economic and financial crisis, we distinguish between policy reforms initiated before 1997 and after. Simulations reflect the situation on January 1st in the years 1995, 2007 and 2012. Simulations are based on yearly amounts as if the rules effective on January 1st apply to the entire year and include holiday allowances and 13th month allowances. We also assume that tax liabilities and credits for the income earned in year x are already levied or repaid in the same year (instead of x+1 or later), according to January 1st regulations.

4. **THE SOCIAL INVESTMENT STATE**

In this section, we present the main policy changes in minimum income protection, conditionality of benefit receipt and social services in the field of work and child care drawing on three at-risk household types. As outlined earlier, we focus subsequently on (1) a lone parent trying to reconcile work and family life, (2) an elderly couple who is long-term unemployed, and (3) a disabled person.

4.1 **Lone parenthood**

The recent decades have not only been marked with a growing number of lone-parent families, this trend has also been associated with an intensified poverty risk. In Belgium, the share of households consisting of single persons with dependent children has increased from 5.0 per cent in 2003 to 6.5 per cent in 2010 (according to Eurostat online database). The 2010 percentage is above the EU average (4.4 per cent), but very similar to the share of lone parents in Sweden or Denmark. The vulnerable position of lone parents is due to the fact that it is particularly difficult for this group to strike the balance right between work and family life - leading to lower labour participation – but also because income protection arrangements

are not sufficiently adequate to protect single earner families against poverty (Van Lancker, Ghysels & Cantillon, 2012). Nevertheless, government efforts to facilitate the combination of work and family have expanded drastically during the past decades, as well as the level of income protection. The next sections will discuss in some detail the main policy reforms with regard to - subsequently - child care supply, parental leave facilities and income protection. The starting point of the discussion is the lone parent case as described in box 1. A final section raises the question why the at-risk-poverty among lone parents remains relatively high in Belgium, despite recent policy change.

Box 1. The lone parent case

The lone parent case concerns a mother, age 35, with two children (aged 2 & 7), father unknown. Due to sickness of one of the grandparents – who have up till now fulfilled a large part of the caring responsibilities - the lone parent wants to reduce working hours from 100% to 50% of a full time job in order to facilitate the combination of work and family life. She is earning the minimum wage. The youngest child is in part time day care. The assumption is that she uses the most prevalent leave or career break scheme for lone parents with young children.

- More and more affordable child care provisions

Child care is highly important in order to give parents the opportunity to participate on the labor market. Most children of two years old with working parents are in formal child care in Flanders (Ghysels & Debacker, 2007). Formal child care in Belgium is the responsibility of the regional government level. In the region of Flanders, child care is entrusted to a public organization ‘Kind en Gezin’ (K&G). K&G does not organize child care services by itself, but subsidizes 58 per cent of formal child care facilities and supervises non-subsidized services (Hedebouw & Peetermans, 2007). Kindergarten and child-minders are the most popular type of child care. In urban areas, kindergarten has the preference, whereas parents in rural areas prefer child-minders (MAS, 2007).

Child care opportunities for those below three years old have increased considerably during the past decade. OECD data suggest that European public spending on child care has increased from 0.40 per cent of GDP in the early 1990s to 0.45 per cent in the mid-2000s (Meeusen & Nys, 2012). With the increase on public spending in Belgium, the number of children in formal child care and the average weekly hours of formal child care for children below three years old have inclined as well (Ghysels & Vercammen, 2012; Eurostat online database).
Parents’ contributions of subsidized child care facilities in Flanders are centrally fixed and income-related. The system of parents’ contributions for subsidized child care has been reformed in 2002 in order to strengthen the income-differentiation of the tariff structure. The purpose of the reform was to reduce child care costs for low income families. Consequently, child care costs of a full time working single parent on minimum wage decreased according to our simulations from 8 per cent of gross earnings in 1995 to 4 per cent in 2007 and 2012. For single parents earning an average wage, child care costs decreased from 8 per cent of gross earnings to 5 per cent (see table 1).

Table 1. Lone parent case: Child care cost as % of gross earnings, 1995, 2007 and 2012, Belgium

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<tr>
<td>Single parent working full time at minimum wage</td>
<td>8%</td>
<td>4%</td>
<td>4%</td>
</tr>
<tr>
<td>Single parent working full time at average wage</td>
<td>8%</td>
<td>5%</td>
<td>5%</td>
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Source: STASIM/MOTYFF

- More and more generous leave opportunities

The 1990s and 2000s saw a significant expansion not only of child care supply but also of opportunities for parents to temporarily reduce working hours in order to take care of their children. The career break scheme in place in 1995 was not specifically targeted at parents. There existed a general scheme for career breaks and career reduction but compensatory benefits were relatively low. Moreover, it was not very attractive for employers since they were obliged to replace beneficiaries of the career break scheme by unemployed persons. Additionally, the right to career breaks was limited as employers with more than one per cent of their staff benefitting from this system were allowed to deny further access.

By 2007, parental leave opportunities were far more extended and also more generous compared to 1995. There were several schemes in place that allowed parents to reduce working hours in order to reconcile work and family life. First, parents were entitled to 1 to 3 months of full time parental leave, or to cut working hours by 50 per cent during 2 to 6 months or by 20 per cent during 5 to 15 months. This scheme was targeted at parents of young children (maximum 3 years old) in stable employment (minimum 12 months with the same employer). The compensatory benefit was flat rate. For minimum wage earners reducing working hours from 1 to 0.5 full time equivalents, it covered about half of the gross wage lost, as shown in table 2. Second, if the single parent case wished to work part time for more than 6 months, he/she could make use of the system of time credits. This system allowed employees...
to reduce working hours from 100 to 50 per cent during 1 to 5 years, depending on the economic sector. Compensatory payments under the time credit system were somewhat less generous than under parental leave scheme, but they were available to any employee after 12 months of employment (they did not depend on the presence of children or other care responsibility).

After 2007, access to the time credit system has been reduced, while the parental leave system has continued to expand. The right to time credits has been restricted only to those employees that have worked already for at least 5 years, of which 2 years with the same employer. In addition, the maximum duration has been reduced to 12 months (in full time equivalents). By contrast, parental leave opportunities have continued to widen as the age limit for children has increased from 3 to 12 years old. Further, parents are currently entitled to maximum 4 months instead of 3 months of full time parental leave.

Not surprisingly, the number of persons in leave schemes has increased quite strongly: from 98 000 in 2000 to 273 000 in 2007 (of which 62 000 in parental leave) (see figure 8, see also Cantillon et al., 2010). The rise in the number of beneficiaries was accompanied by a stark increase in the spending on leave schemes, though it remains low in a cross-country perspective (Vandenbroucke, 2012; Meeusen & Nys, 2012). The number of career breaks has continued to increase until 2010. Since then, the negative impact of recent policy changes has become clear. Even the number of parental leaves has stopped to grow, though this is probably a temporary effect due to the extension of the maximum age limit from 3 to 12 years.

Table 2. Lone parent case: compensatory benefits for career reduction (50 %), 1995, 2007 and 2012, Belgium

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<tr>
<td>Single parent working full time at minimum wage</td>
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<tr>
<td>Compensatory benefit career break (as % of gross wage loss)</td>
<td>28%</td>
<td>49%</td>
<td>48%</td>
</tr>
<tr>
<td>Financial loss - absolute (in euro per month)</td>
<td>-227</td>
<td>-190</td>
<td>-230</td>
</tr>
<tr>
<td>Financial loss – relative (in % of net income)</td>
<td>-21%</td>
<td>-13%</td>
<td>-13%</td>
</tr>
<tr>
<td>Single parent working full time at average wage</td>
<td></td>
<td></td>
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<tr>
<td>Compensatory benefit career break (as % of gross wage loss)</td>
<td>14%</td>
<td>24%</td>
<td>24%</td>
</tr>
<tr>
<td>Financial loss - absolute (in euro per month)</td>
<td>-325</td>
<td>-358</td>
<td>-318</td>
</tr>
<tr>
<td>Financial loss – relative (in % of net income)</td>
<td>-21%</td>
<td>-18%</td>
<td>-14%</td>
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Source: STASIM/ MOTYFF
Increased income protection

The expansion of parental leave schemes and pre-school services such as childcare coincided with a marked improvement in income protection. Between 1995 and 2012, the net income of the lone parent case simulated increased by almost 25 per cent, as shown in table 3. This is only partially explained by the increase in career break benefits and the decrease in child care costs as discussed above. Other factors are the cuts in social security contributions and the rise in child cash benefits targeted at lone parents and other vulnerable families. A social security contribution reduction for low paid employees was introduced in 2000 and expanded several times later on. In addition, lone parents are since 2007 entitled to additional cash benefits within the universal child benefit system.

Table 3. Lone parent case: net income case after career reduction (50%), 1995, 2007, 2012, Belgium

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<tr>
<td>Gross earnings</td>
<td>792</td>
<td>799</td>
<td>802</td>
</tr>
<tr>
<td>Career break benefit</td>
<td>218</td>
<td>390</td>
<td>386</td>
</tr>
<tr>
<td>Child benefits</td>
<td>286</td>
<td>276</td>
<td>356</td>
</tr>
<tr>
<td>Child care fees</td>
<td>-28</td>
<td>-15</td>
<td>-14</td>
</tr>
<tr>
<td>Taxes and ss contributions</td>
<td>-103</td>
<td>-21</td>
<td>-17</td>
</tr>
<tr>
<td><strong>Total net income</strong></td>
<td>1165</td>
<td>1429</td>
<td>1513</td>
</tr>
</tbody>
</table>

Source: STASIM/ MOTYFF
- But no reduction of the at-risk-of-poverty

The labour market participation of lone parents in Belgium has substantially improved during the past decade thanks to the enhanced efforts of the government to facilitate the combination of work and family. According to the Labour Force Survey (LFS) data, the employment rate of single parents aged 25-49, has grown from 60.8 per cent in 2005 to 65.3 per cent in 2011. Nevertheless, in a comparative perspective labour market integration of lone parents remains rather low in Belgium: 65.3 per cent versus 70.2 per cent on average in the EU. Furthermore, poverty levels among lone parent households did not improve. Quite the contrary: the at-risk-of-poverty rate in Belgium for single persons with dependent children has inclined from 32.7 per cent in 2003 to 38.5 per cent in 2011. Single parents with dependent children have more than twice as much risk to become poor compared to two parent households with dependent children (13.8 per cent compared to 35.3 per cent in 2010).

Our purpose here is not to assess the effectiveness of recent policy reforms in terms of employment growth and poverty reduction. Policy outcomes clearly involve a complex set of factors including individual and household characteristics, the structure of the labour market and economy and how tax and social protection respond to social and economic challenges. Nevertheless, the empirical literature on the use of child care and leave arrangements points to a number of mechanisms that can help explain why poverty among lone parents did not decline.

First, the design of parental leave and childcare services seems to entail a Matthew effect, i.e. they appear to benefit the rich more than the poor. Despite the fact that the range of child care facilities has expanded considerably, many cities operate waiting lists to provide child care. Child care availability is especially a problem in larger urban areas, but less in rural areas (MAS, 2007). Moreover, there are indications that the most vulnerable groups suffer most strongly from the shortage of child care supply in Flanders. For example, one out of ten parents is not able to find appropriate formal child care, whereby mainly single parents are those affected (MAS, 2007). Further, distributional analysis of public resources devoted to childcare demonstrate that the lower income groups are underrepresented. The majority of government spending is allocated to the higher income families due to greater care use and the system of tax deductions that mainly benefits the higher income categories (Van Lancker & Ghysels, 2012). The Matthew effect manifests itself not only in childcare use but also in the use of leave schemes. Cantillon et al. (2010) show that the share of mothers part time reducing working in Flanders amounts to 7.5 per cent among the highly educated women, while it is only 2.3 per cent among the less educated.
Second, apart from the fact that both child care and parental leave opportunities have grown over the past ten years, one aspect in active labour market policies regarding single parent households is somewhat lacking, namely the financial incentive to actually participate on the labour market, especially for single parents with low earnings potential. Net income of single parents with two children working full time at minimum wage scarcely exceeds the at-risk-of-poverty threshold, as shown in figure 2. If this parent wants to reduce working hours, the net income further drops below the poverty line. This finding suggests that parental leave is often not a financially viable option, especially for lone parents with low earnings potentials.

*Figure 2. The lone parent case: net income before and after career reduction (minimum wage), 1995, 2007 and 2012, Belgium*

4.2 Long-term unemployment in old age

The shifting emphasis from passive compensation to activation is clearly evident in the case of the elderly long-term unemployed. The government has launched various measures to remove financial disincentives to re-enter the labour market. Furthermore, employment services as well as active labour market programmes aimed at the labour market re-integration of the elderly have expanded considerably. The reduction of early exit options is an important factor contributing to combating long-term benefit dependency. This section starts with a discussion of the main changes in early exit routes. Next, we will elaborate upon policy measures that have affected the financial incentives for elderly unemployed to find a job.
Finally, we will describe the employment services and activation programmes aimed at our at-risk-household type: an elderly couple where both partners are long-term unemployed (see box 2 for a full description).

**Box 2. The case of the elderly long-term unemployed**

The case of the elderly long-term unemployed concerns a couple, both 55 years old, married, with two children (aged 19 & 20) in tertiary type A education. Both partners are unemployed since 12 month. Before becoming unemployed they worked full time at minimum wage. They were dismissed due to a restructuring of their company. Employment prospects are limited as the only work experience that they have acquired is no longer relevant in a post-industrial economy.

- Less early exit options

The 1970s and 1980s marked the expansion of early retirement options in Belgium. Like elsewhere at the time promoting early exits was seen as a very effective response to massively growing unemployment, especially among young labour market entrants. However, in contrast to most other West-European countries, early retirement routes in Belgium were preserved long after economic conditions had improved (Hemerijck & Marx, 2010). The most relevant early retirement route in the context of a 55-year old worker is the so-called CBP (conventioneel brugpensioen) within the unemployment insurance scheme. For older workers there are alternative measures within the old age pension system. In the mid-1990s, the minimum legal age for CBP was 58 in general and 55 in specific economic sectors. In addition, the minimum age for CBP could be lowered to 50 in industries experiencing structural problems. CBP benefit payments consist of an unemployment benefit financed by social insurance and a top-up equal to half the difference between unemployment compensation and the worker’s former net wages paid by the employer (Pestiau & Stijns, 1999). In the early 1990s the number of CPB recipients started to decline, initially slightly but much more strongly towards the end of the 1990s (see figure 3). During the 2000s, the number of CBP-recipients stabilized, though the share of ‘young’ early retirees (i.e. below 60) fell from 45 per cent in 2004 to 29 per cent in 2011. The proportion of those younger than the age of 55 even dropped from 7 per cent to less than 1 per cent. Formal agreement on an increase in the age limit was eventually achieved in 2005 in the law on the generation pact. The minimum age was increased from 58 to 60 years, though with lower age limits for specific economic sectors and for occupations that are considered to be exceptionally heavy. Recent government policies have taken efforts to reduce early retirement opportunities one step further. In January 2012 the minimum age for early retirement for dismissed workers in companies in difficulties was increased from 50 to 52 years. In addition, seniority conditions
in order to be eligible for early retirement were tightened and the possibility of part-time early retirement was abolished.

Figure 3. Trends in early retirement caseloads, 1980-2011, Belgium

![Early retirement benefit recipiency]


Clearly, early exit opportunities for people in their mid-fifties have been reduced substantially in the course of the past 15 years. In 1995, a 55 year old worker who was dismissed due to company downsizing was quite likely to be eligible to early retirement, though a specific company-level labour agreement was required. In 2007 and 2012 the case of the long-term unemployed elderly is most likely to be receiving an unemployment insurance benefit, without any early retirement top up.

- More financial incentives to work

The Belgian government followed a twofold strategy to increase the financial incentive for elderly unemployed to participate in employment programmes or to find a job: cutting benefit levels and making work more financially attractive.

On the one hand, unemployment payments for elderly long-term unemployed were reduced by cutting the seniority supplement aimed at older long-term unemployed aged 50 or above from 25 per cent to 10 per cent of previous wage. Elderly families that are entirely dependent on unemployment insurance were particularly hit by this measure. The model family in table
4 saw its household income decrease by almost one fifth since 1995. This measure not only improved the marginal return of labour market participation, it also affected the adequacy of unemployment benefits as a means to protect families against poverty. The gap between net income and the poverty line indeed further widened. In 1995 the net income of the case of the long-term unemployed elderly was 7 per cent below the poverty line, in 2007 it was 16 per cent below the poverty line, as shown in figure 4.

Figure 4. The case of the elderly long-term unemployed: net income before and after employment (minimum wage) 1995, 2007 and 2012, Belgium

On the other hand, net income of elderly that find a new job increased. First, older workers benefitted from the reductions of employees’ social contributions on low wages introduced since the late 1990s and already discussed under the lone parent case. Second, a re-employment bonus was introduced in 2002 that aims specifically at workers aged 50 years or above. The re-employment bonus is basically a non-temporary and flat rate earnings top up for unemployed persons aged 50 or older that find a job (in 2012: 190 euro per month).

As a result, the financial reward of long-term unemployed elderly re-entering the labour market improved considerably. In 1995, the case of an elderly long-term unemployed couple where one of the partners found a full time job at minimum wage saw its income increase by only 6 per cent. By 2012 this percentage had gone up to 26 per cent (see table 4).
Table 4. The case of the elderly long-term unemployed: net income and financial incentives to enter the labor market, 1995, 2007 and 2012, Belgium

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<tr>
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<tbody>
<tr>
<td><strong>Net income case both unemployed (55y.), two children in higher education</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unemployment benefit</td>
<td>2021</td>
<td>1693</td>
<td>1698</td>
</tr>
<tr>
<td>Child benefits per month</td>
<td>363</td>
<td>450</td>
<td>454</td>
</tr>
<tr>
<td>Taxes and social security contributions</td>
<td>-113</td>
<td>0</td>
<td>-13</td>
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<tr>
<td><strong>Total net income</strong></td>
<td>2270</td>
<td>2143</td>
<td>2074</td>
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<tr>
<td><strong>Financial incentive of one unemployed partner to enter the labour market</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><em>Full time employment/activation after 12 months</em></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total net income</td>
<td>2459</td>
<td>2550</td>
<td>2618</td>
</tr>
<tr>
<td>Financial reward as % of net income when unemployed</td>
<td>106%</td>
<td>120%</td>
<td>125%</td>
</tr>
<tr>
<td><em>Full time employment/activation after 3 months</em></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total net income</td>
<td>2407</td>
<td>2567</td>
<td>2618</td>
</tr>
<tr>
<td>Financial reward as % of net income when unemployed</td>
<td>126%</td>
<td>134%</td>
<td>131%</td>
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Source: STASIM/MOTYFF

- More employment services and active labour market programmes

The stimulus for older unemployed to find a new job has increased not only through improved financial incentives, but also through more individual career guidance and expansion of activation programmes. First, regional employment services have become increasingly focused on providing individual guidance towards risk groups including the elderly. For this reason, the exemption from work availability and work search requirements for long-term unemployed above the age of 55 has been abolished somewhere between 1995 and 2007. In 2007 the minimum age to be exempted from the requirement to accept suitable job offers was 58. Second, specific employment services have been established to provide career guidance to victims of economic restructurings. The generation pact mentioned above required employers in restructuring to develop an employment unit that supports workers in finding new jobs. Older workers who refuse to attend, or who do not cooperate actively, will be penalized. Further, the generation pact aimed for a comprehensive active ageing strategy, including enhancing training opportunities for older workers, introducing compensatory benefits for workers that exchange a heavy job for a lighter one, etc. These measures reveal a clear shift in policy focus from “ex-post remedies” to “ex-ante prevention”, a shift that is often associated with the social investment turn (De Deken, forthcoming). Finally, the number
of employment programmes aimed at the elderly has increased considerably since the 1990s. In 1995, 55-year olds willing to participate in an activation programme were most likely to be employed through local employment agencies, which provided low-paid jobs of maximum 45 hours per month. In 2007 there is a much broader range of employment programmes, which encourage longer working hours. For example, the so-called ‘transitional programme’ (doorstromingsprogramma) which provides temporary wage subsidies paid to employers, targets both the long-term unemployed and persons aged 45 or more after 6 months of unemployment.

In sum, financial support for unemployed persons aged 55 and above has lost ground since the mid-1990s. First, the likelihood of being entitled to early retirement and therefore receiving an additional cash benefit on top of unemployment insurance benefit is now much lower. Moreover, the seniority supplement within the unemployment insurance scheme for long-term unemployed aged 50 or older has been cut from 25 per cent to 10 per cent of former wage. Such measures have served the main purpose of increasing the financial incentive of elderly workers to re-enter the labour market and have been accompanied by demand side policies such as the expansion of job subsidies for employers that hire older workers. In addition, job search requirements for 55 year-old unemployed have been tightened. The new government’s strategy seems to have borne fruit. According to Eurostat’s online database, the employment rate in the age category 50-64 has grown from 35 per cent in 1995 to 51 per cent in 2010. The rise in workforce participation was most outspoken among the less skilled elderly. Nevertheless, the elderly with low educational attainment remain socio-economically a vulnerable group in Belgium. In 2007, only 35 per cent of the individuals aged 55-64 in the less educated group (ised 1-2) is employed, versus 46 per cent on average in the EU.

4.3 Disability

Work incapacity benefit schemes are not an important policy issue in Belgium. Caseloads have remained quite stable during the past decades, at a comparatively low level. In 2007, the share of benefit recipients in the working age population was less than 7 per cent (versus 7 percent in Germany and the UK, and 10 per cent or more in the Netherlands, Denmark and Sweden) (De Deeken & Clasen, 2011). In the mid-1990s this share was even below 6 per cent. This was before recipiency rates started to rise slowly due to - amongst other reasons - the rise in employment rates. Especially increasing female labour market participation rates have exerted upward pressure on work incapacity caseloads in Belgium (Meeusen & Nys, in press).

Source: Eurostat online database.
The recent rise in disability pension receipt has gone hand in hand with an increasing share of those aged 55 and older (Meeusen & Nys, in press). This points to the role played by the ongoing ageing of the working age population and the reduction of early exit options from the labour market in the rising number of disability pensioners (Clasen & De Deken, 2011; RIZIV, 2010).

In this section we consider the case of a 55 year old individual who becomes incapacitated to work while his partner remains active in the labour market (see box 3). In Belgium, disability pensions are only available after one year of work incapacity and only for people whose work capacities are reduced by at least 66 per cent. The wage payment period varies from 2 to 4 weeks (blue versus white collar). Subsequently, sickness cash benefits are paid until 12 months after the start of the medical impairment. Sickness benefits replace 60 per cent of former wage. Disability pensions which are paid from the second year onward amount to 40 per cent of previous wage, at least in the case of cohabitants. The difference between cash sickness payments and disability pensions is not relevant for low paid workers as they are entitled to minimum benefit levels. Minimum payments are since 2003 identical in both systems. However, in the sickness benefit scheme minimum amounts are only available after 6 months of benefit receipt. For the model family simulated in table 5 this means that the amount of the transfers slightly increases after six months.

Box 3. The case of the elderly disabled

The case of the elderly disabled concerns a couple, both 55 years old, married, with two children (aged 19 & 20) in tertiary type A education. The male is disabled. He has to spend his life in a wheelchair after a car accident which left him paralyzed from waist down. Before the accident he worked full time at minimum wage. The female still works full time, also at minimum wage.

Income protection provisions for those incapacitated to work is relatively generous in Belgium. Replacement rates for sick cash benefit are slightly higher as compared to unemployment insurance benefits and, more important for the case simulated here, the minimum benefit levels are considerably higher. As a result the loss of income after one year of work incapacity is relatively limited. In 2012, net household income after disability amounted to 93 per cent of income before becoming disabled (see figure 5). Moreover, the net income of this at-risk-household type exceeded the at-risk-of-poverty threshold by 5 per cent (2007).

The difference between sickness and incapacity benefits on the one hand and unemployment benefits on the other is partially explained by diverging trends during the past decade. Until 2006 minimum disability pensions and unemployment benefits followed a very similar trend
Benefit levels were quite stable in real terms, while the average living standard improved. The level of minimum payments is very relevant in the case of disability pensions: more than 60 per cent of workers that receive a disability pension are entitled to minimum pensions (Goedemé et al., 2011). After 2006 minimum disability pensions have increased, much more strongly than has been the case for unemployment insurance benefits. Between 2007 and 2012 minimum income support of disabled individuals with an earning partner increased by more than 25 per cent, as shown in table 5. The strong increase in sickness benefits and disability pensions since 2006 is due the fact that since the generation pact (see above) the government sets an amount every two years that can be spend to adjust social benefits to welfare evolution. However there is no statutory mechanism that determines which social benefits will be increased and by how much. This is decided through collective agreement. Comparing trends in social minima in Belgium, social partners have obviously given relatively high priority to the income protection of those incapacitated to work (the disabled, but also the old age pensioners, and less so to the able-bodied).

Table 5. The case of the elderly disabled: net income, 1995, 2007 and 2012, Belgium

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<tbody>
<tr>
<td><strong>Net income case one worker + one disabled (55y.), two children in higher education – year 1</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross earnings</td>
<td>1699</td>
<td>1713</td>
<td>1720</td>
</tr>
<tr>
<td>Sickness benefit</td>
<td>755</td>
<td>743</td>
<td>879</td>
</tr>
<tr>
<td>Child benefits per month</td>
<td>363</td>
<td>426</td>
<td>350</td>
</tr>
<tr>
<td>Taxes and social security contributions</td>
<td>-525</td>
<td>-269</td>
<td>-261</td>
</tr>
<tr>
<td><strong>Total net income</strong></td>
<td>2292</td>
<td>2613</td>
<td>2688</td>
</tr>
</tbody>
</table>

| **Net income case one worker + one disabled (55y.), two children in higher education – after year 1** | | | |
| Gross earnings | 1585 | 1598 | 1605 |
| Invalidity pension | 821 | 855 | 1066 |
| Child benefits per month | 363 | 503 | 350 |
| Taxes and social security contributions | -499 | -256 | -251 |
| **Total net income** | 2269 | 2700 | 2770 |

Source: STASIM/MOTYFF

The boost in minimum income protection of the sick and the disabled has not gone accompanied with the introduction of much stronger work incentives. The issue of labor market reintegration of persons receiving disability pensions has attracted much less attention during the past decade than active labor market strategies for unemployment insurance or social assistance benefit recipients. Whether disability pensioners are allowed to work
depends on the decision of the insurance doctor. The marginal return of finding a job is limited to 150 per cent of the benefit payable if the claimant is the head of households and 120 per cent if he or she is not. These conditions have remained largely unchanged since 1995. However, the Back-to-Work plan that was launched by the federal government in 2011 includes a number of measures that aim to reduce the role of insurance doctors and to improve the financial incentives for disabled to find a job, especially part-time employment. Moreover, regional employment offices are increasingly making efforts to ensure that counseling, training and employment services reach all those that are able to work, including at-risk groups such as people with medical impairments. Sheltered work is still predominant taking up more than two thirds of total programme outlays (Samoy & Waterplas, 2012). Nevertheless recent policies in Flanders have focused mainly on encouraging employers to hire disabled persons. The system of employer subsidies has been thoroughly reformed in 2008. Since then, the number of disabled in subsidized jobs has considerably increased from 6,316 persons in the last quarter of 2008 to 10,460 persons in the first quarter of 2012 (VDAB, quarterly reports).

Figure 5. The case of the elderly disabled: net income before and after invalidity, 1995, 2007 and 2012, Belgium

Source: STASIM/MOTYFF
5. CONCLUSION AND DISCUSSION

Our main purpose in this paper was to assess whether and to what extent a social investment turn is discernible in Belgium’s social policy. Looking at changes in income protection, activation requirements and opportunities to balance work and family life with regard to three model families, we can conclude that Belgium was to a considerable extent on the path to social investment. The shift from passive cash payments to more activating and employment-related services and measures is most pronounced when looking at the case of the lone parent that aims to reduce working hours and the long-term unemployed elderly couple.

The lone parent case illustrates that parental leave opportunities have expanded and become much more generous, that the number of available and affordable childcare places has enlarged and that child cash benefits have increased due the introduction of a supplementary benefit aimed at lone parents. Both work-family reconciliation opportunities and income protection measures for lone parents have improved significantly. However, we have also seen that it is quite uncertain that the lone parent in this type case has been able to benefit from the increased emphasis on family-oriented services and regulations. First, despite the increase in formal childcare places in Flanders, there is ample evidence that there is still a shortage of supply and that single parents and the low-skilled belong to the population groups that are most strongly affected (MAS, 2007). The main beneficiaries of child care provisions seem to be the higher incomes categories, which signals a so-called Matthew effect (Ghysels & Van Lancker, 2011; Van Lancker, 2013). Second, a similar mechanism seems to be at play in the use of parental leave schemes: the take-up of parental leave is typically much lower among low-skilled working mothers as compared to the better skilled (Cantillon et al., 2010). Part of the explanation may lie in the fact reducing working hours is not always a viable option for lone parents with low earnings potential, as our simulations have shown. The net income of a lone parent with two children working full time at minimum wage hardly reaches the at-risk-of-poverty threshold. Reducing working hours would mean lowering the net income further below the at-risk-of-poverty threshold, despite the relative generous but flat rate compensatory benefits for parental leave.

The case of the elderly long-term unemployed too shows that social policy in Belgium has clearly shifted from a focus on ensuring reasonable living standards to investment in activation. The pressure to re-integrate in the labour market has been increased in at least four ways. First, early exit options within the unemployment insurance scheme have been reduced. Second, unemployment insurance benefit levels have been diminished due to a cut in the supplement aimed at long-term unemployed aged 50 and over. Third, income from work increased as a result of the introduction of a non-temporary re-employment bonus for elderly
workers. Fourth, public employment services have become increasingly focused on providing individual guidance towards risk groups such as the elderly unemployed. Moreover, specific re-employment centers have been established that focus on the labour market reintegration of workers that are victims of companies’ restructurings, as was the case for our at-risk-household type. These measures have gone accompanied not only with an increase in the employment rate of elderly workers, but also with rising numbers of elderly claiming disability pensions. De Deaken and Clasen (2011) have suggested that as early exit chances within unemployment insurance decline, invalidity benefits and unemployment insurance operate increasingly as communicating vessels. This does not seem unlikely: as the case of disabled workers has shown, the incapacity scheme offers much more attractive benefits relative to unemployment insurance and expectations towards labour market reintegration are much less strong. Except for a number of quite recent and relative moderate policy reforms, the incapacity benefit scheme has remained largely free of the activation turn.

In sum, this paper has shown that since the mid-1990s Belgium has witnessed an increased reliance on services with a view to improving people’s ability to work. However, the empirical evaluation literature raises doubts as to the effectiveness of these services in terms of reaching the most vulnerable groups, e.g. the low-skilled and lone parents. The main focus in Belgium therefore remains on the financial incentives. The increased emphasis on employment-centered measures through family oriented services and close monitoring of job search behaviour has not gone accompanied with a decreased emphasis on financial incentives. The prominent role of work incentives has led, on the one hand, to a significant increase in the net income of low-wage workers. On the other hand, focusing on the marginal returns of labour market participation rather than on services like individual career guidance holds a danger of ignoring the income protection objective of social insurance. Incapacity benefits have up till now been able to escape the activation logic, but not the unemployment insurance benefit for the long-term unemployed. For example, the net income of the case of the elderly couple where both partners are long-term unemployed dropped from 7 per cent below the at-risk-of-poverty line 1995 to 16 per cent below this threshold in 2007. The challenge for welfare states making the social investment turn is to strike the balance right between the income protection objective and the employment logic. Otherwise, it is quite possible that the at-risk-of-poverty among vulnerable groups will continue to rise, even if economic conditions pick up again.
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