



WORKING POOR IN BELGIUM: FACTORS AND POLICIES

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Observatoire social européen

March 2009

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CONTRIBUTION TO TASK WP3 on WORKING POOR IN THE EU
RECOWE NETWORK

SUMMARY

From a social policy perspective the working poor as specific category seems a particularly attractive subject of investigation, as they are at the crossroads of the domains of employment and welfare. In the framework of national and European social policies, working poor are considered as an oxymoron. Employment is conceived and promoted as the absolute safeguard against poverty. However, structural changes in European societies during the last decades (increased flexibility and precariousness of work, erosion of the male breadwinner model, persistent high shares of unemployment,...) have also aroused some concerns on the development of working poverty in Europe. The recent economic crisis and its repercussions on European economies have amplified these concerns. Belgium has not escaped this trend. The aim of this paper is to contribute to the work undertaken in the framework of the WP3 of the RECOWE network by studying the specific issue of working poverty in the Kingdom of Belgium. In the first section of this paper we present the incidence of working poverty in Belgium along with the characteristics and make-up of the Belgian working poor population. In a second section we discuss more in depth the factors explaining working poverty in Belgium. The third section is dedicated to a review of policy responses which have been elaborated to tackle the working poverty issue in Belgium. Results show that if the extent of working poverty is limited in Belgium compared to other European countries, the main causes are to be found in the insufficient quantity of work of working poor individuals and households. The Belgian welfare state still copes more or less efficiently with the issue of working poverty, especially when it concerns families, but some specific problems are still present such as high levels of taxation on (low) wages, despite the introduction in recent years of tax credits schemes to deal with this specific issue.

KEYWORDS:

working poor, in-work poverty, poverty, low wage Belgium,

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Introduction

From a social policy perspective the working poor as specific category seems a particularly attractive subject of investigation, as they are at the crossroads of the domains of employment and welfare. The issue of working poverty has been relatively neglected in European social studies until recent years, mainly because it was also absent from public debate. In the framework of national and European social policies, working poor are considered as an oxymoron. The leitmotiv of both employment and social policies discourses has been to strongly affirm that employment is by itself the best protection against poverty, as well as economic policy discourse has intensively linked economic growth with inequalities reduction and poverty alleviation. When mentioned by policy deciders or social actors, working poverty was also frequently confused with the related but distinct question of low wage workers. For long there has been a strong belief in Europe that working poor were a typical American or Anglo-Saxon phenomenon generated by the combination of a higher incidence of low quality employment (the so-called Mc Donald's jobs) combined with a low level of social protection, and that no such thing was existing in Europe. However, structural changes in European societies during the last decades (increased flexibility and precariousness of work, erosion of the male breadwinner model, persistent high shares of unemployment,...) have also aroused some concerns on the development of working poverty in Europe. This question is also becoming more prominent in the current context of economic systemic crisis, which presents the risk of seriously increasing the risk of poverty among workers, especially the most vulnerable of them. The inclusion since 2001 of a European indicator on working poor in the European Employment Strategy and also in the Open method of coordination (OMC) on social inclusion has contributed to shed light on the fact that a significant share of European workers was also living in poverty. The phenomenon of working poverty has not attracted much attention in Belgium, being at academic or political levels. This could be partly due to the limited extent of the incidence of working poverty in the country, which do not qualify it as a major policy issue in national debate. However, in recent years working poor are increasingly evocated in the Belgian debate, notably by trade-unions, although a certain confusion still exists with the question of low waged workers. As mentioned earlier, it is also probable that the current economic crisis and its negative consequences on the most vulnerable workers will contribute to renew the debate on working poverty at national (and European?) level.

But what is exactly a working poor? The definition of working poverty could apparently seem obvious, it is about being a worker and living in poverty. But the construction of the working poor statistical category is a rather complex issue as it implies to mix two different dimensions, work and poverty, for which various conventions and definitions could be used. The literature on working poor shows that there are important variations in national definitions of working poverty (Peña-Casas and Latta; 2004). Each variation in the parameters used to assess employment and poverty status could have a significant impact on the extent and the significance of the measured phenomenon. If concerning poverty measurement there is a more or less extended consensus around the use of a relative approach, at least when it comes to comparing developed countries, there are still very different measures of what it means to be at work in the literature on working poor. Definition of workers varies across diverse interpretations on the duration of the working period (activity status in previous year or status in the weeks prior to the survey), the status in employment (wage earners only or including the self-employed) and on the labour market (including or not those searching actively a job). Another layer of complexity is added by the coexistence of two distinct units of analysis within the same concept: the individual and the household. Workers are individuals, and as such their socio-demographic and job characteristics influence their situation. But poverty is assessed at the level of household, and various aspects also influence working poverty situation, such as work intensity of the household and linked earnings or social benefits contributing to the formation of the household income. The time dimension of work needs also to be considered. Poverty of the household is assessed on an annual basis, taking into account the income during the year prior to the survey. It is thus necessary to also consider work in a longitudinal perspective, shifting away from the traditional ILO measurement of work status (in the week prior to the survey) in favour of a measure reflecting the labour history of households' workers during the previous year. Depending on the choices made for these diverse dimensions of what it means to be working and to be poor, the results in terms of incidence of working poverty could be significantly different (Ponthieux; 2009). It is worth mentioning also that this statistical measurement of working poverty situations based on surveys fails to capture some other relevant situations of employment such as those of workers in undeclared work or illegal migrants, whose share on the labour market could be important in certain countries. Finally, we should also notice that in the construction of the working poor indicator the emphasis is set on a monetary conception of poverty, which limits the apprehension of the complex and multidimensional issue of poverty and social exclusion

to a significant but nevertheless single dimension. Studies show that different forms of poverty are co-existing. For instance, using the same French cross-sectional survey to apply three different measurements of poverty (relative, subjective and material deprivation), Lollivier and Verger show that the populations measured by these methods within the same survey overlap only very partially (around 3%) (Lollivier and Verger, 2005). This indicates that each measure of poverty tends to identify a different population, which in turn may also have a different status and relation to work.

In this paper we will use the European definition of working poverty, as calculated within the frameworks of the European Employment Strategy and the OMC social inclusion under the appellation of “in-work poverty risk” (Lelièvre et al.; 2004). *Working poor are thus defined as individuals who have been working (wage earners or self-employed) at least 7 months in the year prior to the survey, and who are living in households with an annual income below 60% of equivalised median national income, which is the poverty threshold.* It should however be noticed that this is a very restrictive definition of working poverty, especially concerning the work definition, that may hide some specific situations of workers with various status alternations in the labour market during previous year. According to a recent study, these ‘alternating’ workers represent from 5 to 10% of the workforce in European countries (Ponthieux, 2009). Furthermore, the exclusion from the definition of the workforce of people searching actively for a job is also a questionable point, as they are included in various national definitions, referring more to the concept of ‘active population’ and thus to a concept of ‘active poor’ rather than working poor (Peña-Casas and Latta; 2004). The data source is the European Union Survey on Income and Living Conditions (EU-SILC) for the year 2006 (income period 2005). The population of reference is composed by individuals aged between 18 and 64 years old with complete calendar information on their activities during the previous year.

In the first section of this paper we present the incidence of working poverty in Belgium along with the characteristics and make-up of the Belgian working poor population. The second section goes beyond this descriptive approach discussing more in depth the factors explaining working poverty in Belgium. The third section is dedicated to a brief review of policy responses which have been elaborated in Belgium to tackle the working poverty issue.

Incidence of working poverty in Belgian population

Using the definition of working poor mentioned above, in 2006 only 4% of the Belgian workers could be classified as working poor (table 1). The extent of the phenomenon is thus quite limited in Belgium. This represents nevertheless around 160.000 persons. If we look only at wage earners, the proportion of working poor is reduced to 2,7%, but it raises to 14,9% for the self-employed poor. Given that nearly one in three Belgian unemployed is living in poverty, the incidence of active poor population is at 8,2%.

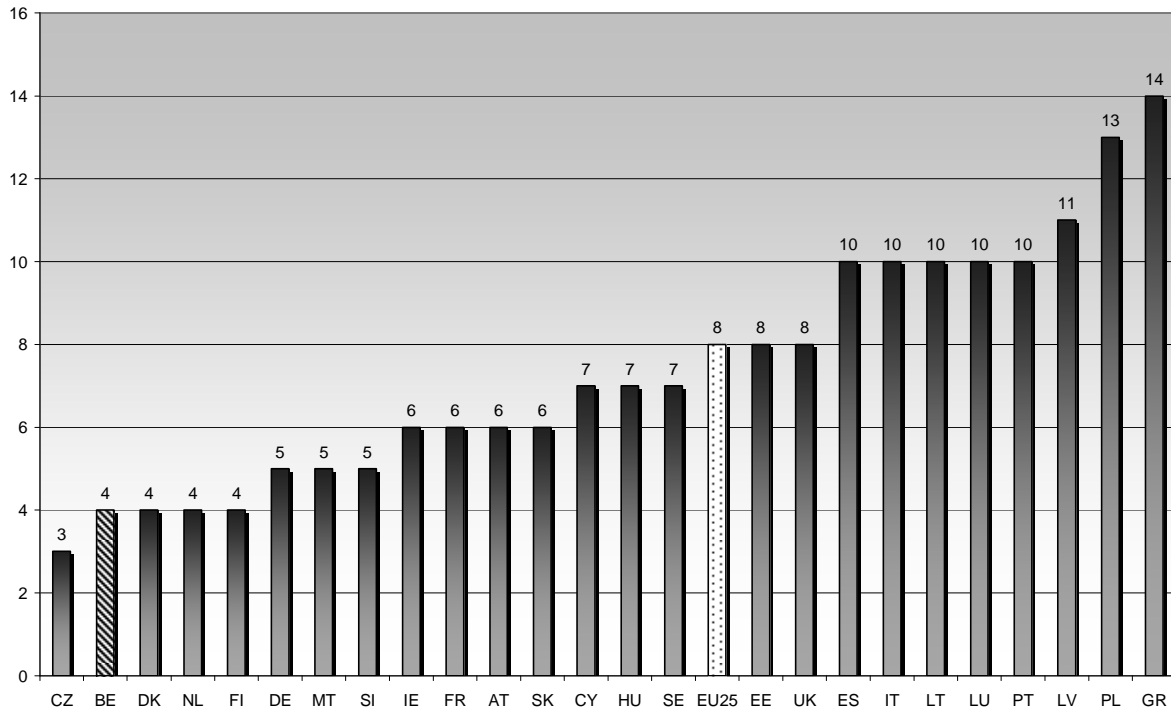
Table 1 : Working poor populations in Belgium – 2006

	Weighted Count	Incidence
(a) employees poor	95.438	2,7%
(b) self employed poor	63.396	14,9%
(c) unemployed poor	230.301	31,4%
WORKING POOR (a+b)	158.835	4,0%
ACTIVE POOR (a+b+c)	389.136	8,2%

Source: EU-SILC UDB, own calculations

With only 4% of working age adults identified as working poor, Belgium is among the European countries with the lower incidence of the phenomenon in 2006 (figure 1). The variation of working poverty incidence is quite high in the European Union, ranging from 3% in the Czech Republic to 14% in Greece. Scandinavian and Continental Europe countries, joined by some EU new Member states such as Czech Republic, Slovakia, Hungary, Malta and Cyprus, show working poverty rates under the EU average (3 to 7%). It is in Poland and Greece that working poor are the most frequent in Europe (13 to 14% of workers).

Figure 1: Working poor in the EU-25 - 2006



Source: EU-SILC UDB, own calculations

Three main categories of characteristics are pertinent when looking at the incidence and distribution of working poor population: they are related to socio-economic and employment characteristics of the individual on the one side, and to characteristics of the household on the other side.

If we look at **socio-demographics characteristics** of the individual we first notice that incidence of working poverty is higher among men (4,3%) than women (3,6%) (Table 2). This may be surprising given, among other segregating factors, the existence of a persistent gender wage gap (around 10%) and the higher exposition to low-paid work of women. One element of explanation could be the lower participation of Belgian women to labour. However, women are also overrepresented in some groups particularly exposed to working poverty such as lone parents for instance. This paradox in the gender dimension of the working poor is mainly due to the construction of the indicator itself, which combines individual and household dimensions. As stated by Ponthieux, characteristics leading to low earnings (mostly the case of women) are less obvious, visible only when they are not offset at the household level, while at the same time a significant proportion of working poor have no

labour market problem (mostly the case of men) (Ponthieux, 2009). Another issue of concern, which we will not discuss here in details, is related to the measurement of poverty at household level through an assumption of equal distribution of resources between male and female partners, which proves to be erroneous in many households (Evangelista et al., 2009).

The incidence of working poverty across age groups seems equivalent, although there is a small rising trend with age. Low educated workers are clearly more exposed (7%) to be working poor than other more educated workers. Only 2,9% of highly educated workers are also working poor. Other individual characteristics introduced here prove to have also a significant impact on the risk of working poverty, such as the physical condition of workers or their country of birth. Workers declaring to be in bad or very bad health (10,5%), or to be strongly limited in their activities due to health problems (9,7%) are much more frequently working poor than their healthy colleagues (around 3%). The same happens for those workers declaring to suffer from chronic illness, although with a less marked difference. Workers born abroad are also much more frequently exposed to working poverty (8,7%) than nationals (3,4%), indicating the effect of a certain level of segmentation and discrimination on the Belgian labour market.

Table 2: *Characteristics of the Belgian working poor population – incidence - 2006*

sex	Male	4,3%
	Female	3,6%
Groups of age	18-25 y	3,7%
	26-55 y	4,0%
	55+ y	4,1%
Educational groups	Low	7,0%
	Medium	4,1%
	High	2,9%
Country of birth	National	3,4%
	Foreign	8,7%
Health status	good & very good	3,7%
	fair	4,9%
	bad & very bad	10,5%
chronic illness or condition	yes	5,0%
	no	3,8%
limitation in activities bc health problems	strongly limited	9,7%
	limited	4,9%
	not limited	3,8%
Household types	Single	4,6%
	Couple no children	2,3%
	Couple no children one 65y+	1,3%
	Other HH without children	4,4%
	Single with children	9,9%
	2 adults + 1 child	3,1%
	2 adults + 2 children	3,5%
	2 adults + 3children or more	6,0%
	Other HH with children	4,8%
work intensity status	0<WI<0,5	19,6%
	0,5 <=WI<1	5,4%
	WI=1	2,8%
Main occupations	Low skilled jobs	8,2%
	Medium skills jobs	2,2%
	High skilled jobs	3,1%
Occupations groups	Legislators, senior officials & managers	6,1%
	Professionals	1,7%
	Technicians & associate professionals	1,7%
	Clerks	0,7%
	Service workers + shops & markets sales workers	6,6%
	Skilled agricultural & fishers workers	13,1%
	Craft & related trades workers	4,2%
	Plant & machine operators & assemblers	4,7%
Elementary occupations	9,2%	
Type of contract	permanent contract	1,9%
	temporary contract	7,7%
Working time	Full-time	2,3%
	Part-time	4,2%

Supervisory position?	supervisory	0,7%
	non-supervisory	2,9%
Low wage workers – wage earners only	non low-wage	3,3%
	low wage	10,0%
Workers (wage+self) with low income	non low income	1,3%
	low income	9,9%
Main NACE categories	Agriculture	9,9%
	Industry	3,6%
	Services	3,2%
NACE categories	Agriculture + Fishing	9,9%
	Mining+Manufacturing+Energy Supply	3,0%
	Construction	5,9%
	Wholesale and retail trade	5,6%
	Hotels and restaurants	16,4%
	Transport and communications	1,9%
	Financial intermediation	1,7%
	Real estate renting and business activities	4,5%
	Public administration	0,9%
	Education	1,4%
	Health and social work	2,5%
	Other services	5,3%

Source: EU-SILC UDB, own calculations

If we look at **individual employment characteristics** of the working poor we notice also some significant differences. Incidence of working poverty is much higher for wage earners with temporary contracts (7,7%) than for those with permanent contracts (1,9%). It is also higher for part-time workers (4,2%) than full-time workers (2,3%). Low wage earners are also more exposed (10%) to be working poor than their non low wage colleagues (3,3%). Low wages are here defined as wages below 2/3 of the median wage. This difference is even increased when incorporating self-employed in the picture by calculating a low work income threshold (2/3 of median income from work): 10% of low income workers are working poor against only 1,3% of non low income workers. This result highlights also clearly that working poverty and low wage are two distinct situations, although they are often confused.

In terms of occupations workers occupied in low-skilled jobs are more frequently working poor (8,2%) than those involved in more skilled occupations (2,2 to 3,1%). This is especially the case for farmers and fishers (13,1%) and workers in elementary occupations (9,2%). Occupying a supervisory position protects also better from working poverty. From a broad division of economic activities it appears that it is in the agricultural sector that working poor are more numerous (9,9%) rather than in the industry and services economic sectors (around 3,5%). However, using a more detailed decomposition of economic activities we notice that the sector of hotels and restaurants is the one with the majority of working poor (16,4%),

followed by agriculture and fishing (9,9%) and construction (5,9%). Services' sectors, especially public services, are generally those with the lowest rate of working poor, with the exception of real estate renting and business activities and wholesale and retail trade in which incidence of working poverty is higher.

Beyond individual features **household' characteristics** play also an important role to explain working poverty situations. Parenthood increases clearly the risk of working poverty. This is especially true for lone parents which are much more frequently among working poor (9,9%) than other parents' households configurations (from 3,1 to 6%). Among non parents, couples without children are the less exposed (2,3%), especially when one of the partners is retired (1,3%). One major element contributing to explain working poverty is the quantity of work within the households, which is expressed through the number of wage earners in the household, but especially to the amount of work cumulated by all adults in condition to work within the household. It is now a well established fact through academic literature that the traditional male breadwinner model is no longer viable and that more than one wage is generally needed to live decently (Iacovou; 2003). Among the European indicators one assess the work intensity of the households. It measures the maximum theoretical quantity of work for a household if all its working age adults were working full-time during the last year. Then three categories are constructed to classify the different observed work intensity (0 to 0,5; 0,5 to 0,9; 1). The impact of household work intensity on working poverty is more than obvious. Nearly one on five households with a lower work intensity is a working poor household (19,6%), while this is the case for only 2,8% of the households with a maximum work intensity.

Make-up of working poor population

Beyond the incidence of working poverty among different social groups it is also interesting to consider the profile of the working poor population according to the same categories identified above, and to compare this distribution with the population of non-working poor.

The Belgian working poor are mainly men, as only 39,7% of the working poor are women (table 3). If the population of working poor is essentially composed by medium educated workers (39%), the low educated workers are overrepresented among the working poor in comparison to non poor population, while high educated workers are on the contrary

underrepresented. If working poor are for a large majority born in Belgium (75,3%) there is nevertheless a large overrepresentation of foreign born workers among working poor compared to non working poor population (+14%). Regarding the health conditions of working poor individuals they are mainly in good health, reflecting the general trend of population. However, workers with bad health conditions are overrepresented among the working poor population, being in terms of self-assessed health status, chronic illness and incapacity or limitations in activities due to health problems.

Table 3: Make-up of working poor population in Belgium - 2006

		non WP	WP	WP-NWP
Sex	Man	56,0%	60,3%	4,3%
	Women	44,0%	39,7%	-4,3%
Groups of age	18-25 y	8,6%	8,0%	-0,6%
	26-55 y	84,3%	84,7%	0,4%
	55+ y	7,2%	7,4%	0,2%
Educational groups	Low	14,9%	27,1%	12,2%
	Medium	37,8%	39,0%	1,3%
	High	47,3%	33,8%	-13,5%
Country of birth	National	89,3%	75,3%	-14,0%
	Foreign	10,7%	24,7%	14,0%
Health status	good & very good	87,1%	80,9%	-6,2%
	fair	10,9%	13,5%	2,6%
	bad & very bad	2,0%	5,6%	3,6%
chronic illness or condition	yes	13,8%	17,5%	3,7%
	no	86,2%	82,5%	-3,7%
limitation in activities bc health problems	strongly limited	1,9%	4,9%	3,0%
	limited	8,5%	10,5%	2,0%
	not limited	89,6%	84,6%	-5,0%
Household type	Single	13,4%	15,8%	2,3%
	Couple no children	21,8%	12,7%	-9,1%
	Couple no children one 65y+	1,3%	0,4%	-0,9%
	Other HH without children	12,0%	13,4%	1,4%
	Single with children	3,3%	8,8%	5,6%
	2 adults + 1 child	15,2%	11,8%	-3,4%
	2 adults + 2 children	17,5%	15,4%	-2,1%
	2 adults + 3children or more	8,0%	12,4%	4,4%
Other HH with children	7,5%	9,2%	1,7%	
work intensity status	0<WI<0,5	2,6%	15,5%	12,9%
	0,5 <=WI<1	25,6%	35,0%	9,4%
	WI=1	71,8%	49,5%	-22,3%
Main occupations	Low skilled jobs	21,5%	48,7%	27,2%
	Medium skills jobs	52,4%	30,0%	-22,4%
	High skilled jobs	26,1%	21,3%	-4,7%

Occupations groups	Legislators, senior officials & managers	8,2%	13,6%	5,4%
	Professionals	17,9%	7,8%	-10,1%
	Technicians & associate professionals	13,2%	5,8%	-7,4%
	Clerks	21,8%	4,0%	-17,8%
	Service workers + shops & markets sales workers	10,3%	18,5%	8,2%
	Skilled agricultural & fishers workers	1,1%	4,4%	3,3%
	Craft & related trades workers	11,2%	12,5%	1,2%
	Plant & machine operators & assemblers	6,1%	7,6%	1,5%
	Elementary occupations	10,1%	25,8%	15,7%
Main activity status last year	Employee	90,6%	60,1%	-30,5%
	Self-employed	9,4%	39,9%	30,5%
Type of contract	permanent contract	92,2%	72,9%	-19,3%
	temporary contract	7,8%	27,1%	19,3%
Working time of people at work at least 7 months	Full-time	80,0%	68,2%	-11,8%
	Part-time	20,0%	31,8%	11,8%
Supervisory position ?	supervisory	29,4%	9,3%	-20,1%
	non-supervisory	70,6%	90,7%	20,1%
Low wage workers	non low-wage	90,1%	73,5%	-16,6%
	low wage	9,9%	26,5%	16,6%
Workers (wage+self) with low income	non low income	88,9%	48,1%	-40,8%
	low income	11,1%	51,9%	40,8%
Main NACE categories	Agriculture	2,0%	6,1%	4,1%
	Industry	24,6%	26,0%	1,4%
	Services	73,4%	67,9%	-5,5%
NACE categories	Agriculture + Fishing	2,0%	6,1%	4,1%
	Mining+Manufacturing+Energy Supply	19,0%	16,2%	-2,8%
	Construction	5,6%	9,8%	4,2%
	Wholesale and retail trade	8,5%	14,3%	5,7%
	Hotels and restaurants	1,6%	8,9%	7,2%
	Transport and communications	6,7%	3,6%	-3,1%
	Financial intermediation	4,8%	2,3%	-2,5%
	Real estate renting and business activities	7,5%	9,8%	2,3%
	Public administration	12,6%	3,3%	-9,3%
	Education	9,7%	3,9%	-5,9%
	Health and social work	14,8%	10,8%	-4,0%
Other services	7,0%	11,0%	4,0%	

Source: EU-SILC UDB, own calculations

Working poor in Belgium are mainly workers occupied in low skilled jobs (48,7%) and medium skilled jobs (30%). They are occupied in elementary occupations (25,8%) or as

service and shop workers (18,5%) and craft and related trades workers (12,5%). Only 9,3% of the working poor are in a supervisory position, the share rising to 29,4% among the non working poor population. The majority of working poor are working in the service sector (67,9%), mainly in the wholesale and retail trade (14,3%), health and social work (10,8%), real estate renting and business activities (9,8%) and hotels and restaurants (8,9%). Nevertheless, working poor are also present in certain industrial sectors such as manufacturing (16,2%) or construction (9,8%). If the majority of working poor are wage earners, the share of self-employed poor is quite important among the working poor (39,9%) compared to non poor population (9,4%). Working poor have generally a permanent contract and work full-time, reflecting again the major trend of the population. But workers with fixed-term contracts or working part-time are clearly overrepresented in the working poor population (respectively 27,1% and 31,8%). The same happens with low wage workers, which represents 26,5% of the working poor population, against only 9,9% of the non working poor population. This shows again that low wage work, although contributing to the phenomenon, is far from being the main reason of working poverty, as three working poor on four are not low wage workers (73,5%). Considering a wider notion of work income to include wage earners and self-employed increases significantly the effect of income, as nearly one in two workers has a low income, reflecting mainly the weight effect of the group of self-employed in the total.

The impact of parenthood is less clear when we look at the make-up of working population than it was concerning the incidence of the working poverty among the different households' types. There is a more or less equal repartition of working poor among those who are parents and those who are not, and the distribution of households' types between working poor and non working poor households is also quite similar. The most notable difference concerns the couples without children that are clearly underrepresented in the working poor population (12,1% against 21,8% among non working poor) while lone parents are overrepresented (18,8% versus 3,3%). One in two working poor is member of an household with full work intensity (49,5%). This tends to put into perspective the finding that work intensity is the main explaining factor of working poverty. Effectively, for half of the working poor this is not the case, and among those living in households with incomplete work intensity the majority (35%) are in household with relatively higher work intensity ($0,5 \leq WI < 1$).

If the distribution of the working poor population tends to be proportional to the distribution of the non-working poor population, the overrepresentation of certain categories among the working poor population gives us another insight about factors increasing the risk of working poverty. Working poor are more frequently than their counterparts working-age men with a low level of education, born abroad and in bad health shape. They are also more frequently occupied in low skilled jobs, in the agriculture, wholesale retail and trade or hotels and restaurant economic sectors. Their jobs are of low quality, characterised by part-time working hours and temporary contracts for wage earners as well as low wages or low work-income for employees and self-employed. They also more frequently than others belong to lone parents families with a lower household work intensity

Main explaining factors of working poverty

Some of the findings mentioned in the previous sections of this study contribute already to indicate us the importance of certain specific elements related to individual and household characteristics to explain situations of working poverty. In order to better evaluate the relative importance of these factors we proceed to a binary logistic regression (step forward method) to test their relative impact on the probability of being a working poor. It should be noted that contrarily to the previous results based on the 2006 wave of the EU-SILC survey, we had to pool the data of the 2004 to 2006 surveys to have a sufficient sample to guarantee statistical robustness of the method (after excluding individuals from longitudinal sub-samples in the two first waves). Despite all these precautions it is necessary to take with caution some of the results as they seem linked to very low representativeness of certain disaggregated categories. The odds ratios of the analysis are presented in table 4.

Table 4: Odds ratio of logistic regression working poor

	odds	significance
Sex (ref.: Male)		
<i>Female</i>	0,161	***
Educational groups - ISCED (ref.: Tertiary education)		
<i>Primary education</i>	0,490	***
<i>Secondary education</i>	0,392	***
Age groups (ref.: 55y+)		
<i>18 - 25 y</i>	-0,006	
<i>26 - 54y</i>	0,061	***
Self-assessed health status? (ref.: Good or very good)		
<i>Fair</i>	-0,124	***
<i>Bad/Very Bad</i>	-1,612	***
Limitations in daily activities due to illness or handicap? (ref.: non limited)		
<i>Limited</i>	-0,635	***
Presence of chronic illness? (ref.: No)		
<i>Illness yes</i>	0,468	***
Country of birth (ref.: National)		
<i>EU country</i>	1,467	***
<i>Rest of the world</i>	1,700	***
Citizenship (ref.: National)		
<i>EU country</i>	-0,473	***
<i>Rest of the world</i>	0,226	***
Household work intensity (ref.: WI=1)		
<i>0 < WI < 0,5</i>	3,622	***
<i>0,5 <= WI < 1</i>	1,736	***
Household types (ref.: Single)		
<i>Couple no children</i>	-1,661	***
<i>Couple no children one 65y+</i>	-22,583	**
<i>Other HH without children</i>	-2,557	***
<i>Single with children</i>	0,929	***
<i>2 adults + 1 child</i>	-1,288	***
<i>2 adults + 2 children</i>	-1,858	***
<i>2 adults + 3 children or more</i>	-0,272	***
<i>Other HH with children</i>	-2,308	***
<i>Other HH</i>	-21,939	**
Household size categories (ref.: 1 person HH)		
<i>2 persons HH</i>	0,149	***
<i>3 persons HH</i>	0,377	***
<i>4 persons HH</i>	1,110	***
<i>5-10 persons HH</i>	-0,050	
Working time (ref.: full-time work)		
<i>part-time work</i>	0,678	***
Work contract (ref.: permanent contract)		
<i>Fixed-term contract</i>	0,725	***
Low wage (ref.: non-low wage)		
<i>Low wage</i>	2,132	***
Work experience (ref.: 20years+)		
<i>0 Y</i>	-24,431	**
<i>1-5 Y</i>	0,652	***

<i>6-10 Y</i>	-0,339	***
<i>11-20 Y</i>	-0,255	***
Change job since last year? (ref.: No)		
<i>CHGJOB yes</i>	0,388	***
Supervisory function ?(ref.: supervisory position)		
<i>non supervisory position</i>	0,569	***
Occupations - ISCO (ref.: clerks)		
<i>Legislators, senior officials & managers</i>	0,134	***
<i>Professionals</i>	0,245	***
<i>Technicians & associate professionals</i>	0,007	
<i>Service workers + shops & markets sales workers</i>	2,234	***
<i>Skilled agricultural & fishers workers</i>	-20,343	**
<i>Craft & related trades workers</i>	1,474	***
<i>Plant & machine operators & assemblers</i>	1,766	***
<i>Elementary occupations</i>	1,813	***
<i>Armed forces</i>	-20,200	**
Size of firms (ref.: 50+ workers)		
<i>1 to 5 workers</i>	-0,271	***
<i>6 to 10 workers</i>	0,553	***
<i>11 to 19 workers</i>	-0,454	***
<i>20 to 49 workers</i>	-0,762	***
Economic activities – NACE (ref.: Financial intermediation)		
<i>Agriculture + Fishing</i>	-0,271	***
<i>Mining+Manufacturing+Energy Supply</i>	-0,646	***
<i>Construction</i>	-0,067	
<i>Wholesale and retail trade</i>	-1,098	***
<i>Hotels and restaurants</i>	0,036	
<i>Transport and communications</i>	-0,712	***
<i>Real estate renting and business activities</i>	0,122	***
<i>Public administration</i>	-0,998	***
<i>Education</i>	-0,315	***
<i>Health and social work</i>	-1,017	***
<i>Other services</i>	-0,341	***
Region (ref.: Brussels-Capital)		
<i>Flanders</i>	-0,270	***
<i>Wallonia</i>	-0,347	***
Degree of urbanisation (ref.: Thinly populated area)		
<i>densely populated area</i>	-0,578	***
<i>intermediate area</i>	-0,624	***

Source: EU-SILC UDB, own calculations

When considering all factors together, it is by far the lack of work at household level which is the most important factor to explain working poverty in Belgium. Compared to an individual living in a household with a full work intensity the risk of being a working poor is multiplied by 3,6 for workers belonging to households with very low work intensity and by 1,7 for those in households with medium work intensity. This is also confirmed by the importance of other households' factors. Compared to a single individual, the fact to be in couple or to live with

more working age adults decreases significantly the risk of being a working poor (with or without children), as supplementary adults in the household are potential additional earners.

Among the individual job characteristics, being a low wage worker doubles the probability of being a working poor. The role of atypical forms of employment in the explanation of working poverty is also quite significant although less marked. Some other jobs characteristics such as specific occupations increase also significantly the probability to be a working poor (service workers + shops and markets sales workers; elementary occupations; plant and machine operators and assemblers; craft and related trades workers).

Among the socio demographic characteristics the most influent seems more surprisingly to be the country of birth, as the probabilities to be a working poor for individuals born in the rest of European Union and of the world are respectively 1,4 and 1,7 times higher than for those born in Belgium. The citizenship variable has nevertheless much less influence than the country of birth. This could indicate a significant segregating effect on Belgian labour market, but this hypothesis needs to be confirmed by more specific data, which is out of scope of this study.

To summarise these results, we can say that among all factors it is the lower quantity of work which mostly influence the probability of being a working poor in Belgium, being related to the household through work intensity or the number of earners, or to the individual through working time (part-time and fixed-term contracts). The factors affecting the earnings are also very important as shown by the influence of low paid work but also the prevalence of low paid occupations and economic sectors among the most influential factors.

These results should nevertheless be interpreted cautiously in the light of the monetary construction of the working poor indicator itself, which tends to give a major weight in the analysis to factors contributing to the level of income of the working poor households. As mentioned earlier, poverty is a much more multi-dimensional issue than monetary only, and we have only weak empirical ways to shed light on the role played by factors such as human and social capital, comparative cumulated disadvantages across lifecycle at work in terms of education, health, housing, environment, job quality, discrimination, and so on.

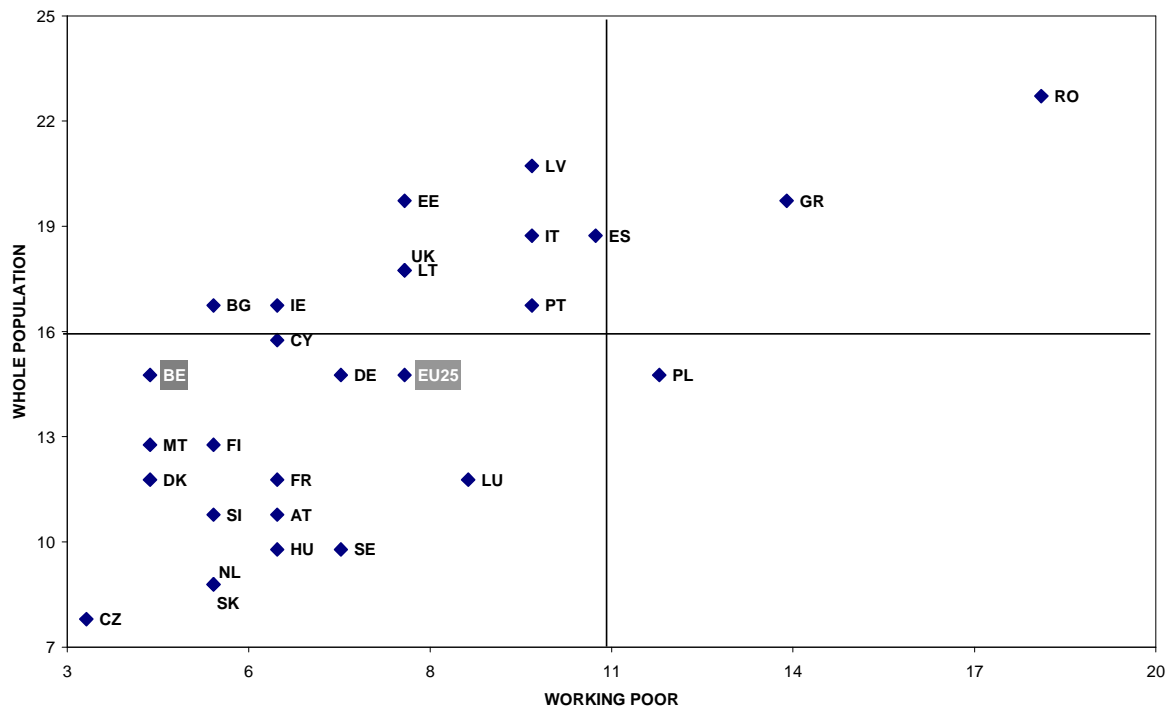
Policies aimed at tackling working poverty

In previous sections we investigate the role of individual and household characteristics to explain the working poverty in Belgium. Two main conclusions stem from the analysis. The first is that low quantity of work at household and individual levels are the main explaining factors of working poverty in Belgium. The second is that specific socio-economic groups of workers are more at risk of being working poor than others: low paid workers, low educated and low skilled persons, women, parents and especially single parents, but also migrants and people affected by bad health or incapacity. The policy response to these challenges involves thus the mobilisation of wide range of measures and resources. In order to raise labour participation of those out of work and also improve income of those already at work a complex policy mix influencing both demand and supply sides of work is necessary. On the same time there is a need for targeted policies to tackle the challenges posed by specific groups, either in terms of tax-benefit reforms or active labour market policies. And on the top of that the welfare, the labour market systems as well as more universal policies (education, housing, child and dependent care, ...) are also playing a key-role to maintain living standards of workers and/or citizens and create equal opportunities for all, and thus contribute to boost dual earnership. This wide range of levers of action illustrates clearly how far working poverty has to be considered as a transversal issue of particular interest in terms of social policy.

As shown previously in Figure 1, Belgium is among the European countries with the lower incidence of working poverty. Belgian appears to be a paradoxical case. The figure 2 below shows for instance that if Belgium is very successful in avoiding poverty among workers, this is less the case for the whole population. A number of European countries, notably the Scandinavian countries but also the Netherlands or Slovenia, Slovakia and the Czech Republic are successful in avoiding poverty for the whole population as well as among workers¹. In the continuation we will try to highlight some of the features of the Belgian system in comparison to other countries which can contribute to explain this Belgian paradox.

¹ We will not investigate this issue in details here, but it should be noted that the exceptional results reached by the Czech Republic and Slovakia, and that may seem counterintuitive given the lower GDP per inhabitant in these countries, are partly due to a very compressed distribution of income in these countries, which in turns results in very low income inequality and poverty rates. This does not mean however that welfare systems are not also effective in these countries, but it is difficult to believe that they are more efficient than those of the Scandinavian countries for instance. This is a limitation of the relative poverty rate which is affected by the income distribution pattern. Measures based on material deprivation, recently introduced by Eurostat on a

Figure 2: Poverty rates among the working population and the whole population (18 years old and +) in 2007



Source: EU-SILC survey, Eurostat web site, data retrieved 15 February 2007

We will now briefly review the characteristics of some of these policy responses in Belgium.

The redistributive system: welfare and tax-systems

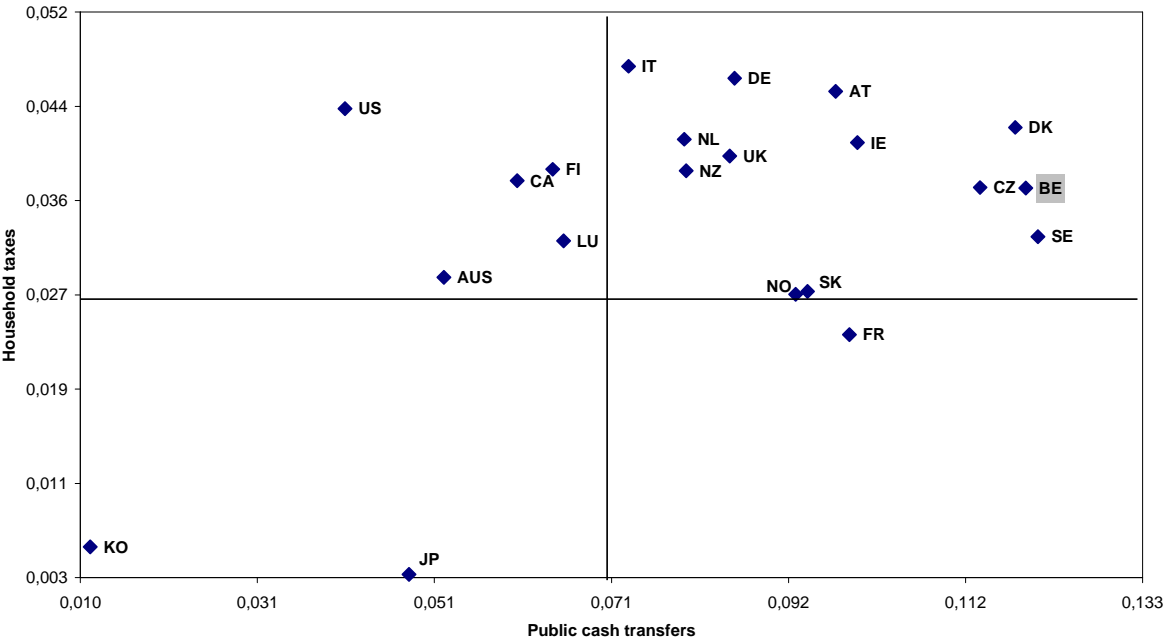
A first explaining factor of the lower level of working poverty in Belgium could be found in the nature of its welfare model, dedicated to the support of (male) workers and their families. In the now classical typology of welfare states introduced by Esping-Andersen at the end of the Eighties (Esping-Andersen, 1989), as well as in the plethoric critic literature that has followed this publication, Belgium is constantly classified among the so-called Conservative Corporatist regimes, along with the rest of countries of Continental Europe. Esping-Andersen classifies countries according to two main types of outcomes: the degree of decommodification and the kind of stratification produced by the society. Decommodification refers to the ability of individuals to maintain a livelihood without reliance on the market,

comparative perspective, show a different picture, where these countries are experiencing significantly higher rates of poverty than Scandinavian or Continental countries (Wolff, 2009).

while stratification refers to intensity of redistribution and the level of universality of solidarity generated by the welfare state. In Belgium, familism has been institutionalised as foundation of the traditional ‘male breadwinner/female caregiver’ model, discouraging labour market participation of (married) women while strongly supporting men’s work through high levels of job protection and social security rights linked to status of occupation (logic of insider-outsider) combined with relatively high levels of wages and especially minimum wages (Vielle et al, 2005; Marx and Verbist, 2008). The reverse side of the coin for countries of the Conservative Corporatist regime is higher levels of unemployment and inactivity among the whole population.

The Belgian welfare model appears however to be highly redistributive and contributing significantly to the reduction of economic inequalities among the population. As shown in Figure 3 below, the degree of reduction in the Gini coefficient of income inequality which could be attributed to redistribution through household taxes or through public cash transfers is among the highest in Europe on both schemes and similar to what is observed in countries such as Denmark, Sweden, but also more surprisingly Czech Republic. This is especially the case concerning public cash transfers in Belgium compared to the other Continental countries.

Figure 3: Reduction in inequality due to public cash transfers and household taxes - Point reduction in the Gini coefficient - Mid 2000's



Source : OECD, 2008

In terms of public social expenditures Belgium is in the upper segment of the countries spending more than 30% of their national net income on social expenditures (table 5). A significant share of these expenses is dedicated to the income support of the working age population (8,5%), a level similar to those of Scandinavian countries and the Netherlands. Belgium is also among the higher spenders in active labour market policies (1,3%), with a level of expenditure again similar to those of Scandinavian countries and the Netherlands. If other countries of the Continental Europe such as France, Luxembourg, Austria and Germany present also higher total public social expenditures exceeding 30% in average, the share of these expenditures dedicated to income support to the working age population appears to be lower in these countries, especially in France and Germany. Luxembourg presents a quite paradoxical picture, showing on the one hand the second highest level of expenditures in measures dedicated to support working age adults in Europe, while on the other hand it is one of the European countries spending the less in active labour market policies. Thus, in Belgium the highly redistributive effect of the welfare is strongly backed up by high level of income transfers to support the working age population.

Table 5: Public social expenditure by broad social policy area, in percentage of NNI, in 2005

	Income support to the working age population	Active Labour Market Programmes	Total Public social expenditure
SE	7,8	1,5	33,6
FR	5,8	1,0	33,2
LU	9,3	0,7	32,2
AT	6,8	0,7	32,1
DK	9,6	2,0	31,5
DE	5,2	1,1	31,1
BE	8,5	1,3	31,0
FI	8,0	1,0	30,5
IT	3,2	0,7	29,7
HU	6,4	0,4	28,4
PT	5,3	0,8	28,2
ES	6,0	0,9	25,5
CZ	5,4	0,3	25,5
PL	5,1	0,5	25,1
NL	7,1	1,6	24,3
GR	2,2	0,1	23,6
UK	5,0	0,6	23,3
IE	6,7	0,9	22,5
SK	5,1	0,4	21,3

Source : OECD, 2008

Family policies

Social protection in Belgium is designed and oriented mainly towards workers and their families, who are the main contributors of the system through social contributions on wages. However, some elements of this pattern are changing under the pressure of structural changes affecting all European countries and the emergence of new social risks, but the main features are still well marked. Belgian welfare model could be thus characterised as very protective and not very oriented towards productive features (Hudson and Kühner; 2009). However, in recent years there has been an increased support to working families through the extension of child care provisions and the introduction of specific tax instruments such as tax-credits. Improving child and dependant care support is an essential condition to boost dual earnership in households, which is increasingly the best available protection against poverty. The

coverage of childcare in Belgium is nowadays close to what is observed in the Nordic countries for the various age-groups (table 6), indicating that defamiliasation is higher now in the Belgian welfare system. It should however be kept in mind that these numbers do not cover the care needed by other dependant persons than children. Providing incentives for women to participate and/or remain on the labour market appears as one of the important policy lever that can be used to tackle working poverty.

Table 6: *Children cared for by formal arrangements* other than by the family as a proportion of all children of same age group – 2006*

	0-2 years		3 years to compulsory school age		Compulsory school age - 12 years	
	1-29 h	30 - h	1-29 h	30 - h	1-29 h	30 - h
EU25	14	12	44	40	40	53
BE	17	23	36	62	29	71
CZ	1	1	28	39	51	47
DK	7	66	16	80	32	67
DE	11	7	66	27	59	29
EE	6	12	7	78	60	39
IE	13	5	80	13	62	38
EL	2	8	41	20	49	38
ES	20	19	47	44	44	55
FR	14	17	52	42	47	53
IT	10	16	24	66	15	85
CY	7	18	50	37	67	33
LV	2	14	4	56	24	68
LT	0	4	9	47	67	31
LU	14	17	42	16	71	27
HU	2	6	21	58	27	72
MT	5	3	32	25	9	88
NL	41	4	82	7	88	12
AT	3	1	55	16	66	33
PL	0	3	7	21	56	39
PT	1	32	9	66	21	78
SI	3	26	15	66	39	59
SK	1	4	10	63	38	57
FI	5	21	21	56	80	20
SE	17	27	34	58	0	100
UK	28	5	65	24	13	68

* Formal arrangements refer to the EU-SILC survey reply categories 1-4 (pre-school or equivalent, compulsory education, centre-based services outside school hours, a collective crèche or another day-care centre, including family day-care organised/controlled by a public or private structure.

Source: EU_SILC survey, Eurostat website, retrieved 15 February 2009

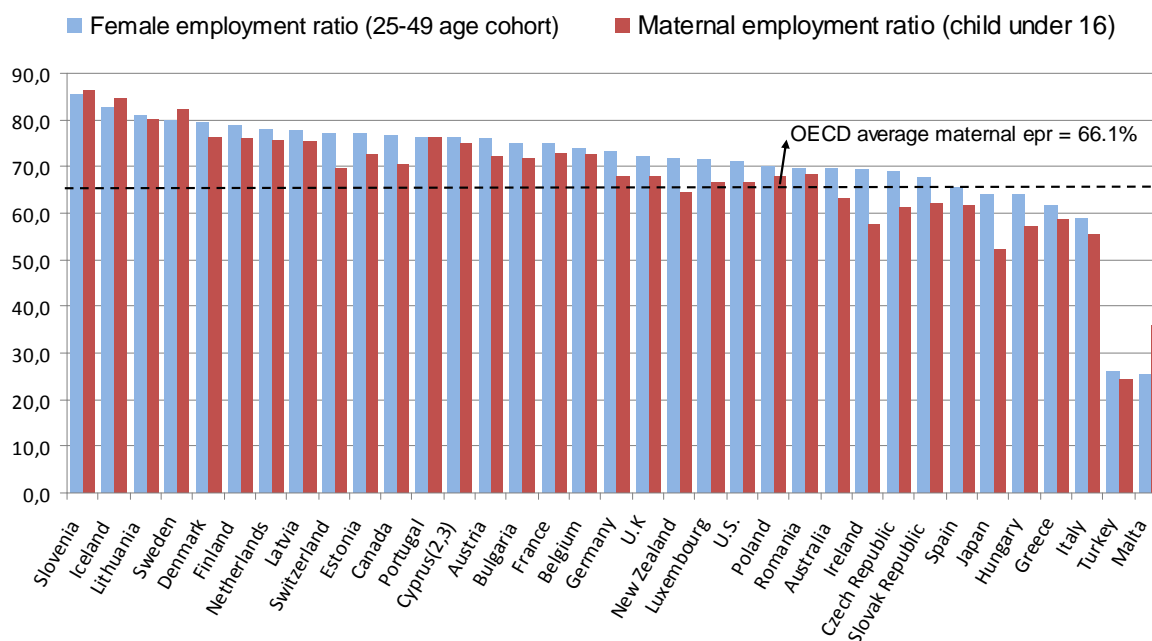
Childcare in Belgium takes the form of institutionalised day-care centres and subsidised professional child keepers. The cost of these services is means-tested and partially tax deductible. Childcare is thus quite affordable, especially for low income families. But there are also still some factors restricting the access to childcare in Belgium, notably the scarcity of institutionalised public childcare, which is the most affordable, at local level. This scarcity plays an important role to explain lower participation of Belgian women to the labour market². There are also some inadequacies with new patterns of working time, which make access to these services quite difficult for a growing number of workers when they are needed outside 'regular' working hours.

Belgium has also a fairly generous universal child benefits system. The Belgian tax system allows various advantages to families with children, although being still essentially designed to support the traditional male breadwinner model. Family benefits, as all other social benefits, are not taxed and the tax return of having children is high. A recent comparative study highlights particularly well the features of the Belgian support scheme to families by analysing different kind of data (expenditures and typical cases) related to family protection in social security schemes Belgium shares with some other European continental countries (France, Austria, and Germany) the characteristic of favouring horizontal redistribution, especially towards families with more than two children. But Belgium and France are less generous with couples and lone parents with one child. Income support to families is also less means-tested than in other countries. Belgium is, with other European Continental countries and also Ireland and Cyprus, among the countries where cash benefits for families are the most important in Europe (in 2005, cash benefits for families and children represent 2% of Belgian GDP). (Fagnani et al.; 2009). Thus, the Belgian welfare appears quite paradoxical as it supports in the same time the traditional model of (female) care-giving while offering to women extended opportunities to be unburdened of the care responsibility. This feature tends to classify Belgium as a variant of the so-called 'optional familialism' model (Knijn and Kremer, 1997, Leitner, 2003a, 2003b).

² According to the 2007 European Labour Force survey data, the share of Belgian women with care responsibilities who are inactive or working part-time represents 7,2% of the age group 15-64 years old, which is in the EU-average (9,5%). There is a high variability of this share in the EU countries, ranging from 1,6% in Finland to 24,7% in the Netherlands. However, 50,3% of these Belgian inactive and part-time workers declare to be in that situation due to the lack of suitable care services for children and other dependants, a share which is much higher than the EU average (27,9%) and reached only in a limited number of European countries (Greece, Spain, Slovenia, Lithuania). In comparison, respective shares in Denmark (7,8%), Sweden (6,2%) and the Netherlands (4,1%) are much lower, showing a higher availability of affordable childcare in these countries compared to Belgium. (Source: Eurostat web site, data retrieved 15th February 2009).

In Belgium, like in nearly all other European countries, the best protection against poverty is to have at least two earners in the household. The incidence of working poverty is clearly much higher among lone parents and single earners households. Thus, a possible effect of this Belgian optional familialism could be the aggravation of working poverty as women are not necessary encouraged to participate to the labour market while dual earnership appears as an increasing necessity to avoid poverty of the household. Indeed, the participation of women to the labour market remains limited in Belgium compared to what is observed in the Scandinavian countries or countries such as Slovenia, the Netherlands or the Baltic countries (Figure 4). Compared to employment rates of women in the same age-group (25-49 years old), which is the age cohort typically concerned with rearing of young children, maternal employment rates are lower in all countries except Iceland, Sweden. In Belgium the rates of employment are of 74,1% for women and 72,7% for mothers, while they are around 80% or even more in the previously mentioned countries. If we consider a wider age bracket (18-64 years old) to include the whole working age population, female' employment rate in Belgium is at 56,2% in 2008, while exceeding the 70% in Scandinavian countries and the Netherlands. Thus, the distance in terms of employment rates of women, even those of mothers, remains significant between Belgium and the Scandinavian countries and some other countries such as the Netherlands, Slovenia and the Baltic countries.

Figure 4: *Comparison of female and maternal (at least one child under 16y) employment rates in the 25-49 age cohort- 2007*



Source: OECD Family database, extracted 15 February 2009

So, if there is clearly an attempt in Belgium to shift from a welfare regime and tax system traditionally structured around the model of the single male breadwinner to a more universalist pattern of participation to the labour market to favour dual earnership, the current state of the system and the still persisting bottlenecks in terms of dependant care result in discouraging female participation to labour. If the redistribution through the welfare and the tax systems are high in Belgium, the employment rates of women, and notably mothers, are still low. If these elements are part of the picture to explain the low level of working poverty in Belgium, they are not sufficient by themselves.

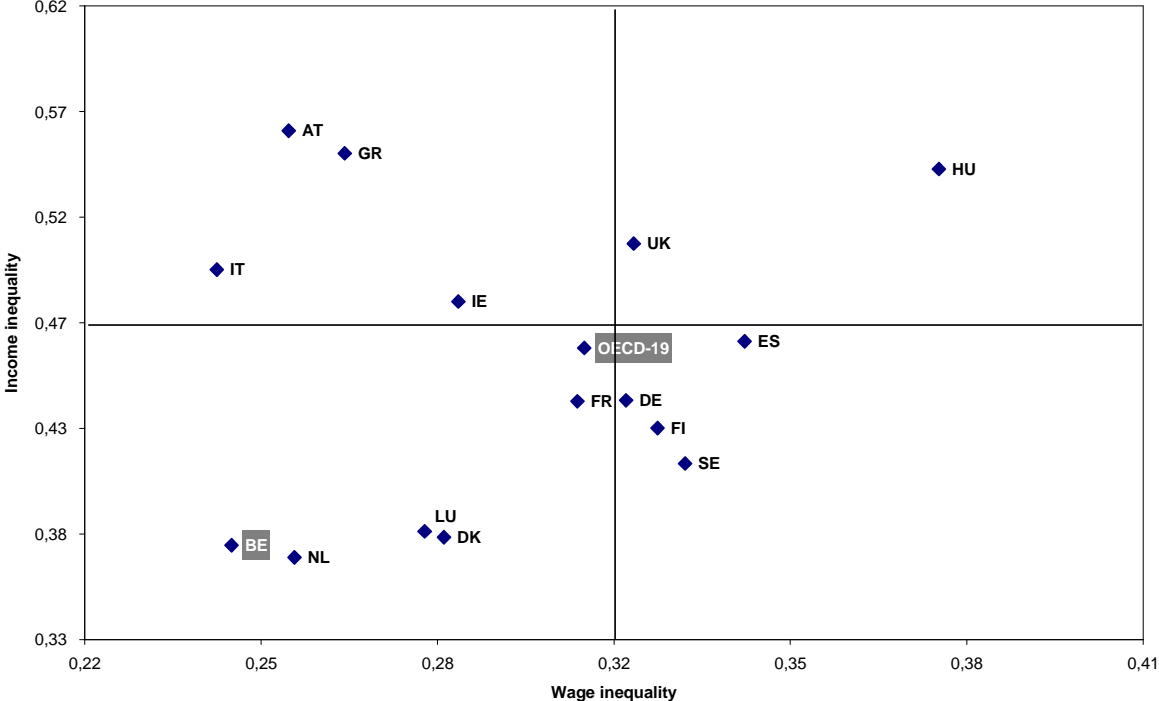
Wage setting system and tax policies

Another explaining factor of the relative protection of Belgian workers against poverty could be found in labour market institutions and especially those determining wage settings. The system of collective bargaining plays an important role. In Belgium, trade unions are strong and there is a long standing tradition of collective bargaining at a centralised level. Collective agreements are automatically extended to all workers at sectoral or inter-professional levels, a

feature which may seriously contribute to reduce wage inequalities. As highlighted recently in a European Commission report, while wage bargaining centralisation, trade union density and coordination do not appear to have any significant effect on working poverty, an increase in wage bargaining coverage by 10% is associated with a reduction of in-work poverty by around 0.5 % (European Commission, 2008). Belgium shares also with Luxembourg a unique feature of wage setting in Europe, which is an automatic system of indexation of wages to inflation when it exceeds a 2% threshold. This system has helped Belgian wages to remain relatively generous. The system of automatic indexation also applies to minimum social benefits and thus contributes to the alleviation of poverty, although across the years there has been a succession of policy decisions to not apply the indexation of social benefits for reasons of budgetary constraints. This has contributed to a widening of the gap between (minimum) wages and minimum social benefits, which may partly explain why Belgium combines a low level of working poverty with a higher level of poverty of the whole population.

The combination of highly redistributive nature of the Belgian welfare and tax systems combined with this strong industrial relations system result in very low levels of income and wage inequalities. As shown in figure 5 below, Belgium is with Netherlands among the rare European countries succeeding in combining low levels of inequality among wage earners and whole population. This is also the case to a certain extent in Denmark and Luxembourg. However, Belgium has been no more successful than other countries to avoid income inequalities to increase across time, but the intensity of inequality stills remain low (OECD, 2008).

Figure 5: Relation between gross wage (all wage earners) inequality and income inequality of whole working age population around 2000 – Gini coefficients



Source: OECD, 2008

The low level of wage inequality and the strong collective bargaining system in Belgium explain the lower incidence of low-paid work. Belgium is with Sweden and Finland among the countries with the lower incidence of low-paid work in the mid-2000’s (Table 7). The difference is very marked between these countries and the rest of Europe, where low pay affects a significantly higher share of the workforce. Low pay is more frequent for women than men, but again the incidence in terms of gender remains significantly lower in Belgium, Finland and Sweden compared to other countries. This contributes also partly to explain the lower incidence of working poverty in Belgium, although we have to keep in mind that the overlapping of low-paid work and working poverty is only partial. As shown previously in this paper, in 2006 only 10% of the Belgian low wage workers were also working poor, while amongst the working poor population 26,5% were low-wage workers.

*Table 7: Incidence of low paid work (gross wages of all workers) – Mid 2000's**

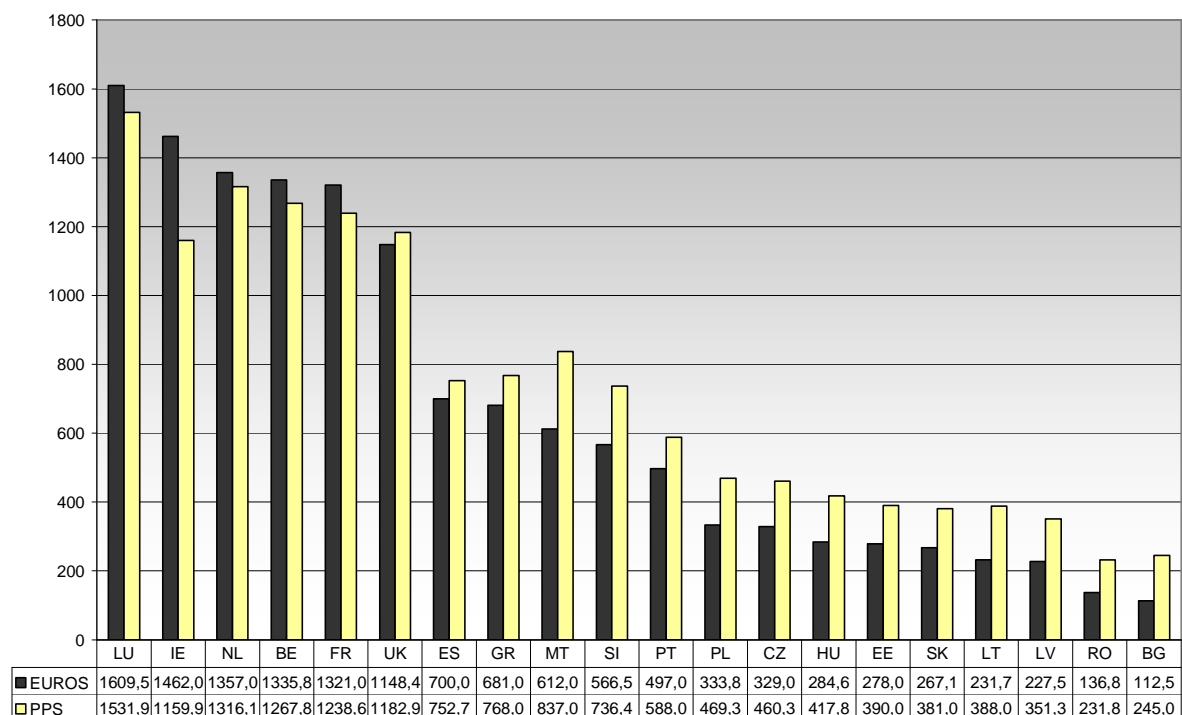
	Total	Women	Men
AT	16,2	29,4	8,8
BE	6,3	11,8	4,6
CZ	16,8	26,1	9,9
DK	12	15,1	10,3
FI	7,9	11,5	4,9
DE	17,5	31	9,2
HU	23,1	21,6	24,7
IE	21,7	28,1	17,8
PL	23,5	26,2	20,9
ES	16,2	25	12
SE	6,4	8,9	4,7
UK	20,5	28,8	15,2

* : 2007 for AT, CZ, DK, FI, IE and UK / 2006 for BE and HU / 2005 for DE / 2004 for PL and SE / 2002 for ES

Source: OECD-Stat Website, retrieved 15 February 2009

Minimum wages are also frequently mentioned among measures having an impact on the level of in-work poverty. In nominal terms the Belgian minimum wage, established since 1975, is relatively generous in the European context, being expressed in Euros or purchasing parity standards (Figure 6). It should be noted that this figure refers only to statutory minimum wages, but that in certain other countries there are also minimum wages set through collective agreements which can be as generous, notably in the Scandinavian countries.

Figure 6: *Gross monthly statutory minimum wages for full-time workers – second semester 2008*

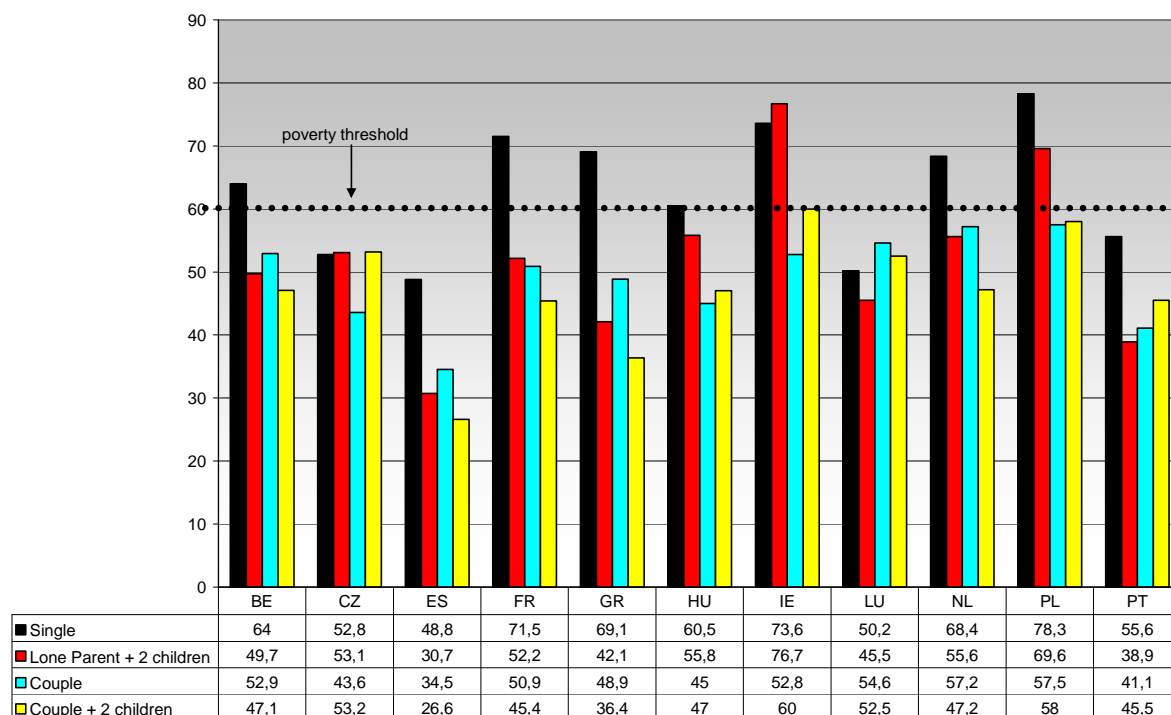


Source: Eurostat web site, retrieved 15 February 2009

However, if we consider the net incomes of different types of households at statutory minimum wages, the picture is different (Figure 7). In Belgium, only single persons on minimum wage are above the poverty threshold after including all social transfers. But for other types of household configurations working at the minimum wage is not sufficient to avoid poverty³. Single workers on minimum wage are also above the poverty threshold in various other European countries (France, Greece, Hungary, Ireland, The Netherlands and especially Poland). Lone parents with two children working at minimum wage are protected from poverty only in Ireland and Poland. These two countries appears to be those where minimum wages are the more efficient to avoid poverty for almost all households configurations. On the opposite, in Spain the role of minimum wage in avoiding poverty appears to be more limited than in the rest of Europe, and this for all household types.

³ It should be noted however that these figures include also housing allowances among social transfers. As there are no housing allowances in Belgium, this characteristic tends to disadvantage Belgium in a comparative perspective.

Figure 7: Net incomes at statutory minimum wages for different types of households, in percent of equivalent of median household income, in 2005



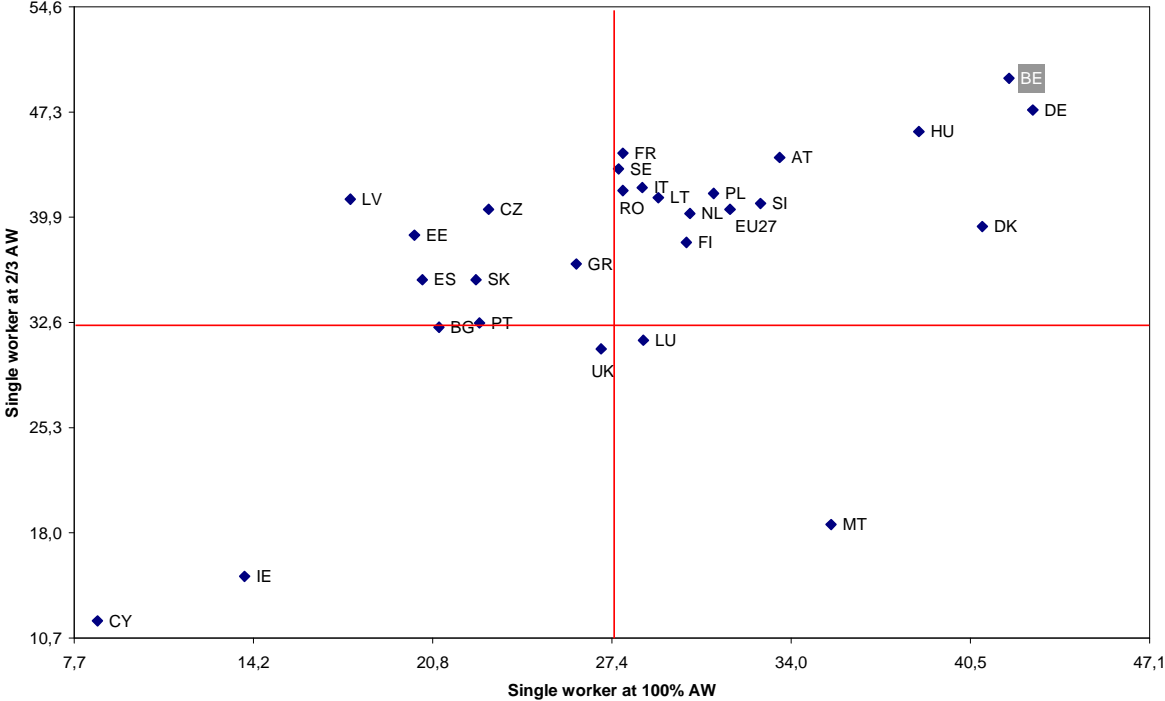
Thus, minimum wage in itself is already a relatively good protection against poverty, at least for single full-time workers. However, the effect of minimum wage in tackling working poverty may not be very high, as it contributes mainly to improve income of low paid workers, and as we mentioned earlier the overlapping between low wage work and working poverty is limited. This means also that minimum wages, but also other policies aimed at improving earnings of low income workers such as in-work benefits, affect only at the margin the working poverty, as they benefit mainly to non-poor households. The main challenge of working poverty in Belgium, like in many other European countries, is rather the increasing of labour market participation and working times of those already at work, especially the second earners, than the improvement of income by itself. The employment effect of policy measures should then prime on the redistributive effect.

A demonstrated earlier, favouring dual earnings in households through the development of child and dependant care schemes is one way to act on the demand side of the labour market in order to increase employment in general, and of (female) partners in particular. Other demand-side measures that could also affect the rate of working poverty are the subsidisation of wages or the alleviation of employment-related tax concessions to employers to encourage

them to occupy particularly disadvantaged groups of individuals by lowering their labour costs. Among these vulnerable groups we found the low-skilled/educated workers, the disabled persons, the young or the older workers, the long-term unemployed or even in some countries the migrants. Some of these groups are also among those particularly exposed to be or become working poor. In the Belgian collective bargaining increases of the level of wages and especially minimum wages have generally been accompanied by ‘compensations’ for employers to reduce labour costs by subsidising wages. Belgium has introduced across the years numerous measures of this kind, and in 2004 a new measure was needed to substantially simplify the complexity generated by the accumulation of these kinds of measures across time. However the effect of wage subsidies on in-work poverty may be limited. Like minimum wages, they are mainly individual measures mainly seeking to raise employment rates of low-wage earners and are thus not very well targeted in terms of households’ incomes (Immervoll and Pearson, 2009).

Other aspects of the tax system may also contribute to increase the risk of in-work poverty. Belgium has particularly high levels of taxation on wages, notably low wages, compared to other European Continental countries. Figure 8 put in perspective the level of taxation of wages for single low-wage earners and average workers. Belgium and Germany, and to a lower extent Hungary and Denmark, are countries characterised by very high levels of taxation for both levels of wages. Even when considering other forms of households’ typologies including children and different levels of wages for the partner, Belgium and Germany still present higher levels of taxation than other European countries (OECD, 2007).

Figure 8: Tax wedge on single workers at low-wage and average wage levels - 2007



Source : Eurostat web site, data retrieved 15th February 2009

The high level of wage taxation may contribute to in-work poverty by reducing the level of net disposable income of workers in full-time work but also by acting as a work disincentive for those partners out of work or occupied part-time to enter into employment or increase their number of working hours. This alleged work disincentive effect of taxation could also be amplified by too generous means-tested welfare benefits. This is at least the theoretical background set at the end of the Nineties to justify the introduction of the so-called Make Work Pay policies to foster employment rates through a higher inclusion of disadvantaged categories of potential workers on the labour market. Strongly backed by international institutions such as the OECD, this concept has ‘diffused’ at various degrees into European countries labour market policies through the European Employment Strategy since the beginning of the 2000’s. We will not discuss here the questionable theoretical background underpinning these Make Work Pay policies, especially when it relates to the supposed disincentive effect of social protection. We will only consider them as potential tools among others in the whole policy mix that may contribute to lower in-work poverty risks, and thus also explain why working poor are less numerous in certain countries than others.

To tackle this specific challenge Belgium has introduced across time different schemes related to the so-called Make work pay policies. In the table A in annex we present a complete overview of the Belgian policies introduced since the beginning of 2000's and that are related to the introduction of in-work benefits, wage subsidies or cuts in social security contributions of specific vulnerable groups of workers.

In 1999, a scheme of reduction of social contributions paid by low wage employees was introduced. In 2001, with the explicit ambition to reduce poverty by increasing employment of women and young people, Belgium introduces its first ever tax-credit scheme (“Crédit d'impôt sur les bas revenus de l'activité professionnelle” (CIBRAP)). This first attempt had nevertheless various imperfections in its design, notably the fact that it was not scaled according to family size contrarily to social assistance scheme, producing thus a counterproductive effect in terms of work incentive, especially for women in couples.

It was replaced in 2004 for wage earners only by the “Bonus à l'Emploi” (Employment Bonus), a rebate on social security contributions for low skilled employees. The CIBRAP has been maintained for self-employed only, as they do not benefit from reductions in social security contributions. The Employment Bonus is linked to full-time equivalent earnings so employees working full time are entitled to the full reduction, while part-time employees receive only half of the maximum reduction (Bargain; 2008). Unfortunately, Belgium has not really a tradition in evaluating the impact of policies. The unique study dedicated to the evaluation of the CIPRAB and Employment Bonus examines only the impact in terms of employment and worked hours. It shows that the results in terms of employment vary significantly according to gender. For women the effect is mainly an increase of employment participation rather than an increase of worked hours. For men, the size of employment participation effect is more or less the same as for women, but there is a marked differences concerning the worked hours. The Employment Bonus is also perceived as more effective because it is directly attributed on the pay-roll, and not with a large delay as in the previous system of the CIPRAB. The evaluation of both tax-credits shows also that when measures are targeted on low-income workers they essentially affect part-time jobs, while this is much less the case when the measures are targeted on low hourly wages (Orsini; 2006).

It is also interesting to notice that Belgium has abandoned the newly introduced tax-credit system to return to a more traditional measure of intervention on social security contributions. The attraction of tax-credits in the Anglo-Saxon way may fade away in forthcoming years, at

least in Nordic and Continental Europe countries, as they need to be very targeted to be effective in terms of poverty alleviation while avoiding disincentive work effects. Tax-credits are less effective and very costly in countries where wage and income inequalities are limited by universal redistributive features of the welfare and tax systems. The focus should rather be set on demand-side policies to tackle the high levels of structural involuntary inactivity and also active labour market policies aiming at a permanent increase of the productivity of less skilled workers (Bargain and Orsini, 2007, Immerwoll and Pearson, 2009).

Conclusions

In this paper we first review the incidence of working poverty in Belgium. Although the global extent of the phenomenon is relatively limited in Belgium compared to other European countries there are still 4% of Belgian workers that could be considered as working poor. In the second section we review also the make-up of the working poor population. Results indicate that some characteristics such as low work intensity at household level and non-standard forms of work, i.e. non equivalent to a full-time full-year work pattern are significant factors explaining working poverty in Belgium, along with the fact to be working in some specific occupations and/or specific economic sectors. The logistic regression analysis confirms that it is the lack of work at household level and the low wage situation that are the main explaining factors of working poverty in Belgium. Nevertheless, the analysis shows also that despite the common belief identifying working poor situations with low wage ones there is only a limited overlapping between both situations in Belgium: 10% of low wages workers are also working poor, and 26,5% of the working poor are low-wage workers. Incidence of low pay in Belgium is also quite reduced (around 10% of workers).

The Belgian welfare system is still efficient when it deals with protecting what are its core targets, the (male) worker and its family, playing thus also a significant role to limit working poverty by limiting whole earnings and income inequalities in the country. But the Belgian welfare appears also as being quite paradoxical as it supports in the same time the traditional model of (female) care-giving while offering to women extended opportunities to be unburdened of the care responsibility ('optional familialism').

The labour market institutions, and notably those concerning wage settings, have contributed to ensure a more or less adequate purchasing power to wages across time. The tax system already plays a role in alleviating working poverty among households given its particular generosity for families. However, the tax wedge on Belgian workers remains also among the highest in the European Union. Belgium has introduced across the years a wide variety of demand and supply oriented measures to increase income and labour attractiveness of particularly vulnerable groups of workers such as low-skilled or low-waged workers. In complement active labour market policies are also much more intensive nowadays in Belgium. This trend has been reinforced by the introduction of a specific tax-credit scheme but the latest has been abandoned after proving to be counter-productive and too expensive in the framework of Belgian labour market.

Although we do not yet have the empirical data to measure it, it seems obvious that the current economic crisis will probably have an aggravating effect on working poverty in Belgium in the forthcoming years. However, the intensity of this aggravation of working poverty is and will be amortised in Belgium by the still high redistributive capacity of the welfare and tax systems, and this redistributive capacity has to be absolutely preserved. The extreme vulnerability of systems where employment and growth have been privileged against social spending has been clearly demonstrated in the framework of the current crisis in the European Union. The dramatic present situation of the Celtic and the Baltic ‘Tigers’ is quite illustrative of this fragility. Belgium will also need to carefully manage the trade-off between the employment and redistributive effects of the in-work benefits schemes, as income support measures need to have priority on employment raise in times of crisis.

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Appendices

Table A : Overview of policies aimed at tackling in-work poverty implemented since 2000 in Belgium

YEAR	TYPE OF MEASURE	TARGET GROUP	DESCRIPTION	LEGAL REFERENCE
2000	In-work benefits	Low-income earners (people at risk of unemployment trap)	Benefit recipients taking up employment at around the minimum wage can keep for a transition period the social security advantages - such as family allowances - linked to their previous status.	Royal Decree of 14 July 2000 (M.B. 28 July 2000)
2000	In-work benefits	Unemployed single parents, older and long-term unemployed	Introduction of : 1) a one-off payment of € 743.7 paid to single parent families taking up employment after a long period of unemployment; 2) a one-off payment of € 743.7 paid to long-term unemployed persons accepting a job which requires them to travel far (more than 12 hours in total travel + job); 3) an higher amount of unemployment benefits based on the previous (higher) salary for older unemployed persons (aged 45 and over) accepting a lower-paid job. The increased family benefit given to long-term unemployed persons is maintained during the first two quarters of taking up employment and continues if the new job lasts less than six months.	Royal Decree of 9 July 2000 (M.B. 18 July 2000); Family allowances: Royal Decree of 1 March 2000 (M.B. 6 April 2000)
2000	Labour Taxation - Employees' social security contributions (ssc)	Low-wage earners	Cutting individual social security contributions for full-time workers earning up to 115 per cent of the statutory minimum wage, and prorata cuttings for part-time workers on the basis of the hours worked. The reduction, corresponding to € 82.5 per month for full-time employees earning up to € 1150 per month, is progressively withdrawn falling to zero for salaries of € 1350 and above.	Law of 20 December 1999 (M.B. 26 January 2000); Royal Decree of 17 January 2000 (M.B. 28 January 2000) / (The law is no longer in force since 31 December 2003. The measure has been replaced by the Employment bonus in 2004)
2001	Labour Taxation - Income tax	Low income earners for the tax credit	1) Tax reform, including upwards shifts in tax brackets and the abolition of the two highest tax brackets, tax reductions for married couples and single parents; 2) Introduction of a non-wastable tax credit for low incomes from labour (calculated on an individual basis), which is progressively withdrawn as full-time	Personal Income Tax Reform of August 2001

			income rises above 56% of the average production wage (APW) and completely phased out by 67% of APW. The tax credit rises from € 78 per year in 2002 to € 500 per year in 2005.	
2002	In-work benefits	Older unemployed	Older long-term unemployed (50 aged and over) coming back to work receive an income supplement, which can be combined with the new wage. The objective is to encourage the older workers to find a new job, even if the rate of pay is less than before.	Royal Decree of 11 June 2002 (M.B. 29 June 2002)
2004	Labour Taxation - Employers' social security contributions (ssc)	Low-skilled workers, older employees, long-term unemployed	Belgium had implemented across the years various schemes reducing ssc for employers hiring workers from vulnerable groups. We just document here the last reform which consists in a substantial simplification of the various existing schemes. In the framework of the new scheme, a structural rebate (focused mainly on low-income workers) can be supplemented with a reduction of € 400 or 1000 per quarter, aimed at target groups (such as low skilled workers, older employees and long-term unemployed). The objectives are to drastically simplify the system of rebates but also to stimulate employment by lowering labour costs (especially for low skilled workers).	National action plan for the labour market 2004
2004	In-work benefits	Low-income earners	Introduction of a "working credit bonus", generating a financial benefit added to the net salary of those on low incomes. The benefits of the credit will be reduced only slightly as the income from employment rises. There is a gradual implementation of the scheme starting from 2004	Royal Decree of 17 January 2002
2004	Labour Taxation - Employees' social security contributions (ssc)	Low-income workers	<p>Gradual introduction of the "employment bonus» in 2005-2007, which consists of a degressive reduction in individual SSC. The objective is to avoid job traps and make work pay, by increasing net earnings without involving higher labour costs for the employer. The employment bonus replaces and improves the system of rebates in individual SSC for low-wages and the tax credit for low-income workers (introduced in the 2001 tax reform). The objective is to stimulate employment by lowering labour costs, to make employment more attractive for low-income workers and to avoid 'unemployment traps'. In the previous system, the reductions in SSC dissipated quickly when income was rising. Hence the marginal benefits in net pay could be very small. The bonus system tackles this issue by increasing the amount of the rebates. The benefits of the tax credit also had little visibility to the employee because it came two years after the income is earned. Now, with the bonus, the employee receives directly higher income. The tax credit still exists for self-employed and some categories of workers (such as statutory workers in the public service).</p> <p>- Introduction in January 2005</p> <p>- In April 2005, the maximum amount of the deduction has been increased (from € 105 to € 125 per month for employees and from € 113,40 to € 135 per month for manual workers). The wage ceiling giving right to the maximal</p>	<p>Programme law of 27 December 2004 (M.B. 31 December 2004);</p> <p>Royal Decree of 1 February 2005 (M.B. 22 February 2005);</p> <p>Royal Decree of 10 August 2005 (M.B. 16 September 2005);</p> <p>Programme law of 27 December 2005 [reintroduces the bonus for some categories of workers] (M. B. 30 December 2005)</p>

			reduction has been raised. - In January 2006, the maximum amount of the deduction has again been increased (from € 125 to € 140 per month for employees and from € 135 to € 151,20 per month for manual workers). The wage ceiling beneath which the bonus is granted has been raised.	
2005	In-work benefits	Low-income earners	Reform of the system of the "Guarantee of income" allowance. According to this system, a job seeker taking on a part-time job can still benefit from a part of the unemployment allowance, in such a way that he/she earns more than with only the unemployment allowance. She/he is still considered as a job seeker and must continue looking for a job. The calculation of the supplement has been modified in order to reduce the job traps present in the previous system (working more hours was financially less attractive because the amount of the supplement was diminishing) so as to encourage unemployed working few hours to work more. Instead of a monthly lump-sum amount, the supplement is now calculated on the basis of the number of the hours worked. People working less than 1/3 of a full-time job do not receive any more the supplement.	Royal Decree of 29 June 2005 (M.B. 1 July 2005)
2005	Labour Taxation - Employees' social security contributions (ssc)	Low-income earners	Introduction of a "working credit bonus", consisting in a reduction of the employees' SSC for low wages. The credit will be reduced only slightly as the income from employment rises.	Royal decree of 10/08/2005 concerning the working credit bonus
2006	In-work benefits	Unemployed	Beneficiaries of unemployment benefits can continue receiving increased family allowances for a period of two years (instead of six months) when finding a new job. An income ceiling cannot be exceeded. The measure also applies to people receiving invalidity benefits	Programme Law of 27 December 2006 (M.B. 28 December 2006) / Royal Decree of 11 January 2007 (M.B. 12 February 2007)
2006	In-work benefits	Older unemployed	The eligibility conditions for receiving the income supplement when going back to work have been eased. The claimant must no longer receive the seniority allowance (i.e. have worked as a wage earner for at least 20 years and be unemployed for at least one year) when he becomes unemployed. The requirements regarding the length of the unemployment period are also removed. The supplement is also granted to unemployed who start an activity as a self-employed.	Royal Decree of 9 March 2006 (M.B. 17 March 2006)
2006	Labour Taxation - Income tax	low-income workers (all workers since 2009)	Lump-sum reduction in the personal income tax introduced by the Flemish government for workers established in the Flemish Region. First targeted on low-income workers, it will be increased to all workers in 2009. The reduction amounts to € 125 in 2007, € 150 in 2008 and € 200 in 2009.	Decree of the Flemish Council of 30 June 2006 (M.B. 26 September 2006)

Source : LABREF database of the European Commission, data extracted 15th February 2009