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Table of Contents

1 Executive Summary

If anything is to be gained from the impact of the economic and financial crisis in Belgium, it is that the challenges for the future of the social protection system are now rendered more clear and more explicit. The statement that Belgium is ill-equipped and ill-prepared to face the challenges brought by an ageing population is no longer bold, nor is it any longer deniable. Belgian social policy will have to make changes on how it provides for its citizens. And it will need societal agreement and clear leadership to do so.

"Finding the quadrature of the circle". This is how the Minister for Pensions describes the challenges Belgium is faced with when trying to find solutions for the sustainability of the pension system. While we hope that it is not that bad, the description as an insoluble puzzle fits not only this particular sector, but also – or so it seems – the political questions on the level of Belgian federal government. A new finale has been reached with the fall of yet another government by the end of April 2010, conveniently also the end of the reporting period to which this text refers. Elections will take place on June 13th, with much of the same issues at stake as was the case in 2007.

In the mean while, constant failure to reach compromise has left socio-economic issues screaming for attention, with change limited to a continuation of policy already set before the elections of June 2007. Recently implemented tougher conditions for the much criticised system of "bridging pensions"[1], for example, build on accord already enacted as early as 2005. An obvious and tragic victim is decisive action in light of the apparent failure of the long-defended budgetary strategy to pay for the rising costs associated with an ageing population. In the field of pensions, the National Conference on Pensions has succeeded in reiterating the problems on the horizon and the questions to be asked, but has not provided any of the answers. Upcoming elections have however sparked a revival of the pension debate, and standpoints are slowly beginning to crystallise in what hopefully can become concerted and concise policy, to be rolled out by the coming government.

The health care system continues to provide quality service to 99.6% of the population, but the implementation of a 4.5% growth norm irrespective of budget needs also means that health care spending as part of GDP remains on the rise, and that its share in overall social security spending continues to increase. Citizens, in the mean while, are also faced with rising personal spending on health care, as mechanisms to moderate the increasing cost of private additional insurance are being challenged.

The long-term care sector, being largely integrated in the health-care system, faces the same current and future challenges. The system continues to develop, with increased attention to cooperation between service providers and the efficient allocation of resources.

Decision-making in Belgium has been more firm when dealing with the effects of the economic and financial crisis. Important measures meant to safeguard employment and the adequacy of benefits have been successfully rolled out and seem to leave Belgium in good shape and with a smaller budget deficit compared to other European countries. Amongst those initiatives are the extension of the system of temporary unemployment to white-collar workers and the introduction of an additional compensation for laid-off blue-collar workers. Both measures imply a de facto approximation of the different statutes these two types of workers enjoy, and will most certainly have an effect on inter-professional consultations in the end of 2010.

[1] For more explanations about the "bridging pension", see footnote 33 below.

The immediate action taken seems to have the desired effects, but comes at the cost of ignoring budgetary austerity and debt reduction, leaving Belgium with the certainty that painful and deep-cutting sanitising operations will be necessary in the years to come.

This report covers evolutions between January 2009 and April 2010.

2 Current Status, Reforms and the Political and Scientific Discourse during the Previous Year

As was the case in 2008, the political situation in Belgium continues to hamper evolution and debate. Federal government has not succeeded in shedding the millstone of state reform discussions, with social-economic discussions taking a back seat.

Much has been written about politics in Belgium over the recent months and years. Without wishing to describe the myriad of facts, factoids and opinions, we deem it useful in the interest of context to offer a short overview of events, coupled with outlooks for the future.

Despite the fact that the June 2007 elections yielded a clear winner, agreement on the formation of a coalition government was painfully out of reach. The debate focused mainly on the reform of Belgium from a nation state to a (con)federal model.

This debate is not new nor is it dramatic or revolutionary. Rather, it is an evolution that has been going on in Belgium for decades. Ever since the official recognition of the language communities in 1962 and the creation of regional state structures in 1970, there has been a near-constant devolution of competencies from the federal level to the newly created levels. This re-arrangement has been sometimes difficult, but the current deadlock is remarkable. Especially because, as to the content, there seem to be few extreme demands concerning the package of competencies that is to be transferred.

An element needs to be added to explain the current situation: the debate surrounding “BHV”, which stands for “Brussel-Halle-Vilvoorde”. In May 2003, the Belgian Constitutional Court has ruled the current election laws unconstitutional where they concern the electoral district Brussel-Halle-Vilvoorde. Because this electoral district stretches over parts of two separate Regions (Flanders and Brussels), citizens in one Region are allowed to vote for politicians in another Region. In the rest of the country where electoral districts coincide with provinces (all of which are confined within one Region), this is not possible. Thus, there is unjustified unequal treatment which is forbidden under the constitution. Solving this problem is urgent, as elections under the current setup are legally declared unconstitutional and therefore default.

Objectively speaking, solving the Brussel-Halle-Vilvoorde problem, by itself, is rather straightforward. A solution however requires changes in the election law, and the issue is used as a bargaining chip in many different other debates that range from objective to emotional. As a result, a compromise has proven elusive, and the inability to solve the problem proved important enough to lead to the resignation of the government on 22 April 2010.

All this is relevant for the topics discussed in this report in that it has proven extremely difficult to find any agreement on any topic in this political morass. Discussions on state reform and the Brussel-Halle-Vilvoorde issue have overshadowed all other debate, leaving energy for real action only on the most urgent of matters.

After the June 2007 elections it took until March 2008 to form the new government. The political stalemate continued and culminated into the resignation of the government in July 2008 and again in December of the same year, after which Mr. Van Rompuy took over as prime minister.

Arguably the biggest accomplishment of the Van Rompuy government was the approval of a federal budget in October 2009, uniquely formulated for a period of two years in order to avoid budget talks and costly promises in the (planned) election year of 2011. The budget, while criticised for its lack of details, consolidated the recovery plans that were meanwhile agreed upon, and – or so it was hoped – created a situation where upcoming fierce debate concerning constitutional topics did not need to have a crippling effect on other aspects of governance.

Not much more could be done in this brief period. The federal government was wary of taking major decisions until the regional elections in June and underwent a re-shuffle right after when Mr. Karel De Gucht exchanged the post of Minister for Foreign Affairs for that of European Commissioner in July. Relevant to the topic of social protection, this event also brought along the replacement of the ministers responsible for pensions, societal integration and poverty policy.

By the end of the summer of 2009, the political situation had somewhat settled. The Regional elections had led to the formation of new Regional governments ready to implement new coalition agreements, and the entry of Mr. Herman Van Rompuy as head of government had brought what could be called "serene solidity" at the federal level.

With the appointment of Mr. Van Rompuy as President of the European Council, Mr. Leterme returned as Prime Minister on 25 November 2009. This had however not lead to major changes in government posts, nor was a significant deviation from the policy set out via the 2010-2011 budget to be expected. Importantly, the most explosive and incapacitating discussion points of the past years had been removed from the daily agenda and had been entrusted to non-governing political mediators. In the introduction of an assessment of the Belgian 2009 Implementation Report, we carefully stated that the stage seemed to be set for a political climate in which social policy evolutions in the next two years could be undertaken without being marred by political battles on other issues.

The calm has however proven to be short-lived. When the proposals for a negotiated solution for Brussel-Halle-Vilvoorde were presented to the government, agreement proved to be as impossible as ever and the government was forced to resign on 22 April 2010. Elections on 13 June 2010 will now have to bring a solution.

In summary, the focus of political activity at the federal level in the past years has hardly been on issues such as the challenges to the system brought by an ageing population, concerns as to employment strategies and concepts, or even a critical assessment of financing needs and mechanisms. And thus, reform was again not in the cards in Belgium in 2009. Policy initiatives and developments in the past years have carried, and still carry, an emphasis that is essentially budgetary.

Will the election campaigns bring solace? As far as the (highly mediatised) debate concerning pensions goes, perhaps. But whether the discussion will touch the core of proposals and standpoints or will be limited to a back-and-forth on who says what and for what reason, will remain to be seen.

2.1 Old-age pensions

2.1.1 Old-age pensions: system characteristics and reforms

The **first pillar**[2] of the Belgian pension system consists of a statutory system, providing for a retirement pension for insured persons who have attained a certain age and who have stopped working. The retirement age is 65 for men and women (from 2009 onwards, raised from 60 in 1997).

The pension benefit for employees is calculated as a percentage of the average wage of that employee over the period between 20 years of age and the normal pension age (75% for retired employees who have dependents without other income; 60% for all other employees).

The benefit for self-employed people is determined differently, on the basis of a low, flat-rate business income per year (for the years prior to 1984), or of the (capped) business income.

Civil servants benefit from yet another set of statutory provisions, in which the benefit is calculated not on the whole career, but on the last years of service. Conceptually, pensions for civil servants are seen as a form of "delayed wages", rather than insurance-based benefits.

The statutory pension system in Belgium contains several mechanisms to ensure that the amount of the pension reaches a certain level.

An important mechanism to ensure adequate levels of pensions is the minimum right per year of career. As pensions are calculated as a percentage of previously earned (capped and revalued) wages, low wages can lead to low pension rights. The mechanism compares the revalued wage in a particular year with the minimum wage, and takes into account the highest amount. The mechanism of minimum right per year of career was introduced in 1996. The notional minimum was raised by 17% in the framework of the "Generation Pact" (2005). Both the original setup and the increase logically should benefit women, due to generally lower wage levels.

A minimum pension is granted to persons who have worked at least 30 years (at least half time). Before the Generation Pact of 2005, the minimum pension was only granted to those with a minimum of 30 years of career with a full-time contract. The adaptation in the mechanism of minimum pensions are also said to benefit women, as the percentage of women working part time is significantly higher than that of men (41.5% versus 8.6% in 2009[3]).

Once the right to a minimum pension is established, the amount is then calculated on the basis

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[2] The fundamental difference between first, second and third pillar social security provisions is adequately reflected in this definition of social security: "Social security is a collection of redistributive arrangements intended to reach a situation of optimum protection against collectively recognised human damage. The first pillar consists of those regulations in which redistributive flows of finance are controlled by public institutions (defined by the OECD as "general government" and encompassing central government, local governments and social security institutions). The second and third pillars consist of social security regulations in which the redistributive flows of finance are controlled by private institutions. The second pillar is distinguished from the third pillar by its work-related character. This is expressed through the fact that such schemes are developed within an enterprise or an industrial sector, or within a professional category or group. Every individual, however, regardless of his professional status, is free to take part in the third pillar." Source: Onzichtbare pensioenen in Belgïe: een onderzoek naar de aard, de omvang en de verdeling van de tweede en derde pensioenpijler (eindrapport), GIESELINK, Gerhard, PEETERS, Hans, VAN GESTEL, Veerle et al, Gent, Academia Press, 2003.

[3] Eurostat: http://epp.eurostat.ec.europa.eu/tgm/refreshTableAction.do?tab=table&plugin=1&init=1&pcode=tps00159&language=en.

of the career. This calculation is complex, and can lead to different amounts depending on the exact composition and placement of career fragments. When the pension rights are not sufficient, a person has the right to a means-tested *Guaranteed Income for the Elderly (IGO)*. This IGO, paid on top of whatever pension right is acquired, has been raised to bring it to the level of the official poverty lines. Furthermore, conditions for pensioners who live together with other family members (for example, their children) are changed favourably, meaning that the income of these other family members is no longer taken into account when the level of the IGO is determined.

Second pillar pensions in Belgium encompass all forms of supplementary pension rights in connection to professional activity. These are the pension arrangements (other than the first pillar system) in which one can or must participate on the grounds of his or her professional activity.

The second pillar pension system is regulated by the 2003 Act on Supplementary Pensions[4] which creates socio-economic protection for supplementary pensions that are agreed on the level of the company or the sector of industry, and which determines the rules under which a second pillar system can be constituted. It further introduces fiscal measures to encourage take-up of the second pillar system, from the observation that second pillar systems were until then almost only joined by high wage earners – those for who the replacement rate of the statutory system is the lowest[5].

For employed persons, these are:

- "group company pensions" (financed through group insurance or a pension fund);
- "individual company pensions" (benefiting an individual employee, and subject to strict conditions to ensure its occasional rather than systematic character[6]);
- "sectoral pensions" (created on the basis of a collective agreement within a joint committee or sub-committee, obliging the employer in these sectors of industry to take out pensions for all employees who fall within the scope of the collective agreement[7]).

While the first two types of arrangements are created on the basis of a unilateral decision by the employer, the sectoral pensions are based on collective bargaining.

[4] Wet van 28 april 2003 betreffende de aanvullende pensioenen en het belastingstelsel van die pensioenen en van somige aanvullende voordelen inzake sociale zekerheid, *Belgisch Staatsblad*, 15 May 2003.

[5] Figures on participation illustrate this policy concern: in 1999, a maximum of 30% of employees participated in a group company pension or a sector pension. Fiscal data for the same year shows that 80% of the total volume of benefits paid went out to 20% of the recipients. For a more detailed analysis of data prior to 2003, see GIESELINK, PEETERS, VAN GESTEL e.a., 2003. The current percentage of participation amongst workers is estimated to be around 48% (Report of the Study Committee on Ageing, 2007).

[6] Individual company pensions are only permissible when awarded in rare cases. This restriction is put in place to avoid an obvious "work-around" in order not to have to establish group company pensions. Even if the employer is free as to which categories of staff to include in group company pensions, unlawful distinctions can not be made.

[7] The 2003 Act put the sectoral pension arrangements under the same legislative framework as the other second pillar arrangements, and entrusted the Banking, Finance and Insurance Commission to issue biennial reports. In its 2009 report, the Commission concludes that the majority of beneficiaries (81%) of these types of second pillar pensions are blue-collar workers, and mostly males (88%). The Commission also reports that sectoral pensions are common in some sectors, but almost completely absent in others. In those sectors of the economy where sectoral pensions are agreed upon, the vast majority of workers participates. For a detailed analysis (based on Figures spanning the years 2006-2007), see Banking, Finance and Insurance Commission, Biennial Report concerning Sectoral Pensions, 2009. Note that this report deals with sectoral pensions only, and not with group company pensions or individual company pensions. http://cbfa.be/nl/publications/ver/pdf/cbfa_sp_2009.pdf.

For self-employed persons, the provisions of the second pillar contain:

- the free supplementary pension for the self-employed, which operates as an individual life insurance policy and is accessible to all self-employed;
- the supplementary pension for certain liberal professions (an opportunity given to members of certain professions through recognised pension funds, set up by the group of professionals concerned[8]);
- the supplementary pension for self-employed managers (some self-employed managers can participate in a group company scheme or benefit from an individual company pension).

In 2007, 38% of those with a self-employed activity as their main economic activity contributed to the system, compared to 27% in 2005. The number of participants under the age of 25 has risen by 30% from 2006 to 2007[9].

The **third pillar** of the pension system includes different saving schemes with different fiscal treatment. In this respect, individual life insurance is to be distinguished from saving-based pension schemes. While the concept is similar, tax treatment of both set-ups is quite different.

Within this three-pillar framework, policy evolution and reform in Belgium is characterised by an incremental approach, rather than by big changes. The emphasis is on evolution, not revolution, and on budget measures rather than on a re-thinking of the fundamental underlying principles of the system. In recent years, the system has further evolved mainly through the continuation of changes set in motion through earlier measures. Four important initiatives need to be explained in this respect, as they set the agenda and contain the information necessary for assessing current evolution.

A first important text is the 1996 Act on the sustainability of pensions[10,] which introduced

a) the equalisation of the pension age of men and women (by gradually raising the pension age for women from 60 to 65, by 2009),

b) the introduction of changes in the calculation of pension amounts that benefit women in particular, and

c) an increase in the replacement rate by linking the capped wage that is taken into account for the pension calculation to the evolution of wages, and through a re-evaluation of the minimum pension and the residual social assistance scheme (guaranteed income for the elderly).

Secondly, the 2001 Act on the institution of the “Silver Fund” (*Zilverfonds*)[11] requires mentioning. This Fund was created to build financial reserves that can be used to finance the extra obligations of the legal pension system when the “baby boom generation” will reach the

8 The Provident Fund for Doctors, Dentists and Pharmacists (Dutch: Voorzorgskas voor Geneesheren, Tandartsen en Apothekers - VKG), the Provident Fund for Pharmacists (Dutch: Voorzorgskas voor Apothekers - VKA), the Suplementary Pension Fund for Notaries (Dutch: aanvullend pensioenfonds voor het Notariaat) and the Provident Fund for Lawyers and Process Servers (Dutch: Voorzorgskas voor Advocaten en Gerechtsdeurwaarders).

9 Banking, Finance and Insurance Commission, Biennial Report on the Free Supplementary Pension for Self-Employed, 2009 (http://cbfa.be/nl/publications/ver/pdf/cbfa_wapz_2009.pdf).

10 Wet van 26 juli 1996 tot modernisering van de sociale zekerheid en tot vrijwaring van de leefbaarheid van de wettelijke pensioenstelsels, Belgisch Staatsblad, 1 August 1996.

11 Wet van 5 September 2001 tot waarborging van een voortdurende vermindering van de overheidsschuld en tot oprichting van een Zilverfonds, *Belgisch Staatsblad*, 14 September 2001 (Law of 5 September 2001, guaranteeing the continuing reduction of public debt and the creation of an Ageing Fund).

legal pension age (between 2010 and 2030), and is financed by surpluses on the State budget, investments, non-fiscal income and – primarily – savings made through reducing the public debt.

By the same Act, a "Study Committee on Ageing" (*Studiecommissie vergrijzing*) was created and commissioned to deliver yearly reports on the long-term budgetary impact of ageing where it concerns social security and social assistance (not limited to pensions). These yearly findings are important, as they form the basis on which the High Council of Finance[12] (an organism within the Federal Public Service Finance) formulates its own recommendations. The two reports together then form the basis for an appendix to the budget (the "Silver Note" or *Zilvernota*), in which the Government outlines the policy concerning the challenges encountered. The activities of the Study Committee on Ageing are thus institutionalised.

Third, the 2003 Act on Supplementary Pensions, which regulates the second pillar pension system (see above).

Lastly, the 2005 Generation Pact[13] contains measures to activate older workers (stricter rules for the system of "bridging pensions" and the emergence of a "pension bonus"), and changes made to the level of the benefits (the so-called "prosperity bonus" or *welvaartsbonus*).

These four policy initiatives and their implementation today constitute the scope of pension reforms in Belgium and are reflected in the policy goals and overall ambitions found today.

Concerning early retirement (from the age of 60 onwards), the Generation Pact of 2005 raised the minimum career requirement from 30 years to 35 years. It should be noted that the income one can receive on top of an early retirement pension is much more restricted than it is for those who wish to work after the legal pension age.

2.1.2 Old-age pensions: debates and political discourse

As is the case in many countries, the problems Belgium is faced with are primarily related to the effects of an ageing population. Two challenges lie ahead: how to keep the pensions system affordable, and how to keep them adequate, or in other words socially acceptable[14].

The Study Committee on Ageing offers yearly reports on the long-term budgetary impact of ageing. In its 2009 report[15] the Committee predicts an extra budgetary cost to the amount of 8.2% GDP between 2008 and 2060. For the coming years this cost will already be 2.6% of GDP, mostly because the GDP itself has dropped, but also because more unemployment means less income. These Figures are based on a growth in expenses of 5.3% of GDP for the sector pensions and 4.2% of GDP for the health care sector between the years 2008 and 2060. Summarised: in the hypotheses of unchanged policy, the costs for the social security sector in the years to come are staggering.

These figures can be compared with the expected government income in the coming years.

12 See http://docufin.fgov.be/intersalgen/hrfcsf/onzedienst/Onzedienst.htm.

13 Wet van 23 December 2005 betreffende het generatiepact, *Belgisch Staatsblad*, December 30, 2005. For a detailed overview of all the measures contained in this law, see http://www.sd.be/site/NR/rdonlyres/DCCB3D2D-0991-4F8B-BDD1-6E2A854C6F32/0/GPwetoverzichtsartikel_NL_060131.pdf.

14 See also: QUADEN, G., De problematiek van de pensioenen in het licht van de vergrijzing en de crisis, 1 April 2010, 11 (http://www.nbb.be/doc/ts/enterprise/speeches/sp20100331Nl.pdf). Mister Quaden is the chairman of the Study Committee on Ageing.

15 Study Committee on Ageing, 2009 Report, June 2009, 112 (http://www.plan.be/publications/Publication_det.php?lang=nl&TM=65&IS=63&KeyPub=832).

The High Council of Finance, in a report published in September 2009[16], warns for a cascading effect brought by high public debt and budgetary deficits. This means that the interest payments on the debt would rise at such a pace that the share in overall government spending would grow ever larger and that more debt would be created as a result. The report also contains a remarkable calculation: even if the budget deficit would be diminished to less than 3% by 2013, and even if the total government debt would fall to under 100% of GDP by 2015, this would lead to coverage of only 80% of the cost of ageing after 2015. In other words, even if hard and extensive efforts are made to return to healthy state finances, even then would it not be enough to pay the costs associated with an ageing population[17].

Summarised, when it comes to the financial sustainability of the pension system, the strategy pursued since the 90's to offset the costs by reducing the government debt (and using the savings made in this way) has quite clearly failed. This fact is now also officially recognised.

The question as to the social acceptability of the pension system points to the extent to which pensions offer an adequate replacement rate that can keep those with the lowest pensions out of poverty, and those with higher pensions in a situation where living standards can be maintained. The EU-SILC 2007 survey[18] reveals that 20% of Belgian pensioners live in poverty, against 15% of the total population and 23% of those aged 65 and older. Replacement ratios (the pension amount as a percentage of previous wages), around 57% for the first pillar system and around 67% when second pillar pensions are taken into account[19], are still low in Belgium and are projected to drop even further.

Clearly, policy must be changed to address both sustainability and adequacy of the system.

Answers were to come from the "National Conference for Pensions". This round-table exercise was launched on 27 November 2008, with the aim to formulate policy advice on the future of the pension system, which could then be taken into account by Government in order to reform the system.

The mission of the National Conference is two-fold: to reform and enforce the pension system, and to initiate reflection on how pensions are calculated (with attention to problems connected to mobility between the different systems) and how it stands up to new challenges concerning ageing and to the specific situation of certain categories of employees (such as part-time workers and non-civil servants working in government service)[20]. The proclaimed time-frame within which conclusions should have been reached was one year.

With the entry of Mr. Michel Daerden as the new Minister for Pensions (July 2009) the National Conference on Pensions (which started under the previous minister, Mrs. Marie Arena) continued its activities. Recently, and finally, it produced a result, in the form of a

16 Hoge Raad van Financien, Begrotingstrajecten op korte en middellange termijn voor het aangepaste Stabiliteitsprogramma 2009-2012, September 2009, 40 (http://docufin.fgov.be/intersalgnl/hrfcsf/adviezen/PDF/HRF_fin_advies_200909.pdf).

17 The picture is even more grim. Different calculations show that the efforts expected historically have never before been attempted, and that the 80% financing would mean that all extra means generated until the year 2050 would go towards funding the cost of ageing.

18 As quoted in the 2009 report of the Study Committee on Ageing.

19 As described earlier, second pillar pension provisions are not available for everyone.

20 The political basis for the "National Conference for Pensions" is found in the coalition agreement of March 18, 2008, 13-15. The full text of the coalition agreement can be consulted here: http://www.fedweb.belgium.be/fr/a_propos_de_l_organisation/administration_federale/politique/accord_de_gouvernement/index.jsp (French) and http://www.fedweb.belgium.be/nl/over_de_organisatie/over_de_federale_overheid/Beleid/regeerakkoord/index.jsp (Dutch).

Green Paper (*Groenboek*) on the future of pensions.[21]

The announcement and presentation of this deliverable was surrounded by controversy and political spectacle. Not because of its content, but because of the way it was announced and communicated. This in itself holds no relevance for this report, except for the fact that these events brought about high media coverage, and a revival of the pension debate in the beginning of 2010.

The Green Paper in itself offers an extensive overview of the current problems in the three areas contained in the mission of the National Conference, but also not much more. Issues are listed and questions are made explicit, but the debate is limited from the start.[22]

The schedule of further activities includes a round of presentations and debates in five cities across the country in order to obtain societal input, and the drafting of a "White Paper" which should contain policy recommendations and choices, to be delivered "in the second half of 2010". However, with the fall of the government, it is anybody's guess whether or not any further result can be expected before the start of a new government and – more to the point – if the recommendations will be allowed to go beyond the views of the political parties that will be part of this new government.

A separate debate, which of course ties in with the range of options available to make changes to the current system, concerns the restrictions on the combination of a pension and professional activity. Beyond the age of 65, the possibility to work while receiving a pension remains severely limited[23] and subject to a maximum amount. Moreover, what is possible depends on factors such as age, type of pension received, activity and family situation, is subject to rather complicated rules and carries consequences regarding social security contributions and taxes. Those who surpass the legal limits during any given year risk losing pension rights for that full year, no matter when the paid activity took place.[24]

Unizo (the Flemish employers' organisation for the self-employed and small and medium enterprises) has posted Figures showing the number of pensioners taking up activities while receiving a pension for self-employed amounting up to 64,389 in 2008.[25] Figures concerning those who deploy extra activities combined with a pension as employee (35,027) or civil servant (13,542) could not be objectively confirmed. The idea to do away with this "enforced inactivity" is not new, and has recently been reiterated in the discourse of several political parties. Opinions range from simply allowing the combination of income from work and pensions, to allowing work after 65 without pension, but with the further gathering of pension rights.

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21 Nationale Pensioenconferentie, Groen Boek – Een toekomst voor onze pensioenen, April 2010, 415 (http://www.pensioenconferentie.be/pdf/NL/groen_boek.pdf); presented to the Council of Ministers on 25 March 2010.

22 See further, 2.1.4 for more details.

23 The activity needs to be reported beforehand to the pension institution, which brings forth an important burden. This reporting requirement has been eased with the introduction of a modernised administration of social security, which meant that the link between employers and employees is known through an electronic declaration made by the employer. For all those who are not captured by that system, the requirement however persists.
The maximum amounts (expressed as gross income, before contributions and taxes) can be consulted on http://www.rvponp.fgov.be/onprvp2004/NL/I/IH/IH_09_01.asp#a.

24 The details of what is possible are described in an article by BRUYNINCKX, M., „Hoeveel mag een gepensioneerde nog bijverdienen?", Sociale Wegwijzer nr. 16, September 2009, 9-17.

25 „Unizo over bijverdienen voor gepensioneerded", press release 5 August 2009 (http://www.unizo.be/viewobj.jsp?id=409557). The source of the figures is not quoted.

2.1.3 Old-age pensions: overview of published impact assessments

A concise and in-depth overview of Belgian first-pillar pensions is written down in a report by the Federal Planning Bureau of March 2010.[26] The paper looks purely at payments made under the legal pension system (ignoring second and third pillar systems, family situation, or other income) and looks at the evolution of adequacy in terms of prosperity and of poverty lines. The situation mapped out is that on 1 January 2008. A first observation is that the amount of the benefit is quite diverse, in line with the existence of different systems for employees, self-employed and civil servants, and the possible combinations between these systems in case of mixed careers. Moreover, every system uses a different definition of income, on which benefits are calculated. The report also illustrates with Figures what has been known or suspected already earlier – for example that the average retirement pension benefit for women is lower than that for men, or that older pensions are lower than more recently calculated benefits.

Interestingly, the report allows to assess the impact of the 2005 Generation Pact, which created a system that is referred to as the "prosperity bonuses" (*welvaartsbonus*). This structural mechanism creates the obligation for the government to decide every second year on a budget for adapting benefits in the overall social security sector to better match the evolution of wages. The act contains a minimum amount for this budget, and leaves the decision on which benefits should be adapted first up to the advice of the social partners (employer and employee organisations). The mechanism was used for the first time in 2006, to decide upon adaptations for 2007 and 2008. The discussed report shows the effect on minimum pensions. While increases were implemented before, irregularly and on the basis of *ad hoc* government decisions, the mechanism of the Generation Pact has lead to an increase in minimum pensions for self-employed and employees which exceeds the real evolution of wages. Moreover, the raise happened faster for pensions in the system for self-employed than for those in the system for employees, which means that the historic gap between these two systems has become much more narrow.

Nevertheless, minimum pensions are very close to poverty line. Civil servant minimum pensions are generally more generous, minimum pensions in the employee system are situated just above the relative poverty line, and minimum pensions in the system for self-employed fall between the legal and the relative poverty line. The proximity to poverty lines also implicates that Figures concerning pensioners' poverty need to be treated with caution. Measures can easily trigger large migrations below or above these lines.

That it makes economic sense not to abandon the further development of the first pillar system in favour of second pillar schemes is illustrated by a study by PACOLET and STRENGS,[27] in which the authors attempt to compare the yields of the first pillar system to those of the second and third pillar systems. The starting question is whether or not the other systems really are better equipped to safeguard adequate pensions. Based on an analysis of the situation in Belgium and in other countries, the authors conclude that the first pillar system actually yields better results and has a lower operating cost than the others, adding another element to the debate as to the importance of the different pillars in one's sum of pension provisions.

[26] DE VIL, Greet, De Belgische eerstepijlerpensioenen aan de vooravond van de vergrijzing: doorlichting van bedragen, gerechtigden en adequaatheid, Federal Planning Bureau Working Paper 4-10, March 2010, 31p (http://www.plan.be/admin/uploaded/201004291034230.wp201004_nl.pdf).

[27] PACOLET, Jozef and STRENGS, Tom, Pensioenrendement vergeleken, HIVA, Leuven, January 2010, 141p (http://www.hiva.be/resources/pdf/publicaties/R1300_Pensioenrendement.pdf).

At the end of January 2010, a paper written by a former Minister for Social Affairs Mr. Frank VANDENBROUCKE received much attention.[28] Meant for the researchers of the Centre for Social Policy Herman Deleeck, the paper provides an opinion on the research topics most relevant for the years to come, from an analysis of future strategic choices for social policy in general. The sharp but serene discourse of where past policies have worked and failed and the outlined priorities for the future make this paper a compelling read for anyone involved or interested in social policy in Belgium. All the more so because of the identity of the writer, who has not only held political responsibility in some capacity since 1989, but is also quite likely to find himself in this position again in the future.[29] Most relevant to the present report is the first part of the note, in which Mr. Vandenbroucke explains with great clarity exactly why strategic choices are imminent and in which he offers distinctions concerning explicit and implicit policy choices. Mr. Vandenbroucke also minutely explains what many experts have expressed for years: that the "budgetary strategy" to tackle the cost of ageing has failed, will be extremely difficult to accomplish, and will in any case not suffice.

2.1.4 Old-age pensions: critical assessment of reforms, discussions and carried out research

Sustainability and adequacy

The pension debate in Belgium has not moved much in 2009 and was only revived in the beginning of 2010 with the presentation of the first real output of the National Conference on Pensions: its interim report or "Green Paper" ("*Groen Boek*").

The Green Paper succeeds where it lists facts and problems in a realistic and clear fashion. The fact that the policy of saving to pay for the rising cost of ageing has failed. The fact that, even if it would have worked, this strategy would not have been enough to cover the expected costs, and that much more will be needed. The fact that we are faced with difficult decisions that touch the core of the debate of insurance versus solidarity…All these issues are now on the table and, through the Green Paper, recognised by the government.

However, the Green Paper fails where it ignores the consequences of its own findings and lacks ambition to step out of the corset of vested interests.[30] Where the challenges are clear, the Green Paper limits the boundaries within possible solutions are to be sought (and on which the White Paper should expand) to a return of budgetary equilibrium by 2015, a raise in participation in the labour market (with raising the effective retirement age by 3 years by the year 2030 as a proposed solution), and reviews of the financing mechanisms (i.e. the "Silver Fund" [31]).

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28 VANDENBROUCKE, F., Strategische keuzes voor het sociale beleid, 10 February 2010, 34 (http://www.centrumvoorsociaalbeleid.be/index.php?pg=68&id=630).

29 Mr. Vandenbroucke, despite good electoral results following the 2009 regional elections, failed to secure a position in the current Flemish government. This was unexpected, and the result of controversy within his own political party. Since that event, tensions remain between Mr. Vandenbroucke and the leadership of his party, which helps to explain why his paper (and the seriousness of its content versus the lightness of the overall political debate) has attracted so much attention.

30 The activities of the National Conference on Pensions are obviously guided by political considerations. It's conclusions are therefore subject to a kind of „pre-compromise", and thus leave out options that could objectively be defended (e.g. raising the legal retirement age), but do not fit the points of view of the different stakeholders.

31 The only income for the Silver Fund today (and since 2007) is from interests gained through investments. In the foreword to the 2008 year report of the Fund (published in June 2009), the chairman of the Fund expresses his despair at the prospect of not receiving extra funds before the year 2015, and almost seems to prepare to close the books. See Jaarverslag over de werking van het Zilverfonds in 2008, June 2009, 7

These are exactly the strategies that have failed in the past – both the policy of saving for the cost of ageing and the attempt to increase labour market participation through a set of bonuses have not yielded the desired results, the latter because the incentives cost as much as the expected gains. Solutions should therefore reach further, and the debate should not shy away from proposals that change the core of the system. The two questions to be answered now is whether the changes will be structural and alter the identity of the current pension system or will consist in parametric changes within the current system,[32] and whether change will come on the basis of societal consensus or dictated by pure necessity born from an inability to take decisive action. The latter will to a large extent depend on how real the open consultation promised by the National Conference on Pensions will prove to be. Or in other words: to what extent will the proposals made in the forthcoming "White Paper" be the result of open and fact-based debate, rather than of a reconciliation of entrenched positions.

In earlier reports, we have criticised the refusal to make real changes in the system of"bridging pension" (*brugpensioen*[33]), and the reluctance to talk about changes in the legal (versus the effective) retirement age. Rather than to repeat these observations, we would like to draw attention to the observation voiced in the above-mentioned paper by Vandenbroucke.

The menu of policy options from which solutions can be chosen, Mr. Vandenbroucke writes, can be expressed as four recipes: (a) the government can increase debt, (b) the average quality of pensions can be reduced, (c) contributions to the system can be raised, or (d) the amount of years during which someone has to work (and pay contributions) can be increased.

A mix of the four options is possible, the paper demonstrates, and the solution does not necessarily require dramatic reforms. What is clear however is that solid solutions will necessitate that stakeholders – the political parties, but also the citizens – will have to relinquish interests currently held sacred. And that any solution will have to be widely seen as fair and just, in order to be accepted and workable. In the next ten years, serious initiatives and thorough reforms are needed to safeguard the system. We hope that work towards these solutions commences and where already started, continues. The alternative is presenting a set of inconsequential measures, after which we can only wait until the collapse of the system literally forces abandonment of citizen's expectations and possibly the ambition to provide more than minimal social coverage to the elderly altogether.

More people in work and working longer

The level of activity amongst people over the age of 50 is rising, but remains low in view of a sustainable social protection system[34]. The average age at which workers exit active

(http://zilverfonds.fgov.be/pdf/rpt_2008_NL.pdf). The Silver Fund holds assets to the amount of EUR 16,183 million, while the yearly cost for pension benefits today is around EUR 31,000 million.

32 For an overview of the difference between reforms that touch the identity of a system and those who don't, see: BISCIARI, P., DURY, D., EUGENE, B. and VAN MEENSEL, L., Pension system reforms in the EU 15 countries, National Bank of Belgium Economic Review, December 2009, 21-47 (http://nbb.be/doc/TS/Publications/EconomicReview/2009/ecorevIV2009E_H2.pdf).

33 The Belgian „bridging pension" is not a pension as such, but an unemployment benefit granted to older workers who lose their employment and are some years away from the official retirement age. The unemployment benefit is supplemented by an additional benefit paid by the employer, and the worker is no longer expected to take up new employment. The system is meant to „bridge the gap" between the last employment and retirement and is popular as it softens the social consequences of important lay-offs. Attempts made over the years to limit the use of the system have proved inconsequential, creating tension between the goal to keep people at work longer, and the desire to maintain this exception especially in constituencies where big lay-offs and company closures are expected.

34 See http://statbel.fgov.be/nl/statistieken/cijfers/arbeid_leven/werk/absoluut/index.jsp (for a detailed overview).

employment has risen from 59.4 in 2004 to 61.6 in 2007.

The Government has taken different measures to remedy this.

An important evolution in this respect, introduced by the 2005 Generation Pact, is the tightening of conditions for the system known as "bridging pension" (*brugpensioen or pre-pension*). Not a pension as such, it is an unemployment benefit granted to older workers who get fired and to which an additional benefit is added by the employer. These workers are then no longer expected to take up new employment. This system is meant to "bridge the gap" between the last employment and retirement. The system is complicated[35], and has been used in different sectors to soften the effect of big lay-offs whilst maintaining social peace. Though expensive and often criticised system, pressure from mainly trade unions has prevented the system from being abolished altogether.

The 2005 Generation Pact seeks to limit the use of the system by gradually introducing stricter rules, effective from 2008 onwards. From 1 April 2010, the setup has become more expensive for employers, as the contributions that have to be paid on the additional benefit is now calculated differently. As a result, the previously fixed-sum contribution is now replaced by a percentage which is higher where it concerns younger employees. Moreover, employees under the age of 58 are now expected to remain available for new employment, and employees are expected to go through a period of job search before the system can be applied. Despite these significant changes, the system of "bridging pension" will continue to offer possibilities for an early exit from the labour market from the age of 50 onwards.[36]

The 2009-2010 Inter-Professional Agreement brings no changes, as existing collective agreements on the matter are explicitly kept in place.

Information and transparency

The quality of the administration of social security in general has benefited to a great extent from a move towards the electronic collection of data and electronic information exchange between different institutions, leading not only to efficiency and effectiveness, but also to better policy through better information[37] and a possibility for pro-active service delivery. One example of the latter is the automated communication of a tentative pension calculation sent to employees (as from 2006) and self-employed (as from July 2007) from the age of 55. Another is the possibility to check (prospective) pensions online.[38] The importance and relevance of this service cannot be denied. Other initiatives include accelerated proceedings when an application is entered for the Guaranteed Income for the Elderly.

Concerning the involvement of stakeholders in the pension debate, the previously mentioned "National Conference on pensions" deserves further attention, as it was meant as an instrument to bring together societal stakeholders on the issue of pensions. While a promising development, interest groups had raised concerns that this Conference would only involve the political level, the administration and the social partners (employer and employee organisations) and not the interest groups of pensioners themselves. This concern was quickly confirmed. Representatives of the elderly are not invited to participate in the main organ of the "National Conference for Pensions", the "Task Force", and are only allowed to participate in one of the "Preparatory Working Groups" – the Working Group Societal Participation – which

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35 For an overview of what is possible after 2008 and of how the conditions will change over the years, see http://www.conventioneelbrugpensioen.be/overzichtstabel.html.

36 The "normal" age for the system is brought to 60 years, but several "special" systems remain in existence.

37 An immediate declaration of employment (Dimona) for example allows real-time information on employees entering and leaving jobs.

38 The new website „kenuwpensioen.be" opened in the spring of 2010.

will not discuss federal affairs but rather topics that are then send to the Communities.[39] They take no part in two other important Preparatory Working Groups, on statutory pensions and on second pillar pensions. In other words, the federal government, when it comes to shaping and discussing the social security aspect of the pension issue, prefers to deal with the established social partners only rather than directly with interest groups.

It is now announced that the further activities of the National Conference on Pensions will include consultation rounds in five cities across the countries. If and when these meetings are effectively to take place is at present not clear.

Future assessment will determine if the "National Conference" can yield tangible results amidst other decision-making and policy-setting organisms such as the National Committee on Ageing, or if it will prove an irrelevant exercise. With respect to the desire to have a larger societal debate, so far, the latter seems to be the case.

[39] See the parliamentary question submitted by Members of Parliament Wouter De Vriendt, Sonja Becq and Maggie De Block to the relevant minister, Ms. Marie Arena (Parl. St., Beknopt verslag Commissie voor de Sociale Zaken, 3 March 2009, CRABV 52 COM 471, 7-11 – accessible online: http://www.dekamer.be/doc/CCRA/pdf/52/ac471.pdf). See also this communication of the Fédération des Préretraités et Retraités - Federatie Bruggepensioneerden en Gepensioneerden (FPR - FBG), http://www.fpr-fbg.be/Berichten.htm. The "list of partners" on the website of the Conference itself features only the National Office for Pensions, the Federal Office responsible for the pension system (http://www.pensioenconferentie.be/).

2.2 Health care

2.2.1 Health care: system characteristics and reforms

Health care benefits in Belgium are a federal competency, while responsibility concerning supply and public health is shared between the federal level and the regions.

Adequate access to health care is ensured by the wide personal scope of the system which also includes persons dependent on insured individuals, cost-controlling protection for certain vulnerable groups, maintaining high-quality and high-quantity supply, and by combating inequality through measures aimed at prevention.

Coverage through the statutory system has been improved, and is now nearly universal at 99.6%. An important development in this respect was the extension of compulsory cover for self-employed persons from January 2008 onwards. Before this change, the compulsory health insurance for self-employed persons only encompassed what was known as “major risks”. Other health care services (the “minor risks”[40]) were not included in the package, but a self-employed person could purchase additional protection on the insurance market. The distinction between these categories of risks is now abolished, meaning that self-employed persons are, under the compulsory scheme, indemnified for the same risks as civil servants or employed persons. This of course also means that the contribution to the health care system made by self-employed persons has increased, from 19.65% to 22%.

In most cases, insured persons pay for medical services themselves and are afterwards reimbursed for the amount paid, minus a personal contribution (*remgeld*).[41] Reimbursement is arranged through sickness funds which are fully embedded in the overall administration of the system.[42] What is reimbursed is determined on the basis of an official list containing the amount that can officially be charged for the medical service. These official scales consist of a list of treatments and prices agreed between the government services (via the mutual funds), representatives of health care workers and the social partners. In some cases, the real amount paid by the patient may however be higher than the official amount taken into account.

In a certain number of cases (for example in case of hospital care), the patient is not required to advance the bill but only pays the personal contribution after which the rest amount is paid directly by the system to the provider (*derde-betaler systeem*).

Additional voluntary private insurance covers health care expenditures that are not covered by the system and reimburses the personal contributions made in case of serious health problems that necessitate hospitalisation.

Patients have the right to choose their family doctor freely and have direct access to specialised medical care. Health care workers are remunerated mainly per treatment.

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[40] Minor risks included family doctor interventions, dental care, small surgical interventions (such as stitches, punctions, etc.), ambulant nursery care, orthopaedic aids, many common laboratory tests, prescription medicine, etc.

[41] The out-of-pocket payment depends on the specific service, according to a set nomenclatura (for medical dispensations) or list of pharmaceutical specialities and typically amounts up to 25%. For more detailed information, see X, “Everything you have always wanted to know about social security”, Belgian Federal Public Service Social Security, 2008, 31-36.

[42] From a practical and administrative point of view, the existence of these sickness funds, or “mutual funds”, with a network of offices and agents, means that access to information, administration and further advice is straightforward. Mutual funds arrange payments through the system and offer further services that are widely taken up, including voluntary additional insurance.

Recent reforms in the system focus on introducing further safeguards against the risk of impoverishment through needing health care (for which several initiatives are taken or enforced), the emergence of a concise strategy concerning quality assessment, and mechanisms that ensure budgetary restraint in order to ensure viability of the system.

Other policy initiatives have focused on increased financial protection, to make sure health-care remains affordable to everyone. The personal contribution mentioned earlier is intended to deter patients from consuming too much and to avoid excess use but could easily become a impediment to taking up medical care and therefore foul equal access. To avoid this, important measures have been introduced to limit the total amount someone actually has to pay.

The "Maximum Billing System" (*maximumfactuur*), introduced in 2002, sets a maximum amount of patient fees to be paid, determined per income bracket. Once this amount is reached, health care is reimbursed fully. The maximum billing system (MBS) takes effect on the level of a family unit – not per individual. The maximum amounts one has to pay, the composition of the family taken into account, and the specific rules that are applied depend on what type of maximum billing system is used – the social MBS, the income-based MBS or the MBS based on personal entitlement.[43] Although this system is fairly complicated, it bears no difficulty for the patient as it is applied automatically with no additional paperwork involved. With respect to the extended coverage of self-employed persons, it can be noted that they now also fully benefit from the MBS. Previously, only the patient fees for "major risks" were reimbursed fully when the limits were reached.

Specific categories of insured persons receive preferential treatment and are required to pay lower patient fees (before application of the Maximum Billing System). Originally, the system of preferential treatment was restricted to persons with a specific social status (pensioners, widow(er)s, persons with disabilities and orphans) for which the gross taxable income of the family did not exceed a yearly-adapted limit. In 1997 and 1998, the benefit of the preferential tariff system was extended to certain groups[44], still conditional on the income limit.

Since 2007, the system is further extended. The newly introduced OMNIO-status, which however has to be applied for, guarantees preferential treatment to all households below a certain income level.[45]

2.2.2 Health care: debates and political discourse

Heated debate has ensued concerning the private additional health insurance, sparked by important price increases and the absence of an adequate price protecting legal framework.

[43] Patient fees are limited to a maximum between EUR 450 and EUR 1,800, depending on the family income. The income brackets are adapted each year, while the maximum amounts remain the same. Personal contributions that exceed the maximum amount are reimbursed automatically and in full.

[44] (Controlled) long term unemployed, aged 50 and older with at least one year of full unemployment (according to the definition of the employment regulations), and persons entitled to one of the following allowances: Integration allowance for handicapped persons, Income replacement allowance for handicapped persons, Allowance for assistance for the elderly, Income guarantee for the elderly, Subsistence level income (*leefloon; revenu d'intégration*), Support from the public municipal welfare centres (OCMW, CPAS).

[45] For an application filed in 2009, the yearly gross family income in 2008 must have been lower than EUR 14,339.94 increased with EUR 2,654.70 per family member other than the applicant. The Omnio statute also allows to claim for derived rights, such as reduced public transport fees, and a reduction in the contribution for the Flemish Care Insurance (see further). See "Het nieuwe Omnio-statuut en de hervorming van de verhoogde tegemoetkoming", RIZIV, 2008 (http://www.riziv.fgov.be/information/nl/studies/study39/pdf/study39.pdf).

As the statutory system does not reimburse all costs connected to hospital treatment, additional insurance is popular and in many cases also necessary.[46] Prompted by the observation that additional private insurance was becoming increasingly expensive and that insurers did not hesitate to terminate contracts with those for whom intervention became too costly (usually those who need the insurance the most), the government decided to take action as early as 2007. Legislation passed that year[47] barred insurers from terminating existing contracts and linked increases of the insurance premium to a "medical index" which would reflect the real increases in costs and risks.

While the first objective took effect immediately, the index was in reality never established.[48] This allowed insurers to circumvent the additional cost of "life-long insurance" by refusing new contracts with elderly or high-risk individuals and by significantly raising the premiums for existing clients so that many are said to have been forced to end the insurance contract themselves. Therefore, while the law effectively brought a long-term solution for younger or low risk individuals, the non-implementation of part of its goals and the reaction of the insurers worsened the situation for those most in need of extra coverage.[49]

To repair the inconsistencies and adverse effects of the 2007 act, a new act was passed in the Chamber of Representatives on 19 March 2009, adopted by the Senate on 28 May 2009, and published on 8 June 2009. This new act, which carries the date of 17 June 2009,[50] amends the changes made to the base law governing insurances by the 2007 act, and takes retroactive effect on the same date of the latter – 1 July 2007. The act solves the problems experienced with the index mechanism by transferring the competence to set the index to the Federal Public Service Economy, but does not turn back exclusions already made: a transition period is introduced, leaving insurers the option to still raise premiums indiscriminately until 1 July 2009 (thus crowding out certain categories of clients).

Under pressure from politics and public opinion and possibly in an attempt to avert tougher legislation, the insurers unilaterally adopted a code of conduct in July 2009,[51] offering those who had been crowded out by the premium increases a switch to cheaper packages of

46 Assuralia, the Belgian federation of insurance companies, puts the number of persons covered by additional medical insurance at 7.8 million – of which 1.3 million are covered by a private contract, 4 million by a group policy and 2.5 million by a policy offered by a mutual fund. See also „Bijna 8 miljoen Belgen hebben hospitalisatieverzekering", De Morgen, 17 March 2010, (http://www.demorgen.be/dm/nl/996/Economie/article/detail/1081250/2010/03/17/Bijna-8-miljoen-Belgen-hebben-hospitalisatieverzekering.dhtml).

47 Wet van 20 juli 2007 tot wijziging, wat de private ziekteverzekeringsovereenkomsten betreft, van de wet van 25 juni 1992 op de landverzekeringsovereenkomst ("Act of 20 July 2007 changing, insofar as private health insurance agreements are concerned, the Act of 25 June 1992 concerning the land insurance agreement").

48 Both the Banking, Finance and Insurance Commission (CBFA) and the Belgian Health Care Knowledge Centre, who were appointed by the law to create and implement the index, refused the task. The former because it would conflict with its role of financial watchdog of the insurers, the latter because it would impede on its task to provide policy-supporting advice and research (not implementation).

49 Insurances offered my mutual funds are – at present – priced lower than those offered by private insurers, as the mutual funds need not to adhere to the same rules as private companies. This has however been ruled to be in violation of European legislation, and legislation is in preparation to equalise the obligations of both types of organisations. The net result will be that the insurances offered by mutual funds will be priced similarly to those offered by private insurance companies.

50 Wet tot wijziging, wat de ziekteverzekeringsovereenkomsten betreft, van de wet van 25 juni 1992 op de landverzekeringsovereenkomst en van de wet van 20 juli 2007 tot wijziging, wat de private ziekteverzekeringsovereenkomsten betreft, van de wet vam 25 juni 1992 op de landverzekeringsovereenkomst, Belgisch Staatsblad 8 June 2009, 47120.

51 Règles de conduite - Une assurance hospitalisation moins chère à la demande http://www.assuralia.be/fileadmin/content/documents/gedragsregels/FR_code_assurance_hospitalisation.pdf)

coverage without the need to fulfil new waiting periods or undergo additional medical examinations, even if they had already terminated their contract in the meanwhile. The solution, while far from ideal, somewhat reduced the urgency of the debate and softened the possible impact of the transition measures enacted by the law of 17 June 2009.

The new Royal decree establishing the medical index was finally enacted on 1 February 2010[52]. The index is calculated by the Federal Public Service Economy (remedying part of what was wrong with the previous law) on the basis of data concerning damages paid out by insurance companies who provide the raw material for the calculation by communicating their payment obligations to the Federal Public Service Economy and the Banking, Finance and Insurance Commission (CBFA). The medical index is in fact not one index, but a group of several indices, with a distinction made between four types of insurance packages and five age groups.[53] The resulting indices are updated every three months.[54]

As a result, insurance companies can no longer increase premiums at will, but only under one of three mechanisms: by adapting prices to the normal index of consumer prices, by following the new medical index, or by implementing exceptional increases necessary when the company finds itself in financial difficulties (only possible upon approval by the CBFA).

It is not all too difficult to formulate critical remarks regarding this arrangement. Firstly, the new medical index will be based on Figures concerning liability provided by the insurance companies themselves, data which is branded by the Belgian Health Care Knowledge Centre as unreliable[55]. Also, the authorisation of the CBFA – an organism that has as its first task to safeguard the financial health of insurance companies rather than to defend the rights and interests of patients – to sanction higher increases, and the differences of the medical index according to age groups, are points that will surely spark further discussion.

The stakeholders in the debate are even less happy with the outcome. The consumer organisation "Test-Aankoop" has launched legal action against the Royal Decree itself on the grounds that it legitimises differentiated price increases according to age by introducing different indices by age group, while this different treatment is not based on objective parameters and does not answer to requirements regarding necessity and proportionality. The organisation also seeks to annul the law itself, argumenting that contractually agreed obligations can now be changed as long as there is consent of the CBFA, which surpasses the competences of the latter institution.[56] Finally, specific price increases by an individual insurer that were somewhat higher than the now published medical index, have been contested in civil court.

52 Koninklijk besluit tot vaststelling van de specifieke indexcijfers bedoeld in artikel 138bis-4, § 3, van de wet van 25 juni 1992 op de landverzekeringsovereenkomst, Belgisch Staatsblad, 8 February 2010, 7686.

53 Hospital care in a private room, hospital care in a shared room or a ward, outpatient care, and dental care; ages 0 to 19, 20 to 34, 35 to 49, 50 to 64, and older than 65.

54 The first set of indices was published on 26 February 2010, allowing an average premium increase by 7.45% (http://statbel.fgov.be/nl/statistieken/cijfers/economie/gezondheidssector/medische_index/index.jsp).

55 DEVOLDER P., DENUIT M., MARÉCHAL X., YERNA B.-L., CLOSON J.-P., LÉONARD C., et al. Het opstellen van een medische index voor private ziekteverzekerings-overeenkomsten, Brussel, Federaal Kenniscentrum voor de Gezondheidszorg (KCE), 2008, iv, KCE report 96A. (http://www.kce.fgov.be/index_fr.aspx?SGREF=10498&CREF=12246).

56 „Hospitalisatieverzekeringen: duur, duurder, duurst", press release, 22 February 2010 (http://www.test-aankoop.be/verzekeringen/hospitalisatieverzekeringen-duur-duurder-duurst-s638893.htm and http://www.standaard.be/artikel/detail.aspx?artikelid=DMF20100222_063). The request for annullment of the 2009 act is registered as case nrs 4846 and 4843 before the Constitutional Court (see Belgisch Staatsblad 4 March 2003, 13841). The proceedings against the Royal Decree are entered before the Council of State (Raad van State), which is the highest administrative court.

Insurance companies, while not opposed to the idea of an index system, also line up in opposition to the current legislation, mostly because they feel the allowed price increases are insufficient – in particular because the evolution of the index does not take into account the reserves that legally have to be established. They further fear that linear price increases will not suffice to account for policy changes in what is covered by the legal insurance system or for delays in compensation decisions.[57] As it stands, the insurance companies will most probably encounter the consumer organisation in court, opposing the same legislation but deploying different argumentations. The outcome of the numerous legal proceedings will likely be that the Royal Degree is deemed insufficient and that the matter will have to be settled by yet another law.

The Council for Equal Opportunities for Men and Women, a federal advisory organism, warns that the new law does not conform with legislation concerning equal opportunities as women and the elderly are most affected by price increases,[58] The Council has however not initiated legal proceedings.

In summary, the hoped-for legal certainty and stability has as of yet not been achieved and complementary private insurance, a factual necessity for the vast majority of the population, has not been guaranteed a future as a secure and affordable commodity. All the while, the underlying issue – the charging of expensive supplements to patients who can afford it or are covered by additional insurance – remains largely undiscussed. Even more, connecting the index which governs permissible premium increases to the real cost incurred by the insurers instead of to objective parameters (such as regulated doctor's fees and the price of a hospital day) risks that the costs, both for the insurers and the insured, are merely synchronised instead of held at bay. It should also be noted that this discussion only concerns individual private insurance. Price protection measures in the field of employer-provided private insurance have at present not been elaborated.

57 „Verzekeraars vechten KB Reynders aan", Trends, 2 March 2010, http://trends.rnews.be/nl/economie/nieuws/beleid/verzekeraars-vechten-kb-reynders-aan/article-1194668126243.htm.

58 http://www.raadvandegelijkekansen.be/. The opinion was sent as a letter to the senate, which can be found on the site of the consumer organisation CRIOC: http://www.oivo-crioc.org/files/nl/4261nl.pdf.

2.2.3 Health care: overview of published impact assessments

In 2009, the National Office for Health and Invalidity Insurance (RIZIV) presented a study concerning regional differences in medical consumption.[59] The study converts raw data to standardised views of the materials, interpreted taking into account demographic and socio-economic factors. The National Office shies away from formulating conclusions on the basis of this information, apparently out of the concern not to enforce the idea that transfers would exist from one part of the country to the other. The data used is that of the year 2006, but further studies are planned based on more recent information.

A report of April 2010 by the Belgian Health Care Knowledge Centre looks at the availability of generic medication (medication that contains the same active substances as certain brand medication but is sold more cheaply) on the out-of-pocket costs for socio-economically vulnerable groups.[60] In 2001, Belgium introduced the "Reference Price System" (RPS). When the exclusive rights of a producer for a certain medication have expired, alternative "generic" drugs emerge. In this case, the RPS establishes a common reimbursement level for the now existing group of comparable or interchangeable drugs, taking into account the cheaper alternatives. The health insurance system then only reimburses the medication to the newly set level, which is typically some 30% lower than that of the original medication. A patient who then buys the cheaper alternative only is required to pay the normal out-of-pocket payments, while a patient opting for the more expensive brands will have to pay also for the price difference (called the "reference supplement"). Doctors are required to prescribe generic medication to a set minimum percentage of their total volume of prescriptions.

The study shows that this system has prompted producers to lower prices and that fears that certain segments of the population would not buy the cheaper medication because they would be less well informed, is unfounded. Nevertheless, in 2008 reference supplements were paid to the amount of EUR 60 million, which means that the expensive brands are still popular. To lower this Figure, the Knowledge Centre proposes to raise the percentage of generic medication prescribed, to allow chemists to substitute prescribed expensive medication for cheaper alternatives on their own initiative, and to ameliorate information provision by showing patients the price difference at the time of purchase.

In the 2009 annual report for Belgium we mentioned the National Cancer Plan, announced on 22 February 2008 by the Minister for Public Health. The plan contains 32 concrete initiatives that cover all aspects of the problem, such as assistance for persons who stop smoking, better information gathering on pathologies, psychological support and the institution of a reference centre for cancer. In launching this plan, Belgium was not alone. Many EU countries have taken or announced similar initiatives.[61]

The plan is debated in two ways. From a political point of view, the preventive measures that form a part of the plan are in fact not a federal competency, but are instead devolved to the Communities. This difficult exercise has lead to delays in the implementation of the preventive measures. A second debate revolves around the resistance expressed by general

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59 RIZIV, Géographie de la consommation médicale, Brussels, 2009 (http://www.riziv.fgov.be/information/fr/studies/study44/pdf/reportFR.pdf).

60 VRIJENS, France, VAN DE VOORDE, Carine, FARFAN-PORTET, Maria-Isabel, LE POLAIN, Maïte and LOHEST, Olivier, Het referentieprijssysteem en socio-economische verschillen bij het gebruik van goedkopere geneesmiddelen, KCE Reports 126A, April 2010, 69p (http://kce.fgov.be/index_en.aspx?SGREF=14851&CREF=15339).

61 See the overview from the European Cancer Patient Coalition, http://www.ecpc-online.org/health-in-eu/cancer-plans.html.

practitioners concerning one of the preventive measures, a three-yearly obligatory check-up. The medical community feels that this measure is too general, and supports closer follow-up of specific marker information in the patient file.[62]

Next to an "official" evaluation of the plan by the Cabinet of the competent minister,[63] an independent evaluation was made available in the 2009 research report of the Flemish League Against Cancer.[64] The latter assesses the evolution in all of the 32 concrete initiatives and details for each what has been done in the course of the year. While some initiatives have been implemented on time, work on others has only just started, and for a few there seems to be no progress at all.

2.2.4 Health care: critical assessment of reforms, discussions and carried out research

Reasons to worry about the financial sustainability of the health care system continue to exist. The concern is not so much that the system would run out of money, but rather that its cost is growing out of proportion in terms of share of overall social security spending. Indeed, where all other sectors of social security (with the exception perhaps of the unemployment insurance) have received less funding over the course of the year, the health care budget is still allowed to grow by 4.5% per year until 2030, on top of growth by inflation.[65] All while there are no objective indicators to conclude that the sector actually needs this increase. Quite on the contrary – the health care sector ran a surplus in 2008 of no less than EUR 187 million.[66]

This rule (dubbed the "growth norm") has lead to an allocation of EUR 295 million from the federal budget to the sector's reserve fund, the "Future Fund", created in 2007 to build a reserve in the health care system which can be used from 2012 onwards. The Fund is financed from budget surpluses within the health care budget. From budget information following its creation, we know that the "Future Fund" so far has received at least EUR 908 million. By contrast, the "Silver Fund" (meant to cover future pension obligations) has not received funding in 2009, and only very little in the previous years.

The existence of the "growth norm" is feared to minimise responsibility for efficiency within the sector, exemplified by the absence of policy initiatives to tackle the expected cost associated with an ageing population through other means than budgetary operations. We expect that the preferential treatment of the health sector cannot be sustained throughout the important efforts that will be needed to reach budgetary equilibrium and to reduce government debt, and that the debate of improved efficiency will become more and more important in the years to come.[67]

62 Concerns were voiced through an "open letter", the content of which can be read via Medinews.be (huisartsen in opstand tegen nationaal kankerplan) - http://www.medinews.be/full_article/detail.asp?aid=14335.

63 Nationaal Kankerplan, Stand van zaken, March 3, 2009, http://www.laurette-onkelinx.be/articles_docs/090304_-_DOS_-_evaluatie_1_jaar_kankerplan.pdf .

64 Vlaamse Liga tegen Kanker, Een kritische kijk op het kankerbeleid, Onderzoeksrapport 2009, December 2009, 49-57 (http://www.tegenkanker.be/sites/vlk/files/VLK-Onderzoeksrapport2009.pdf).

65 Health care spending in Belgium is estimated by the OECD to be 10.2% of GDP in 2007. See: "OECD Health Data 2009: Statistics and Indicators for 30 Countries", November 2009 (http://www.oecd.org/document/16/0,3343,en_2649_34631_2085200_1_1_1_1,00.html).

66 http://www.socialsecurity.fgov.be/docs/nl/publicaties/vademecum/2010/IV_B_1ComNl_VMed2010.pdf, page 315.

67 See also: OECD, Achieving Better Value for Money in Health Care, November 2009, 164.

2.3 Long-term care

2.3.1 Long-term care: system characteristics and reforms

Long-term care is part of an integrated system of health care, complemented by social service provision. As most of the long-term services are provided as part of the health insurance system, the same observations as under title 2.2 apply.

The landscape of long-term care provisions is fragmented because of a division of competencies between the federal government (which provides mainly for medical care) and the communities (which provide primarily for non-medical care). The focus on health care is illustrated by the fact that there is no specific long-term care legislation at the federal level. The communities, by contrast, have issued decrees that regulate a wide range of aspects concerning the provision of long-term care services and that touch topics such as the recognition of providers, integration of services and quality monitoring.[68]

Concerning long-term care there are four major health services: home care, centres for day care, residential homes and rest and nursing homes.

Home care is a service aimed to keep patients at home while they receive care. It can include preventive, curative, palliative or informal care. Home care in Belgium is regulated and organised by the communities. In the Flemish community, it is coordinated by "Cooperation Initiatives in Home Care" (*SamenwerkingsInitiatieven Thuiszorg* or *SITs*), officially recognised and subsidised by the Flemish Government[69]. In the French community, home care is coordinated by the "Coordination Centres for Home Care and Services" (*Centres de Coordination de Soins et Services a Domicile* or *CSSDs*). Their main task is to guarantee the quality of care and the cooperation between care workers involved in home care, including GPs, home nurses, accredited services for family aid, aid for the elderly and social work, etc. The support and coordination of care are in the first place geared towards keeping people in serious need of care, at home as long as possible. In 2002, the federal Government introduced the "Integrated Home Care Services" (*Geintegreerde Diensten Thuiszorg (GDT)/Service Intégré de Soins à Domicile(SISD)*), which are financed by the statutory health insurance system. This structure coordinates all disciplines involved in the care for patients for a described geographical area.[70]

In centres for **day care**, the elderly can be taken care of during the day, but spend the night at home. This is meant for people who do not need intensive medical care, but need care or supervision and aid in the activities of daily living. A fixed daily compensation is paid by the compulsory health insurance.

A **residential home** is a home-replacing environment where the medical responsibility rests

68 See also CORENS, Dirk, "Belgium. Health system review", Health Systems in Transition, Vol. 9 no. 2 2007, World Health Organisation, 2007; DE LEPELEIRE, J., FALEZ, F., YLIEFF, M., FONTAINE, O., PAQUAY, L., BUNTINX, F., "The evolution of the organisation of homecare in Flanders, Wallonia and Brussels", Arch Public Health, 2004, 62, 197-208.

69 From 1 January 2010 onwards, the Cooperation Initiatives in Home Care are replaced by what is now called „*Samenwerkingsinitiatieven Eerstelijnsgezondheidszorg*" (SEL) – or "Cooperation Initiatives Primary Care".

70 To stimulate multidisciplinary cooperation instead of competition, each geographical area can only have one GDT-SISD, with the exception of the Brussels region where both the Flemish and the French communities can accredit GDT-SISDs. The GDT-SISDs main task is to oversee the practical organisation and to support care providers and their activities within the framework of home care. In Flanders, the overlap is now addressed through the emergence in 2010 of "Cooperation Initiatives Primary Care" (SEL), which are the only ones who can gain recognition as GDT.

with a general practitioner. The cost of stay is paid by the occupant, while medical costs and the cost of care are taken by the compulsory health insurance scheme (based on an objectively assessed degree of care needed).

The elderly who are strongly dependent on care but who do not need permanent hospital treatment are admitted in a **rest and nursing home** (*Rust- en verzorgingstehuis* or *RVT*). Each RVT must have a coordinating and advisory physician who is responsible for the coordination of pharmaceutical care, wound care and physiotherapy. Each rest and nursing home must always have a functional link with a hospital. They must cooperate with the geriatric service of the hospital and a specialised service of palliative care. While residents must finance the cost of stay themselves, care is reimbursed by the compulsory health insurance.

In 2004, 5.1% of people aged 60 years and older stayed in a residential home or a rest and nursing home (an increase of 11.6% between 1998 and 2004). The number of people receiving home care increased by 18.8% in the same period (to 5.9% of the people aged 60 and older in 2004).[71]

The costs for medical care are reimbursed to the individual by the health insurance system; expenses related to non-medical long-term care are partly covered through the federal monthly allowance for disabled persons and the elderly. Flanders has introduced an additional "Flemish Care Insurance" (*Zorgverzekering*) in 1999, covering the costs of non-medical help and services borne by people with reduced self-sufficiency. The benefit is intended to meet costs for care at home or care received in a specialised facility. Contributions amount to EUR 10 or EUR 25 per year, with benefits ranging between EUR 95 and EUR 130 per month.[72] The system is organised as a residency-based insurance-type scheme: every person residing in Flanders is obligatorily covered; persons residing in Brussels are allowed, but not obliged, to join. Note that the *zorgverzekering* only provides financial benefits. Long-term care *services* are therefore a separate matter.

The Flemish care insurance has been fiercely contested within the Belgian context and has come under scrutiny in the context of EU coordination of social security schemes, as far as the rights and obligations of migrant workers are concerned.[73]

The same evolutions as are mentioned under the chapter "health care" are relevant for the topic of long-term care, notably the system of the Maximum Billing System and the extension of the depth of coverage of the health care system for self-employed, which has as a concrete result that previously self-employed elderly are now also covered for nursing care in homes for the elderly.

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71 Detailed statistics for Flanders are available on the website of the Flemish Agency for Care and Health (http://www.zorg-en-gezondheid.be/topPage.aspx?id=5040). Updated Figures for the whole country are not available.

72 The socialist mutual fund (socialistische mutualiteit) estimates the yearly cost for care, for a patient treated at home, at EUR 3,445 to EUR 5,060 – see http://www.socmut.be/SocMut/Publicaties/Flits/Archief/2006/Flits+december+2006/tussenkomstzorgverzekeringtekleinvoorchronischzorgbehoevenden.htm. By the end of 2008, 4.458.858 persons were insured under the Flemish Care Insurance, while benefits were paid out for 188.399 persons.

73 See ECJ April 1, 2008, case C-212/06 – http://www.curia.europa.eu. While strictly speaking only relevant for situations in which citizens move from one country to another, the cases raises interesting questions on the emergence of differentiated social security systems within Belgium, and the lack of coordination of such systems. The case, and an article by Mr. Verschueren, outline the debate (VERSCHUEREN, Herwig, "De regionalisering van de sociale zekerheid in Belgie in het licht van het arrest van het Europese Hof van Justitie inzake de Vlaamse zorgverzekering", Belgisch Tijdschrift voor Sociale Zekerheid, 02/2008, 177-230. Available online: http://socialsecurity.fgov.be/docs/nl/publicaties/btsz/2008/btsz_02_2008_nl.pdf.

2.3.2 Long-term care: debates and political discourse

The long-term care system largely follows the health care system. No separate debates were noted over the course of 2009.

2.3.3 Long-term care: overview of published impact assessments

In February 2009, CANTILLON et al published an update on the excellent 2007 report concerning the socio-economic position of the elderly in Flanders. This time, updated Figures (after 2005) are used, and a comparison is made with the situation of elderly persons in other European countries.[74] Relevant to long-term care, the authors find that the provision of services does not sufficiently focus on the patients who need them most, such as severely limited elderly persons who do not enjoy sufficient informal care. As a result, scarce resources are not efficiently allocated.

A 2010 report of the Belgian Health Care Knowledge Centre takes a closer look at the financing mechanisms of (medical) home nursing care.[75] These services are currently provided by private non-profit organisations and financed through the federal health care system, either on the basis of services delivered, or through a system of envelope-financing. The report states that these financing mechanisms do not allow a clear view on real costs and does not allow to make the link with the amount of services a patient objectively requires. It examines other mechanisms in different countries and formulates a series of recommendations and possible policy options such as more attention to quality and “evidence based nursing”.

The Federal Planning Bureau issued a report on the Belgian long-term care system in which it analyses the workings of the system and brings together data concerning funding, quality and demand and supply, including that of informal care in the family circle.[76] Aside from a detailed description of the system, the report contains aggregated Figures which show that current long-term care needs are adequately met by the provision of a diversified package of residential, semi-residential and home care services, and that focus on residential and semi-residential care has lead to a shift in provisions from care homes (which provide a low level of care) to places in homes offering care to severely dependent persons. Without hard evidence made available, the report also suggests that the current fragmented organisation of long-term care could mean that patients may find it difficult to find the right kind of care at the right time. Current usage data coupled with demographic projections demonstrate that the need for care (presuming that the share of those in need as a proportion of the total population aged over 50 remains the same) is likely to double by the year 2060.

2.3.4 Long-term care: critical assessment of reforms, discussions and carried out research

Access, adequacy and quality

The long-term care system offers a wide range of services, made affordable for the individual

[74] CANTILLON, Bea, VAN DEN BOSCH, Karel and LEFEBURE, Stijn, Ouderen in Vlaanderen en Europa. Tussen vermogen en afhankelijkheid, Leuven, Acco, 2009, 232p.

[75] SERMEUS, Walter, PIRSON, Magali, PAQUAY, Louis, PACOLET, Jozef, FALEZ, Freddy, STORDEUR, Sabine and LEYS, Mark, Financiering van de thuisverpleging in België, February 2010, KCE Reports 122A, 121p (http://kce.fgov.be/index_nl.aspx?SGREF=14842&CREF=14910).

[76] WILLEMÉ, Peter, The Belgian long-term care system, March 2010, 24p, Federal Planning Bureau Working paper 7-10 (http://www.plan.be/publications/Publication_det.php?lang=nl&TM=30&IS=63&KeyPub=931).

through its close integration with the health care system. The main challenges today are to make sure that the services are well coordinated and that the system remains affordable to financially weaker beneficiaries – a concern that points to the general issue of out-of-pocket payments.

Different assessments show that the fragmented organisation and financing of the system render it difficult to conclude whether real needs are addressed, and whether or not resources are allocated in an efficient and effective way.

Financial sustainability

As long-term care is mainly integrated with health care, the same observations as to its financial sustainability are valid.

To contrast the budgetary worries on the federal level with those on the Flemish regional level, the reserve fund for the Flemish Care Insurance (set up to compensate for the effects of ageing) held EUR 898.5 million in 2008. Contributions in that year were EUR 101 million, while the total of the benefits amounted up to EUR 245 million. On the income side, the system is therefore quite heavily supported by the Flemish government (with an input of EUR 329 million in 2008, EUR 200 million of which went to the reserve fund).[77] The reserve fund is projected to run out in 2033. Still worrying perhaps, as original projections pointed to 2037. However, the financial situation in this sector is much less dramatic than is the case concerning the pension system.[78]

[77] Jaarverslag Vlaams Zorgfonds 2008 (http://www.zorg-en-gezondheid.be/jaarverslag_zorgfonds.aspx).

[78] "Reservefonds zorgverzekering in 2033 uitgeput", De Tijd, March 12, 2009 (http://www.tijd.be/nieuws/binnenland/Reservefonds_zorgverzekering_in_2033_uitgeput.8155852-438.art).

3 Impact of the Financial and Economic Crisis on Social Protection

Recession in Belgium as a result of the world-wide economic and financial crisis became measurable as early as the second half of 2008, with negative growth starting in the last quarter of that year. Turmoil in the banking sector was swiftly followed by a collapse in international trade, bringing serious trouble to the open and export-oriented service economy.[79]

The reaction of the government has been, and still is, one of dealing with urgency rather than taking the opportunity to think about long-term and structural measures. A modest fiscal stimulus package has been rolled out to compensate for the worse effects of the crisis, accompanied by numerous measures to enforce and supplement the automatic stabilisers found in the social protection system.

The choice not to make structural changes is justifiable in view of the fact that Belgium was doing quite well before the crisis hit, and the argument not to make changes to a winning strategy just because the world economy goes through temporary crisis, holds logic.[80] The current economic situation in Belgium seems to vindicate this policy.[81] Indeed, the crisis seems only to exist for those who have lost their jobs and for the overall state of government finances, while the vast majority of the population remains relatively unaffected. As far as government finances go, Belgium is said to be in better shape than many of its European partners, but the challenge to reduce government debt (already a priority before the recession) remains.

Employment-preserving or creating measures

Four important measures were introduced in 2009, with the aim to avert the loss of jobs. These measures make it easier to reduce the cost of employment, in order to bridge worsening economic circumstances.[82]

(a) Temporary collective reduction of working time

By a collective agreement within the company, an employer and his employees can agree to diminish working time for all (or part of, via categories) full-time employees. The government

79 For details, see OECD, Policy Brief: Economic Survey of Belgium 2009, July 2009, 12 pages, retrieved from: http://www.oecd.org/dataoecd/34/49/43248129.pdf.

80 We also need to refer to the political situation on the Belgian federal level, which did not allow for an atmosphere in which more encompassing measures would easily have been agreed upon.

81 OECD, *supra*, 3; see also "België op weg om record staatsschuld te breken", *De Morgen*, February 2nd, 2009 (http://www.demorgen.be/dm/nl/989/Binnenland/article/detail/708450/2009/02/19/Belgie-op-weg-om-record-begrotingstekort-te-breken.dhtml), in which Paul DE GRAUWE, economics professor at the University of Leuven argues that not acting is the right approach.

82 The measures discussed here are enacted in an Act of 19 June 2009, concerning “different provisions concerning employment in times of crisis” (which is the Act concerning the Recovery Plan). They came into force on 25 June 2009 and were meant to last until 31 December 2009, but have since been prolonged until 30 June 2010 (Wet van 19 juni 2009 houdende diverse bepalingen over tewerkstelling in tijden van crisis, Belgisch Staatsblad 25 juni 2009, 43728). Following the fall of the federal government, parliamentary initiatives are underway to prolongue the measures further, until 30 September 2010. For details, see also http://www.meta.fgov.be/defaultTab.aspx?id=23952#; VANDENBORRE, K. And JANSSENS, P., „Tijdelijke federale anticrisismaatregelen“, Sociale Wegwijzer nr. 13, August 2009, 8-12; DUFAUX, P., „Crisismaatregelen en arbeidsrecht: analyse van de wet van 19 juni 2009 houdende diverse bepalingen over tewerkstelling in tijden van crisis“, Orientatie 7, August-September 2009, 189-204.

supports this measure by offering a reduction on the social security contributions due.[83] The employer therefore not only saves on wage costs but also on social security contributions.

Importantly, the affected employees remain under contract as full-time workers, which leaves untouched their rights in case of full return or dismissal and their right to minimum wage. Moreover, at least 75% of the contribution reduction has to be passed on to the employees in the form of a (taxable) wage compensation.

The measure in other words offers a cost-effective way for the employer to temporarily change the working time volume (and wage cost volume) without having to breach or amend the employment contract, and constitutes a partial compensation of the reduction in wages suffered by the employees.

(b) Temporary individual reduction of working time

Erroneously dubbed "Crisis Time Credit" (*crisistijdskrediet*),[84] this measure affects the situation of individual employees. Two important preliminary conditions apply. First, the company that wishes to take advantage of this system has to demonstrate that it genuinely is affected negatively by the crisis. The yardstick used is a 20% reduction in orders, turnover or production compared to the same period one year earlier, or an extensive use of temporary unemployment for the blue-collar workers employed in the company. Second, the company needs to have some sort of collective agreement in place that allows for the measure to be implemented.[85]

If these conditions are fulfilled, an employer can offer individual full-time employees to temporarily reduce their working time by one fifth or by half for a period between one and six months. As this constitutes a (temporary) amendment to the employment contract, the normal rules and guarantees for such a contract amendment apply.

The employee who accepts the offer receives a benefit from the unemployment insurance, partially covering the wage loss.[86] Should the employee be fired anyway during the time of this measure, then all benefits and compensations are calculated on the full-time wage. As the Belgian social security system relies heavily on wages and working time information for the calculation of rights and entitlements, other measures ensure that the period during which this reduction is in force is seen as a period of full-time employment as far as social security is concerned.

(c) Temporary unemployment for white-collar workers

The initiative to temporarily instate a system of temporary unemployment for white-collar

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83 The reduction is calculated as a fixed sum per quarter and per employee affected, and amounts up to EUR 600 if the working time is reduced by one fifth or EUR 750 if the working time is reduced by one fourth. If the employer simultaneously installs a four-day working week for the company, the reductions are increased to EUR 1,000 and EUR 1,150, respectively.

84 Erroneously, as the system of Time Credit (as organised by the Act of 22 January 1985) is meant to better reconcile professional and private life, while the measure discussed here is purely a crisis-alleviation instrument. Moreover, it finds its legal basis in contract law, while the genuine Time Credit is entirely organised by law, constituting specific rights for the individual concerned. In other words, making use of the mechanism discussed here holds no consequences concerning the rights one has under the system of Time Credit. The only similarity with the "regular" Time Credit (and probably also the source of the unlucky use of the term) is the compensation paid to the employee, which is the same in both systems.

85 An alternative procedure is available for companies where collective agreement cannot be reached, or for those companies that are too small to have trade union representation. In these cases, the company can submit a plan that has to be approved by a tripartite committee, organised by the government.

86 The benefit is set at EUR 188 or EUR 248 (for employees from the age of 50 onwards) when working time is reduced by one fifth, or EUR 442 when reduced by half.

workers is the most debated and most heavily publicised of the four. The system of temporary unemployment, until recently, only existed for blue-collar workers. Because of the crisis, recourse to this system increased dramatically. Soon, requests were heard to introduce a similar system for white-collar workers, which came into existence in June 2009 along with the three other measures under this header.

Use of the system of temporary unemployment for white-collar workers is subject to the same conditions as those that apply for the "temporary individual reduction of working time", with the additional requirement that rest days in compensation for earlier performed overtime have to be spent first. However, while the latter leads essentially to an individual agreement with a specified employee, this particular measure is meant as a collective solution applicable to all of the white-collar workers in the enterprise. The individual employee has no say in the matter; temporary unemployment is – where the individual is concerned – imposed rather than agreed.[87]

After the employer has notified the unemployment insurance authorities, the company can decide to put its white-collar workers on the sideline either completely, or for a few days per week (with a maximum of three). The possibility to do so is limited in duration and extent.[88]

The affected employees receive unemployment benefit for the periods or days of suspension, complemented by an additional compensation provided by the employer. The amount of that compensation largely depends on collective bargaining.[89]

Provisions are included that allow the transition from temporary individual reduction of working time to this collective system.

(d) "Restructuring cards" for employees of bankrupt companies

Lastly, a system that has existed since 2006 for the benefit of employees of restructuring companies has temporarily been extended to those who fall victim to bankruptcy. In essence, employees who get fired because of bankruptcy can get a rebate on the employee-payable part of social security contributions for a period of 6 to 9 months, provided new employment is taken up within six months. Hiring such employees is also made more attractive for prospective new employers via a targeted reduction of employer contributions.

A fifth and more recent measure, a *crisis premium for laid-off blue-collar workers*, only took effect from January 2010 onwards. Blue-collar workers who are handed their resignation between 1 January 2010 and 30 June 2010 are entitled to an additional tax-free "crisis premium" of EUR 1,666. In principle, the unemployment insurance pays 2/3rds of the amount while the employer is liable for the remainder. However, when the employer has made use of the previous four measures the unemployment insurance pays everything.[90]

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87 The mechanism however ensures collective bargaining.

88 The system can be used for a maximum of 16 weeks in case of full suspension, or 26 weeks in case of partial suspension, calculated per calendar year.

89 Being sidelined under the system of temporary unemployment is not always disadvantageous for the employee concerned, especially since the enactment of new, more generous measures. The compensation from the unemployment insurance has been raised by 10% since January 2009, while the "average daily wage" on which it is calculated has been raised. All in all, the maximum daily compensation from the unemployment insurance is now EUR 84.86 per day. The compensation that has to be paid by the employer is agreed through collective bargaining, and typically is situated between EUR 5 and EUR 10 per day. While the unemployment benefit and the compensation together will by themselves never amount to the normal gross wage, when combined with a more advantageous fiscal regime, a person on temporary unemployment sometimes stands to gain more than what would have been the normal wage.

90 For details, see ROOS, P., De crisispremie bij het ontslag van arbeiders tot 30 juni 2010, Sociale Wegwijzer nr. 6, March 2010, 6-8.

The measure is in many ways peculiar. First, it is not sure if it is meant to stop employers from laying off workers or rather to preserve purchasing power for those who lose their job. Also, the many exceptions to the rule make it potentially difficult to implement and easy to circumvent, and they essentially result in a heavier burden for those companies who have not made use of the other anti-crisis measures (thus punishing those who so far stood their ground during the crisis). Perhaps more damaging, the measure seems to have been enacted on the request of the trade unions and against the will of the employer organisations,[91] which goes against the normal way of doing business in the Belgian social consideration model that builds on negotiated solutions and social peace. And of course, it is yet again a measure that represents a cost for social security without corresponding to social contributions or taxes.

Furthermore, specific reductions of social security contributions for specific target groups have been adapted since January 2010, in some cases creating new reductions and in other cases easing the obligation for employers to employ certain categories of job-seekers.[92] A simplification of the system of reductions, as promised in the Inter-Professional Agreement for 2009-2010, has yet to be enacted.

Persons with a self-employed activity are also supported: self-employed who find themselves in difficulties as a result of the financial and economic crisis can obtain an income-supporting benefit during a maximum period of six months.[93] The measure is funded by social security contributions within the sector of the self-employed.

Measures to preserve the adequacy of social benefits and of wages

The Recovery Plan of the Belgian government also contains measures to preserve social benefits, letting them keep pace with prosperity and the evolution of wages. Through a mix of simple rises in amounts and changed calculation methods, corrections were made in sickness and invalidity benefits, pension benefits, maternity, paternity and adoption benefits, and benefits related to unemployment.[94]

For employed persons, extra boosts to buying power were provided by the introduction of the “eco-cheque” (coupons that can be spent on listed environmentally-friendly purchases, and that are not considered as wage for social security purposes – which in turn also means that no contributions need to be paid on the advantage[95]) and over-the-board reduction in income

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91 For an overview of the different points of view concerning this measure, see Politics.be, “ABVV:VBO niet te spreken over ingreep regering-Leterme om werkloosheid in te dijken”, 17 December 2009, http://www.politics.be/persmededelingen/24402/.

92 DE ROECK, A., „Tewerkstellingsmaatregelen: nieuws vanaf 1 januari 2010“, Sociale Wegwijzer nr. 6, March 2010, 2-5.

93 The measure (which runs until the end of June 2010) is meant for those who continue activities; in case of bankruptcies, other supportive measures already exist. For more details, see: http://www.unizo.be/crisiscoach/.

94 Changes were implemented over the course of the year. For details, see the series of articles in the biweekly technical publication *Sociale Wegwijzer*, cited here in order of publication: CAUWENBERGHS, B., „Sociale uitkeringen: nieuwe bedragen na Relanceplan“, Sociale Wegwijzer nr. 7, April 2009, 14-18; BRUYNINCKX, M., „Overzicht pensioenmaatregelen“, Sociale Wegwijzer nr. 9, May 2009, 20-21; DAUPHIN, M., „IPA en Relanceplan: aanpassingen sociale uitkeringen vanaf 1 mei 2009“, Sociale Wegwijzer nr. 11, June 2009, 11-12; DAUPHIN, M. And CAUWENBERGHS, B., „Aanpassingen werkloosheidsuitkeringen op 1 mei 2009 (bis)“, Sociale Wegwijzer nr. 12, June 2009, 22-23; DAUPHIN, M., „Nieuwe bedragen werkloosheidsuitkeringen vanaf 1 september 2009“, Sociale Wegwijzer nr. 17, October 2009, 10-12; DAUPHIN, M. And CAUWENBERGHS, B., „Sociale uitkeringen – nieuwe bedragen vanaf 1 september 2009“, Sociale Wegwijzer nr. 18, October 2009, 2-4.

95 CAO nr. 98 of 20 February 2009 and Koninklijk Besluit van 14 april 2009 tot invoering van een artikel 19quater in het koninklijk besluit van 28 november 1969 tot herziening van de besluitwet van 28 december

taxes through an increase in deductable costs.[96]

Effects today

It is often said in Belgium that the crisis exists only for those who have lost their job as a result, and this observation holds much truth. Automatic stabilising mechanisms in the setting of wages and social benefits indeed compensate for the ups and downs of the economy without the need for ad hoc intervention. However, all this comes at an important cost. While 1.5% of GDP has been spent for direct measures related to the crisis, the automatic stabilisers are expected to push the cost to 6% of GDP in 2010.

The effect of the employment-preserving measures is also known today. From July to the end of 2009 1,077 enterprises requested use of the system of temporary unemployment for white-collar workers, with relevance to 21,335 individuals. This does however not mean that the system has also been used to that extent. More complete Figures for the end of September 2009 for example show that payments had been made for 5,931 individuals compared to requests for 14,896 employees.[97] The Ministry of Labour estimates that the specific employment-preserving or -creating measures discussed above have avoided some 10,000 lay-offs.[98] While this particular Figure may be more political than factual, what is clear is that the measures have had a significant effect.

Where we previously reported losses for the occupational pension schemes, the actual damage caused by the economic and financial crisis seems to be limited. The Belgian Association of Pension Institutions in its 2009 yearly report notes that the average return on investment for its members was around 16% in 2009 (with an average yearly return over the period 1985 to 2009 of 6.83% or 4.61% when inflation is taken into account), which is similar to what has been achieved in other countries of the EU and the OECD. Close monitoring and measures imposed by the supervisory authority CBFA[99] have remedied situations where certain funds did not comply to the legally required minimum reserves. In 2009, reserves were back to a level where – on average – 129% of short-term obligations and 112% of long-term obligations are covered.[100]

Consequences for the future

The described anti-crisis measures are important and relevant. However, their introduction has of yet not been accompanied by attempts to re-think where the Belgian social system is at, and

1944 betreffende de maatschappelijke zekerheid der arbeiders, Belgisch Staatsblad, 20 May 2009, 38188. The benefit amounts up to EUR 125 in 2009 and EUR 250 in 2010, and the system is meant to be extended.

96 The benefit is called „jobkorting“ and existed already before 2009. The amount is calculated once a year in the month of May. Who gets what exactly depends on taxable income; the maximum benefit is EUR 102.84. For details, see LAMMENS, J., „Opnieuw een jobkorting bij het berekenen van de bedrijfsvoorheffing“, Sociale Wegwijzer nr. 9, May 2009, 18-19.

97 Parliamentary question nr. 4-1129 (Senate), 29 October 2009 (http://senate.be/www/?MIval=/publications/viewPubDoc&TID=67115006&LANG=nl).

98 MILQUET, J., Chômage en diminution: les différentes mesures de crise prises marchent et ont permis de sauver au moins plus de 70,000 emplois (dossier de presse), 6 May 2010 (http://milquet.belgium.be/files/100506-Dossier%20de%20presse-emploi.pdf).

99 The CBFA (Banking, Finance and Insurance Commission) is the single Belgian authority in charge of supervising most financial institutions and financial services offered to the public (http://www.cbfa.be/). Plans have been formulated to incorporate the CBFA into the National Bank of Belgium, but have sofar remained unimplemented.

100 Year report 2009 of the Belgian Association of Pension Institutions (BVPI), http://www.pensionfunds.be/downloads/Publication/Rapport_annuel_ABIP_2009.pdf. In comparison to the reports of the Banking, Finance and Insurance Commission (CBFA), the BVPI reports are based on updated information. The current BVPI report for example covers the situation up to 31 December 2009, while the 2009 CBFA reports cover the period 2006-2007.

where it is evolving to. Instead, the emphasis of budgetary health as the be-all and end-all solution to preserve the Belgian social system has remained to be the official position.

What has been done will however also impact future debate.

First, the employment-preserving measures touch the core of the Belgian distinction between blue-collar and white-collar workers – those who perform mainly manual versus intellectual duties. This distinction runs throughout Belgian labour and social security law. Different collective agreements apply which bring forth different wage elements and social (security) provisions, and different responsibilities for both employers and employees.[101] Moreover, different labour law provisions result in different procedures and compensations in case of termination of the contract.

The real difference between manual and intellectual labour is in today's society no longer easy to make. However, the dichotomy has generated vested interests, with different trade unions, sectoral agreements and so forth. Particularly this factor may help to explain why, while being debated for years, no definite progress has been made in designing and implementing a uniform statute for all workers.

The topic of a unified set of regulations for both categories of workers will surely surface again in the upcoming negotiations concerning the next Inter-Professional Agreement, which are to start in the autumn of 2010. The introduction of the crisis premium for laid-off blue-collar workers at the beginning of 2010, which is seen as a concession towards the trade unions and has not been preceded by much negotiation, will certainly make reaching agreement more difficult.

Second, all measures taken tie in with the discussion concerning the sustainability of the pension and health care system in view of an ageing population. Many of the initiatives include at least some part of the burden being carried by the social security system, while the rights of affected workers are not preserved through the existence of mechanisms such as equalising periods of inactivity to periods of employment, even if no contributions have been paid. As severe austerity will be called for in the years to come, these acquired rights will come under close scrutiny, and at least parametric changes are expected.

[101] For example, sectoral second-pillar pensions schemes have mostly been set up for blue-collar workers (see above, 2.1.1).

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4 Abstracts of Relevant Publications on Social Protection

[R] Pensions
[R1] General trends: demographic and financial forecasts
[R2] General organisation: pillars, financing, calculation methods or pension formula
[R3] Retirement age: legal age, early retirement, etc.
[R4] Older workers activity: active measures on labour market, unemployment benefit policies, etc.
[R5] Income and income conditions for senior workers and retired people: level of pensions, accumulation of pensions with earnings from work, etc.

[H] Health
[H1] Health expenditures: financing, macroeconomic impact, forecasting, etc.
[H2] Public health policies, anti-addiction measures, prevention, etc.
[H3] Health inequalities and access to health care: public insurance coverage, spatial inequalities, etc.
[H4] Governance of the health system: institutional reforms, transfer to local authorities, etc.
[H5] Management of the health system: HMO, payments system (capitation, reimbursement, etc.)
[H6] Regulation of the pharmaceutical market
[H7] Handicap

[L] Long-term care

[R] NATIONALE PENSIOENCONFERENTIE, «Groen Boek – Een toekomst voor onze pensioenen», Brussels, April 2010, 415p.
http://www.pensioenconferentie.be/pdf/NL/groen_boek.pdf
"Green Book – A future for our pensions"

The first deliverable of the National Conference on Pensions succeeds in mapping out the problems and challenges the pension system is faced with in light of an ageing population. The paper contains extensive data and analysis, and poses questions as to the future of the system. The debate is however steered in the direction of what is deemed to be politically achievable; obvious other possible remedies are omitted from the menu of discussion.

[R] OECD, Pensions at a Glance 2009: Retirement-Income Systems in OECD Countries, September 2009, 280 pages.

"Pensions at a glance" is a biennial comparative study of pension policies and data on pension systems. The 2009 edition is the third in a row, and contains chapters on the implications of the present economic crisis on pension systems, incomes and poverty of older people, pension reforms which were discussed in the second edition, and voluntary private pensions. (www.oecd.org/els/social/pensions/PAG)

[R1; H1] X, «Advies over de begrotingsvooruitzichten voorafgaand aan het stabiliteitsprogramma 2009-2014», Hoge Raad van Financiën, March 2009, 72p.
http://docufin.fgov.be/intersalgnl/hrfcsf/adviezen/PDF/ltnl2009_03.pdf
"Advice concerning the budgetary prospects preceding the stability programme 2009-2014"

This document outlines the prospect for the state budget and government debt for the following years, in three different scenarios – one where policy remains as present, and two where important measures are taken to turn the tide. One important conclusion is that, with unchanged policy, the budget deficit would settle at or above 4.5% after 2010. The report makes crystal-clear that serious cost cutting needs to occur, in order to regain somewhat healthy state finances. Regional differences are an *important aspect of the study, showing (and explaining) much different levels of organisation and care in Brussels, Wallonia and Flanders.*

[R1; R2] OECD, Private Pensions Outlook 2008, March 2009, 310 pages.

"Private Pensions Outlook" is a new OECD publication on retirement income provision. This first edition presents a special feature on the implications of the financial crisis for private pensions, as well as in-depth, international analyses of private pension arrangements across OECD and selected non-OECD countries. The publication focuses on the role of pension funds, and also provides evidence on public pension reserve funds which complement the financing of social security systems.

Relevant for Belgium, the OECD raises concern over the small size of individual pension funds and the suitability of different investment strategies, and over the observation that net income flows have turned negative as early as 2007. It must be noted that the concerns of the OECD (on the basis of data from 2008) are tempered by the evolution of coverage rates as published by the Belgian Association of Pensions Institutions, on the basis of data from 2009.

[R2] OECD, Private Pensions and Policy Responses to the Crisis: Recommendation on Core Principles of Occupational Pension Regulation", June 2009, 28 pages, retrieved from: http://www.oecd.org/dataoecd/30/50/43136337.pdf

In June 2009, the OECD Directorate for Financial and Enterprise affairs (www.oecd.org/daf) published a recommendation concerning private pension systems, based on observations and lessons learned concerning the financial and economic crisis. While it is recognised that private pensions have played an important role as stabilisers at a time of major turmoil and have withstood the crisis rather well, the recommendations are meant to guide the developments improving their design, regulation and supervision.

[R2] PACOLET, Jozef and STRENGS, Tom, «Pensioenrendement vergeleken», HIVA, Leuven, January 2010, 141p.
http://www.hiva.be/resources/pdf/publicaties/R1300_Pensioenrendement.pdf
"Pension yields compared"

The Study of Pacolet and Strengs attempts to compare the yields of first pillar versus second and third pillar pension setups. The document does not offer calculation models, but compares the situation in different countries from the question if second pillar pensions are really better at guaranteeing adequate pensions. The conclusion of the authors is that the first pillar system actually displays the best results, and that an enforcement of this pillar in Belgium would be worth pursuing.

[R2; R5] DE VIL, Greet, «De Belgische eerstepijlerpensioenen aan de vooravond van de vergrijzing: doorlichting van bedragen, gerechtigden en adequaatheid» , Federal Planning Bureau Working Paper 4-10, March 2010, 31p.
http://www.plan.be/admin/uploaded/201004291034230.wp201004_nl.pdf
„Belgian first pillar pensions at the eve of ageing: analysis of amounts, beneficiaries and adequacy"

Examining payments made under the legal pension system per 1 January 2008, this paper looks at the evolution of adequacy in terms of prosperity and poverty lines. The amount of benefits is quite diverse, along the lines of the different existing systems. The Generation Pact has had a definite positive influence on the evolution of minimum *pensions. Nevertheless, minimum pensions in Belgium flirt with the legal and relative poverty lines.*

[R2; H2] OECD, Policy Brief: Economic Survey of Belgium 2009, July 2009, 12 pages, retrieved from: http://www.oecd.org/dataoecd/34/49/43248129.pdf

The 2009 OECD economic survey of Belgium looks at the impact of the economic and financial crisis on fiscal sustainability, and offers recommendations on how to tackle the rising public debt in a structural way. Relevant to the problem of the cost of population ageing, the OECD recognises that the strategy to deal with this costs by creating increasing surpluses on the general government account has so far failed. Thus, fiscal tightening is recommended, together with an increase of the effective retirement age and the closing of the remaining loopholes for entering early retirement. The OECD also enters a plea to raise the legal pension age in a way that reflects past and future gains in life expectancy, as other measures will very likely not be sufficient. Without specifying them in this report, the OECD also recommends health-care reform.

[R5; H3; L] CANTILLON, Bea, VAN DEN BOSCH, Karel and LEFEBURE, Stijn (2009), «Ouderen in Vlaanderen en Europa. Tussen vermogen en afhankelijkheid», Leuven, ACCO, 2009, 232 p.

"Elderly in Flanders and Europe. Between wealth and dependence"

In this CoViVE publication, the situation in Flanders is compared to that in European countries concerning income, wealth, consumption, health, health-policy and societal participation of elderly people. While the overall comparison is generally positive for Flanders, serious problems are identified concerning income protection and institutional care. Concerning the level of pensions, Belgium is amongst the worse performers.

[H] Health

[H] MLADOVSKY, Philipa, ALLIN, Sara, MASSERIA, Cristina, HERNANDĖZ-QUEVEDO, Cristina , McDAID, David and MOSSIALOS, Elias, "Health in the European Union", European Observatory on Health Systems and Policies, 2009, 164p.
http://www.euro.who.int/Document/E93348.pdf

This report explores the relationship between living conditions, socio-economic factors and health within and between European countries.

[H1] DE VOS, Marc and VAN DAMME, Brieuc, "Breaking the deadlock of budgetary autism: what paradigms for future health care organisation in Belgium?", Itinera Institute Memo, March 2009, 14p.
http://www.itinerainstitute.org/upl/1/default/doc/MEMO08_Breaking%20the%20deadlock_MDV+BVD.pdf

This paper offers a critical analysis of health care expenditures in Belgium. It is a must-read that allows to understand why certain estimates are realistic, and others are not. The paper also offers conclusions and recommendations, but is most interesting for its sharp analysis of the state of affairs.

[H1; L] SERMEUS, Walter, PIRSON, Magali, PAQUAY, Louis, PACOLET, Jozef, FALEZ, Freddy, STORDEUR, Sabine and LEYS, Mark, «Financiering van de thuisverpleging in België», February 2010, KCE Reports 122A, 121p.
http://kce.fgov.be/index_nl.aspx?SGREF=14842&CREF=14910
"Financing of home nursing care in Belgium"

An evaluation of the current financing mechanisms of medical nursing services delivered to the home (as part of the larger picture of home care). The study concludes that there is no clear picture as far as financing is concerned, hampering an open and objective debate. More coordination between different policy levels is required, and measurement of the actual need for care and the quality of the care provided should be introduced in the financing mechanisms.

[H1; R1] X, «Advies over de begrotingsvooruitzichten voorafgaand aan het stabiliteitsprogramma 2009-2014», Hoge Raad van Financiën, March 2009, 72p.
http://docufin.fgov.be/intersalgnl/hrfcsf/adviezen/PDF/ltnl2009_03.pdf
"Advice concerning the budgetary prospects preceding the stability programme 2009-2014"

This document outlines the prospect for the state budget and government debt for the following years, in three different scenarios – one where policy remains as present, and two where important measures are taken to turn the tide. One important conclusion is that, with unchanged policy, the budget deficit would settle at or above 4.5% after 2010. The report makes crystal-clear that serious cost cutting needs to occur, in order to regain somewhat healthy state finances. Regional differences are an important aspect of the study, showing (and explaining) much different levels of organisation and care in Brussels, Wallonia and Flanders.

[H1; H3] RIZIV, «Géographie de la consommation médicale», Brussels, 2009
http://www.riziv.fgov.be/information/fr/studies/study44/pdf/reportFR.pdf
„Geography of consumption of health care"

Interpreting raw data in function of objective demographic and socio-economic different, this study looks at the geographical distribution of medical consumption patterns. The study offers no conclusions, but aims to pave the way for subsequent editions following the same methodology.

[H3; R5; L] CANTILLON, Bea, VAN DEN BOSCH, Karel and LEFEBURE, Stijn (2009), «Ouderen in Vlaanderen en Europa. Tussen vermogen en afhankelijkheid», Leuven, ACCO, 2009, 232 p.
"Elderly in Flanders and Europe. Between wealth and dependence"

In this CoViVE publication, the situation in Flanders is compared to that in European countries concerning income, wealth, consumption, health, health-policy and societal participation of elderly people. While the overall comparison is generally positive for Flanders, serious problems are identified concerning income protection and institutional care. Concerning the level of pensions, Belgium is amongst the worse performers.

[H3; H5; H6] VRIJENS, France, VAN DE VOORDE, Carine, FARFAN-PORTET, Maria-Isabel, LE POLAIN, Maïte and LOHEST, Olivier, «Het referentieprijssysteem en socio-economische verschillen bij het gebruik van goedkopere geneesmiddelen», KCE Reports 126A, April 2010, 69p.
http://kce.fgov.be/index_en.aspx?SGREF=14851&CREF=15339
„The Reference Price System and socio-economic differences in the use of cheaper drugs“

The Reference Price System is meant to reduce the cost for the health care system by setting the reimbursement amount of drugs to the level of cheaper alternatives to certain brand drugs, while the patient is required to pay the difference in price. Doctors however continue to prescribe the expensive variant, which leads to the question if certain socio-economic groups are lead to pay too much for lack of information and knowledge. The study concludes that this is not the case.

[L] Long-term care

[L; R5; H3] CANTILLON, Bea, VAN DEN BOSCH, Karel and LEFEBURE, Stijn (2009), «Ouderen in Vlaanderen en Europa. Tussen vermogen en afhankelijkheid», Leuven, ACCO, 2009, 232 p.
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In this CoViVE publication, the situation in Flanders is compared to that in European countries concerning income, wealth, consumption, health, health-policy and societal participation of elderly people. While the overall comparison is generally positive for Flanders, serious problems are identified concerning income protection and institutional care. Concerning the level of pensions, Belgium is amongst the worse performers.

[L] FUJISAWA, Rie and COLOMBO, Francesca, "The long-term care workforce: overview and strategies to adapt supply to a growing demand", OECD, Directorate for Employment, Labour and Social Affairs, Health Working Papers (44), 17 March 2009 (http://www.olis.oecd.org/olis/2009doc.nsf/LinkTo/NT00000F0A/$FILE/JT03261422.PDF).

Spending on long-term care as a share of GDP rises with the share of the population that is over 80 years old, which is expected to triple from 4% to 11-12% between 2005 and 2050. According to the OECD, this and other factors will add pressures not only on the long-term nursing care expenditures (in Belgium among the highest of the OECD) but also on the workforce of this highly labour-intensive sector. The working paper advances different solutions to manage a growing demand for long term care workers.

[L] WILLEMĖ, Peter, „The Belgian long-term care system“, Federal Planing Bureau Working paper 7-10, March 2010, 24p.
http://www.plan.be/publications/Publication_det.php?lang=nl&TM=30&IS=63&KeyPub=931

This report contains a detailed description of the long-term care system in Belgium. It discusses its organisation and financing, but also the long-term care usage and needs and the challenges for the future. These challenges include a likely doubling of long-term care needs by 2060 and the implications for its financing. The report also suggests that, while aggregated Figures on supply and demand seem to indicate that needs are adequately covered and quality is high, regional and interpersonal differences may very well be hidden by this data, and that the fragmented organisation of services possibly imply that needy individuals are faced with waiting lists and with *difficulty to find the right services for their needs.*

[L; H1] SERMEUS, Walter, PIRSON, Magali, PAQUAY, Louis, PACOLET, Jozef, FALEZ, Freddy, STORDEUR, Sabine and LEYS, Mark, «Financiering van de thuisverpleging in België», February 2010, KCE Reports 122A, 121p.
http://kce.fgov.be/index_nl.aspx?SGREF=14842&CREF=14910
"Financing of home nursing care in Belgium"

An evaluation of the current financing mechanisms of medical nursing services delivered to the home (as part of the larger picture of home care). The study concludes that there is no clear picture as far as financing is concerned, hampering an open and objective debate. More coordination between different policy levels is required, and measurement of the actual need for care and the quality of the care provided should be introduced in the financing mechanisms.

5 List of Important Institutions

Centrum voor Sociaal Beleid Herman Deleeck (CSB) – Centre for Social Policy Herman Deleeck, (Dr. Bea Cantillon)

Address: Sint-Jacobstraat 2, 4de verd., 2000 Antwerpen,
Webpage: http://www.centrumvoorsociaalbeleid.be/

The Centre for Social Policy Herman Deleeck (CSB) is a research unit within the University of Antwerp. It has been studying social inequality and wealth distribution in the welfare state for over 30 years. The research is empirical and multidisciplinary in nature, and is based largely on survey data. Herman Deleeck, who founded the Centre in 1972, fulfilled a pioneering role in developing social indicators for Flanders and Belgium. The Centre's research activities belong to the tradition of social policy analysis that makes use of sociological, economic and legal paradigms.
The CSB spearheads several research activities, and publishes useful indicators, amongst which the yearly updated Standard Social Security MicroSimulation Model, which makes it possible to simulate the impact of policy initiatives on the different branches of the social security system.

CoViVE, Consortium Vergrijzing in Vlaanderen en Europa – Consortium Ageing in Flanders and Europe, (Dr. Bea Cantillon)

Address: Jacobstraat 2, 4de verd., 2000 Antwerpen,
Webpage: http://www.covive.be

CoViVE is an inter-university consortium researching the socio-economic impact of ageing in Flanders and in Europe. Focal points are the spread of economic burden caused by an ageing population between and inside generations, the quality, affordability and accessibility of care, and the participation of older persons in employment and in social life. As a cooperation between the Flemish administration and universities, CoViVE is coordinated by the Centre for Social Policy Herman Deleeck (University of Antwerp) and is financed by the Institute for Encouragement of Innovation through Science and Technology in Flanders (IWT).
CoViVE is active through study days, reports, papers and publications in periodicals.

Federaal Kenniscentrum voor de Gezondheidszorg – Belgian Health Care Knowledge Center, (Mvr. Gudrun Biat)

Address: Administratief Centrum Kruidtuin, Doorbuilding (10e verdieping), Kruidtuinlaan 55, 1000 Brussel,
Webpage: http://www.kce.fgov.be/

Created in 2003, the KCE is a semi-governmental institution which produces analyses and studies in four different research domains in which decisions must be taken; collecting and disseminating objective information from registered data, literature and current practice; and developing high level scientific expertise in these research domains. The four research domains mentioned are the analysis of clinical practices and the development of practical guidelines on this topic ("Good Clinical Practice"); "Health Technology Assessment"; "Health Services Research", which points to everything that has to do with the organisation and financing of health care; and "Equity and Patient Behaviour", which denotes access to quality care for everybody. The KCE publishes regular reports on these different aspects. It is important to note that, whilst created by government, the KCE is not directly involved in policy setting, or in the execution of policy. As such, it holds an independent position.

Federale Overheidsdienst Volksgehzondheid, Veiligheid van de Voedselketen en Leefmilieu – Federal Public Service Health, Food Chain Safety and Environment

Address: EUROSTATION, bloc 2, Place Victor Horta 40 boite 10, 1060 Bruxelles

Webpage: https://portal.health.fgov.be

The Federal Public Service (FPS) Health, Food Chain Safety and Environment was set up in 2001. Its competencies were transferred from the former Ministry of Social Affairs, Health and Environment and the regionalised Ministry of Agriculture. The following scientific establishments are linked to the FPS and carry out research into policy-supporting matters or issue advisory reports: VAR, Veterinary and Agrochemical Research Centre IPH, Scientific Institute of Public Health, SHC, Superior Health Council. The Federal Agency for Food Chain Security is responsible for all verifications with regard to food safety. The aims of the FPS are developing a transparent, dynamic and scientifically-based policy that takes care of people's health, provides a safe food chain and a better environment for everyone, both today and in the future.

Federale Overheidsdienst Werkgelegenheid, Arbeid en Sociaal Overleg – Federal Public Service Employment, Labour and Social Dialogue

Address: Ernest Blerotstreet 1, 1070 Brussels

Webpage: http://www.employment.belgium.be

The Federal Public Service Employment, Labour and Social Dialogue (FPS) is a public agency and was found in 2003. The tasks of the FPS among others are the preparation, promotion and implementation of policies of collective labour relations, supervision of social dialogue, prevention and reconciliation in social conflicts and the preparation, promotion and implementation of policies on employment, labour market regulation and unemployment, equality and welfare at work. The FPS oversees the abidance of the implemented laws and prosecutes violation of law.

Federaal Planbureau – Federal Planning Bureau

Address: Avenue des Arts, 47-49, 1000, Brussels

Webpage: http://www.plan.be/

The Federal Planning Bureau (FPB) is a public agency. The FPB makes studies and projections on economic, social and environmental policy issues and on their integration within the context of sustainable development. For that purpose, the FPB collects and analyses data, explores plausible evolutions, identifies alternatives, evaluates the impact of policy measures and formulates proposals. Government, parliament, social partners and national and international institutions appeal to the FPB's scientific expertise. The FPB provides a large diffusion of its activities. The public is informed of the results of its research activities, which contributes to the democratic debate.
Most of the FPB's activities are legally defined. Other studies are made at the request of the government, social partners and parliament. The FPB can also undertake projects at its own initiative or within the framework of research contracts with third parties. All the FPB's studies are published, presented publicly, and widely distributed, via their website. Of particular interest are the planning and forecast documents.

Graydon Belgium

Webpage: http://www.graydon.be/

Graydon is an international research firm which provides financial, credit and solvability assessments of firms and organisations. While a commercial firm who's business model it is to sell company-specific commercial information, Graydon keeps an eye on company *bankruptcies and publishes analysis of economic activity in Belgium, offering detailed information on regional differences and connected employment issues.*

HIVA (Hoger Instituut voor de Arbeid) – Higher Institute of Labour Studies, (Dr. Jozef Pacolet)

Address: Parkstraat 47, B-3000 Leuven
Webpage: http://hiva.be/nl/

The higher Institute of Labour Studies is an inter-faculty research institute, attached to the K.U.Leuven. HIVA conducts policy-oriented inter-disciplinary research into social problems of relevance to workers, underprivileged groups, social organisations and movements.
Its core activity is research and the dissemination of research results, conducted in an academic and policy-oriented manner.

Hoge Raad van Financien – High Council of Finance,

Webpage: http://docufin.fgov.be/intersalgnl/hrfcsf/onzedienst/onzedienst.htm

The members of the High Council of Finance are high level experts, who analyse and study fundamental budgetary, financial and fiscal issues, and suggest adaptations and reforms. They can act on their own initiative or at the request of the Federal Minister for Finance or the Minister for Budget.
The High Council of Finance publishes two yearly reports, one (in March) containing an assessment of the implementation of the stability programme in Belgium during the previous year, and one annual report (in June), which analyses the borrowing requirement of each of the local governements as well as the budgetary policy to be adopted.

Moreover, it publishes opinions formulated on its own initiative or upon request of the federal Minister for Finance, as to the advisability of restricting the borrowing requirement of one or more authorities.

Instituut voor de gelijkheid van mannen en vrouwen – Institute for the equality of women and men (IGVM), (Dhr. Michel Pasteel)

Address: Ernest Blerotstraat 1, 1070 Brussel
Webpage: http://igvm-iefh.belgium.be/

The mission of the Institute for the equality for women and men, a Federal Public Institution created in December 2002, is to guarantee and promote the equality of women and men and to fight against any form of discrimination and inequality based on gender in all aspects of life through the development and implementation of an adequate legal framework, appropriate structures, strategies, instruments and actions.
The institute brings together data on the labour market, and publishes topical reports, its own yearly reports, and a periodic report concerning the wage gap between men and women.

International Center for Pension Reform, (José Piñera)

Webpage: http://www.pensionreform.org/

The International Center for Pension Reform offers a set of policy documents, speeches, articles and analysis on pension reforms in different parts in the world. It is inspired by the Chilean economist José Piñera, one of the world's foremost advocates of privatising public pension systems, and the architect of the Chilean reform. The Center offers interesting – if biased – analysis of the crisis in pension systems throughout Europe.

Itinera Institute, (Dr. Marc De Vos)
Address: Boulevard Leopold II Laan 184d, B-1080 Brussels,
Webpage: http://www.itinerainstitute.org/

The Itinera Institute is an independent and non-partisan think-tank and do-tank that identifies and promotes roads for policy reform towards sustained economic growth and social protection, for Belgium and its regions. The institute publishes reports and opinions on different subjects, including ageing and pensions, poverty and inequality, employment and health care.

Nationale Bank van België – National Bank of Belgium
Address: de Berlaimontlaan 14, 1000 Brussel
Webpage. http://www.nbb.be/

The National Bank of Belgium is Belgium's central bank since 1850. The NBB publishes year reports, but also weekly economic indicators, economic reviews, and economic and financial background papers.
Detailed statistical information is offered through the Belgostat service (http://www.belgostat.be/), which makes the National Bank a prime source to access underlying statistical and analytic data on economics and finances.

Steunpunt tot bestrijding van armoede, bestaansonzekerheid en sociale uitsluiting – Service for the fight against poverty, insecurity, and social exclusion, (Mrs. Françoise De Boe)
Webpage: http://www.armoedebestrijding.be/

The Service was formed in 1999 on the basis of a recommendation of the 1994 General Report on Poverty, which itself brought together organisations in which the poorest had their say along with local public welfare agencies, social workers from the social assistance and special juvenile assistance sectors, teachers, doctors, employers and labor unions, … The Report requested that a structural tool would be developed for fighting poverty.
The Service is a partnership between the Federal State, the Communities, and the Regions, on the Continuation of the Policy on Poverty. It publishes statistics, notes and background papers concerning poverty. In addition, the organisation publishes bi-annual reports on poverty.

Studiecommissie voor de Vergrijzing – Study Committee on Ageing
Address: Avenue des Arts, 47-49, 1000, Brussels
Webpage. http://www.plan.be/

The Law of 5 September 2001 guaranteeing a continuous reduction in the public debt and the setting up of the Ageing Fund also provided for the creation of the Study Committee on Ageing within the High Council of Finance. This Committee publishes an annual report in which the financial consequences of the population's evolution for the different statutory pension schemes, social security schemes for salaried workers and self-employed workers and the scheme of guaranteed income for the elderly are assessed (see theme 'Population'). The Study Committee can undertake, on its own initiative or at the request of the Government, specific studies related to ageing (poverty, 'second pillar' pension schemes, etc.). The Law entrusts the FPB with the secretariat of the Committee. The FPB thus plays an important role in the drawing up of the necessary assessments and the preparation of the annual report of the Committee.
The department 'Borrowing Requirements of the Public Sector' within the High Council of Finance uses the report of the Study Committee to make recommendations for budgetary policy. On the basis of the work of the Study Committee on Ageing, the federal government draws up a memorandum on population ageing. The document contains an assessment of the

additional costs in the social security schemes, describes the general policy in order to meet the consequences of ageing, gives an account overview for the Ageing Fund and describes the evolution of supplementary old-age pensions and of poverty amongst the elderly.

VIVES - Vlaams Instituut voor Economie en Samenleving – Research Centre for Regional Economics, (Dr. Koen Algoed)

Address: Naamsestraat 61 (bus 3510), B-3000 Leuven

Webpage: http://www.econ.kuleuven.be/vives/

VIVES is an independent think-tank which aims to contribute to the debate on the economical and social development of regions, with a focus on Flanders. The Centre is integrated both scientifically and legally within the K.U.Leuven as an inter-faculty research centre.

VIVES cooperates extensively with research fellows from other universities, organises symposia and publishes discussion papers, policy papers and press reports.

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(1) to improve the knowledge and understanding of the situation prevailing in the Member States (and in other participating countries) through analysis, evaluation and close monitoring of policies;
(2) to support the development of statistical tools and methods and common indicators, where appropriate broken down by gender and age group, in the areas covered by the programme;
(3) to support and monitor the implementation of Community law, where applicable, and policy objectives in the Member States, and assess their effectiveness and impact;
(4) to promote networking, mutual learning, identification and dissemination of good practice and innovative approaches at EU level;
(5) to enhance the awareness of the stakeholders and the general public about the EU policies and objectives pursued under each of the policy sections;
(6) to boost the capacity of key EU networks to promote, support and further develop EU policies and objectives, where applicable.

For more information see:
http://ec.europa.eu/social/main.jsp?catId=327&langId=en