

The population at risk of poverty or social exclusion in Belgium

Projection until 2030

November 2016

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Federal Planning Bureau

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Responsible publisher: Philippe Donnay

Legal Deposit: D/2016/7433/31

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Abstract - This Working Paper presents, on the basis of information available until July 2016, a projection at unchanged policy until 2030 of the population at risk of poverty or social exclusion in Belgium, as defined in the framework of the Europe 2020 Strategy. This population should amount to 2.232 million people in 2018, or 418 000 more than the Europe 2020 target. By 2030, its share should shrink to 16.1%, still 5.6 percentage points higher than the goal resulting from the UN 2030 Agenda for Sustainable Development.

Jel Classification - C32, H55, I32, J11, QO1

Keywords - Poverty, Belgium, sustainable development, monitoring

Acknowledgements - The author wishes to thank Rudi van Dam and Tim Goedemé for giving him the opportunity to present earlier versions of this paper in the NRP/NSR Social Indicators working group and during an internal seminar of the Herman Deleeck Centre for Social Policy of the University of Antwerp respectively. The author is solely responsible for any remaining errors.

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Executive summary

The population at risk of poverty or social exclusion lies at the core of the Europe 2020 Strategy. Within the framework of this Strategy, Belgium has committed itself to reducing this population by 380 000 people between 2008 and 2018. In 2008, 2.194 million people belonged to this target group. In addition, Belgium has also committed itself to at least halve the share of the population living in poverty by 2030, basing its measurement on the common national multidimensional definition of poverty. This commitment arises from the UN's 2030 Agenda for Sustainable Development, which was adopted in 2015. In Belgium, 2.336 million people or 21.1% of the total population were at risk of poverty or social exclusion in 2015. Assuming that the UN goal will be evaluated in 2030 using data relating to the previous year, the share of people at risk of poverty or social exclusion in Belgium should not exceed 10.6% in 2029. Broadly, this equals a halving of the proportion of people at risk of poverty or social exclusion measured in 2015.

People are at risk of poverty or social exclusion when they face at least one of the following problems: living on an income below the at-risk-of-poverty threshold, living in households with low work intensity and experiencing severe material deprivation. The population at risk of poverty or social exclusion thus consists of various sub-populations, each of which are confronted with one or more aspects of the multidimensional poverty issue.

In Belgium, very little forecasting data on the population at risk of poverty or social exclusion is available. For this reason, this report presents a projection of this population to 2030. From a methodological point of view, it goes a step further than a trend description and extrapolation based on historical data. In fact, the projection integrates various data which influence the evolution of the target population within a coherent framework. These data include a number of projections of the no-policy-change baseline scenario of the 2016 Annual Report of the Study Committee on Ageing (SCA) on the budgetary sustainability and adequacy of pensions. Note that other policies lead to other projections of the development in the population at risk of poverty or social exclusion.

Our projection results show a slight decline in the population at risk of poverty or social exclusion from 2.282 million people in 2016 to 2.232 million people in 2018, i.e. 418 000 people more than the target laid down in the Europe 2020 Strategy. Therefore, the Belgian target under this Strategy will not be reached. This also applies to the goal set out in the 2030 Agenda for Sustainable Development of the UN. Indeed, the results point to a drop from 20.2% in 2016 to 16.1% in 2029, whereas Belgium should strive towards a, broad, maximum rate of 10.6% by 2029. Both the decrease in the number of pensioners living on an income below the at-risk-of-poverty threshold during the period 2016-2029 and the drop in the long term of the unemployment rate, as resulting from the SCA's baseline scenario, can explain these results.

This projection can be further updated and its main aim is to contribute to the monitoring process for the Belgian poverty reduction objectives. The NRP/NSR Social Indicator working group chaired by the Federal Public Service (FPS) Social Security and the Interfederal Statistical Institute are responsible for this process, within the frameworks of the Europe 2020 Strategy and the UN 2030 Agenda for Sustainable Development respectively.

1. Introduction

“Unlike some other calculations, those relating to poverty have no intrinsic value of their own. They exist only in order to help us make them disappear from the scene”(Orshansky 1968: p. 28)

This publication presents a projection of the population at risk of poverty or social exclusion in Belgium, as defined in the framework of the Europe 2020 Strategy. Using currently available information, this publication analyses to what extent Belgium is on the road to reaching the poverty reduction targets adopted in the framework of the Europe 2020 Strategy and the UN 2030 Agenda for Sustainable Development (Federal Planning Bureau 2016d; Federal Public Service Prime Minister’s chancellery 2016, UN 2015). In so doing, this publication wishes to contribute to the Belgian monitoring process of these commitments.

As part of the Europe 2020 Strategy, the EU adopted a poverty reduction target. This target is formulated in absolute figures: reduce the number of people at risk of poverty or social exclusion in the EU by at least 20 million people by 2020 (European Council 2010a, 2010b; Frère et al. 2011; Dekkers, Frère 2015; Frère 2015). This strategy was adopted in 2010. All Member States have since adopted national poverty reduction targets and take part in a joint monitoring process. In Belgium, this target group should be reduced by 380 000 people on the basis of data for the year 2018, compared to the year 2008, when 2.194 million people belonged to this target group (NRP 2011a). When this goal was adopted, the data for 2008 were the most recent and it was accepted that this objective would be reviewed in 2020 using data for the year 2018. In other words, Belgium’s ambition is to reduce the number of people at risk of poverty or social exclusion to 1.814 million. This corresponds to a reduction of 17.3%, spread out over a ten-year period.

As yet, very little information is available on the extent to which Belgium is on the road to achieving this poverty reduction target by 2020. When determining the Belgian poverty reduction target, it was found that forecasting data on the intended target group was scarce to non-existent (NRP 2011b: p. 28). The yearly monitoring process since 2011 of the poverty reduction target – as reported in the National Reform Programmes – was necessarily limited to a trend description on the basis of the available data and a comparison of the theoretical path leading to the target (NRP 2016). Subsequently, the FPS Social Security comes to the following conclusion: *“As regards the Europe 2020 target on the reduction of poverty and social exclusion, no evolution towards the target can be determined”* (Federal Public Service Social Security 2016: p. 92, translation FPB).

The projection horizon of this publication is set in 2030, which is beyond the target year of the Europe 2020 Strategy – in this case 2020. This is a conscious choice, since the UN Member States unanimously adopted the 2030 Agenda for Sustainable Development in September 2015 (UN 2015). This Agenda contains 17 global goals for the year 2030, the so-called Sustainable Development Goals (abbreviated as SDGs). These SDGs aim to end poverty, protect the planet and ensure peace and prosperity for all people. The SDGs are directly relevant for the Belgian poverty reduction policy, since one SDG sub-goal sets out a concrete poverty reduction target, which can be further put into practice by each country. This SDG sub-goal focuses on a reduction of the share of people living in poverty and is formulated as follows: *“Sub-goal 1.2: By 2030, reduce at least by half the proportion of men, women and children of all ages living*

in poverty in all its dimensions according to national definitions” (UN 2015: p. 15).

In June 2016, the Federal Planning Bureau proposed a limited list of indicators to help monitor the SDGs (Federal Planning Bureau 2016b). Owing to its central role in the poverty reduction policy, the indicator set out in the Europe 2020 Strategy – the population at risk of poverty or social exclusion in Belgium – is put forward to help monitor SDG sub-goal 1.2. On the basis of survey data collected in 2015 – the year in which the SDGs were adopted – 21.1% of the Belgian population or 2.336 million people belong to the intended target group (Eurostat 2016). Under SDG sub-goal 1.2, by 2030 that share should at least be reduced by half to a broad target of 10.6%. It is assumed that this target will be evaluated in 2030 using data from the source which is most up-to-date at that time (probably the 2029 source). With this in mind and using the most recent population projections of the Federal Planning Bureau, this population should amount to 1.262 million people in 2029 or a reduction by 1.074 million people (Federal Planning Bureau - Statistics Belgium 2016a, 2016b). This corresponds to a reduction of 45.7%, spread out over a fourteen-year period.

The projection set out below can also be used to verify whether Belgium is on the road to reaching its SDG poverty reduction target by 2030. It aims to go beyond a trend extrapolation of the population at risk of poverty or social exclusion in Belgium of the previously mentioned proposal of the Federal Planning Bureau. This proposal shows that it is not possible to reach SDG sub-goal 1.2¹ (Federal Planning Bureau 2016b: 16). The added value of this projection is that it integrates into a coherent framework various data which influence the evolution of the intended target group. These data are – as mentioned below – the long-term observations of the population without paid employment on the basis of the labour force survey and the administrative unemployment data, as well as three projections of the Study Committee on Ageing (SCA), as reported by the Federal Planning Bureau in the 2016 Annual Report of the SCA (High Council of Finance 2016).

For an analysis and explanation of the observed evolution of the population at risk of poverty or social exclusion in Belgium until 2015, we refer to other publications (Federal Public Service Social Security 2015, 2016a, 2016b). This publication is prospective by design and fills a gap in such information. Therefore, it aims to contribute to the monitoring process of the Belgian poverty reduction targets. These targets include a reduction to at least 1.814 million people by 2020 – as laid down in the Europe 2020 strategy – and to at least 1.268 million people or a broad target of 10.6% by 2030, as derived from SDG sub-goal 1.2. The NRP/NSR² Social Indicators working group – chaired by the FPS Social Security – monitors the first target (Federal Public Service Social Security 2015: p. 5). The Interfederal Statistical Institute is responsible for the indicators relating to the last target (Interfederal Statistical Institute 2016).

This publication follows a classical structure. The next chapter provides a definition of the population at risk of poverty or social exclusion and describes its evolution in Belgium. Chapter 3 details the projection method and discusses the projection results in the light of the adopted poverty reduction targets. Chapter 4 indicates whether Belgium, on the basis of the currently available information, should move towards the adopted poverty reduction targets.

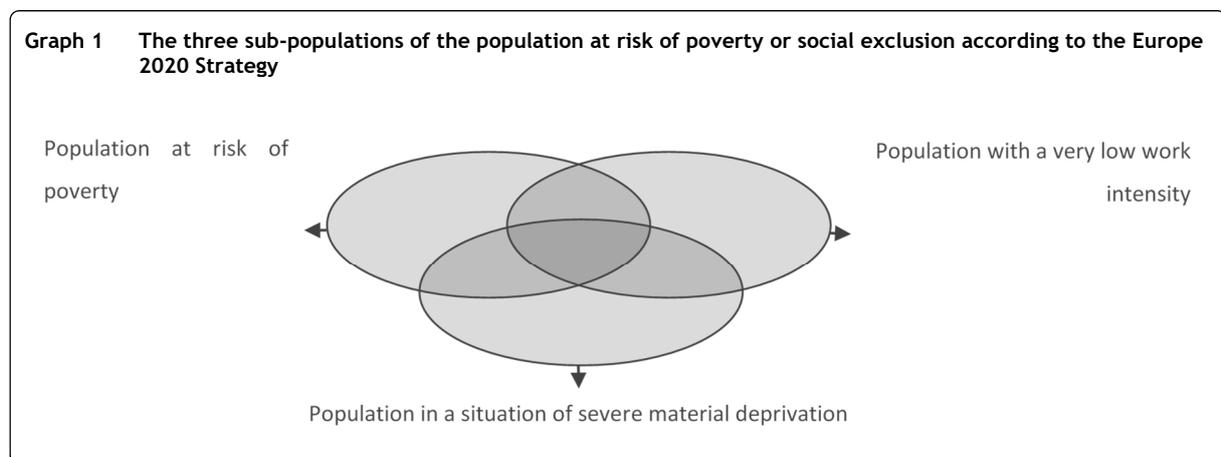
¹ Taking into account a deviation of more than 10% of the target.

² National Reform Programme / National Social Report

2. The population at risk of poverty or social exclusion

The Europe 2020 strategy refers to the population for which a poverty reduction target is defined with the term *'the population at risk of poverty or social exclusion'*. This publication does not provide a more in-depth theoretical definition of the concepts of 'poverty' or 'exclusion', but is in line with the following description, to which the Europe 2020 Strategy occasionally refers: *"Persons beset by poverty: individuals or families whose resources are so small as to exclude them from the minimum acceptable way of life of the Member State in which they live"*. (Council of the EU 1975).³

The population at risk of poverty or social exclusion of the Europe 2020 Strategy equals the sum of three sub-populations.⁴ Graph 1 represents this visually.



These sub-populations are each confronted with one or more aspects of the multidimensional poverty issue: inadequate living standard, difficulties integrating into the labour market or not being able to afford goods and services which are deemed necessary to function in society. Each sub-population is measured using specifically designed indicators, that is, the indicators 'risk of poverty', 'very low work intensity' and 'severe material deprivation' respectively. A person belonging to the intended target group thus faces one, two or three aspects of the multidimensional poverty issue. This is indicated in Graph 1 with light grey, grey and dark grey sub-sets.

³ In 2004, this definition of poverty was completed and linked to social inclusion and exclusion. Social inclusion is used to cover poverty and social exclusion. These are defined as: *"Poverty People are said to be living in poverty if their income and resources are so inadequate as to preclude them from having a standard of living considered acceptable in the society in which they live. Because of their poverty they may experience multiple disadvantage through unemployment, low income, poor housing, inadequate healthcare and barriers to lifelong learning, culture, sport and recreation. They are often excluded and marginalised from participating in activities (economic, social and cultural) that are the norm for other people and their access to fundamental rights may be restricted. Social exclusion: Social exclusion is a process whereby certain individuals are pushed to the edge of society and prevented from participating fully by virtue of their poverty, or lack of basic competencies and lifelong learning opportunities, or as a result of discrimination. This distances them from job, income and education opportunities as well as social and community networks and activities. They have little access to power and decision-making bodies and thus often feel powerless and unable to take control over the decisions that affect their day to day lives."* (EC 2004: p. 10)

⁴ The long-term validity of the way in which the concepts of 'poverty' or 'social exclusion' are operationalised using indicators is left out of consideration here. It can be assumed that, as future ways of living change, the indicators measuring poverty or social exclusion will change with them. These indicators have to be seen in a context of the current socially accepted ways of living.

The size of the three sub-populations is calculated on the basis of data from the Statistics on Income and Living Conditions survey (EU-SILC). This survey – which is harmonised at the European level – has been organised every year in Belgium since 2003 by Statistics Belgium.⁵ The survey is only carried out in private households. The EU-SILC sample in 2014 consists of 6 021 households and a total of 11 461 people aged 16 or older are involved in this survey (Statistics Belgium 2014: p. 20). Collective households (for example, people living in a care facility, monastery or prison) are excluded.

The graphs and tables below present indicators calculated on the basis of the Belgian EU-SILC survey. As with all sample data, they should be interpreted taking into account a confidence interval. Where Statistics Belgium published the upper and lower limits of the 95% confidence interval in the EU-SILC quality reports or where these can be calculated using the standard error mentioned in these reports, the graphs below indicate these limits. Whether or not the corresponding indicator in the population with a 95% confidence is within the indicated interval, can thus be deduced from the graphs. It should be noted that the years mentioned in the graphs and tables always relate to the year in which the survey data were collected. This also applies to the accompanying passages with comments.

Part 2.1 describes the evolution of the three sub-populations at risk of poverty or social exclusion in Belgium separately. Part 2.2 provides a description of the evolution in Belgium of the population at risk of poverty or social exclusion.

2.1. Definition and evolution of the three sub-populations

The definition and evolution of the three sub-populations at risk of poverty or social exclusion in Belgium will be discussed separately in the following sections.

2.1.1. The population at risk of poverty

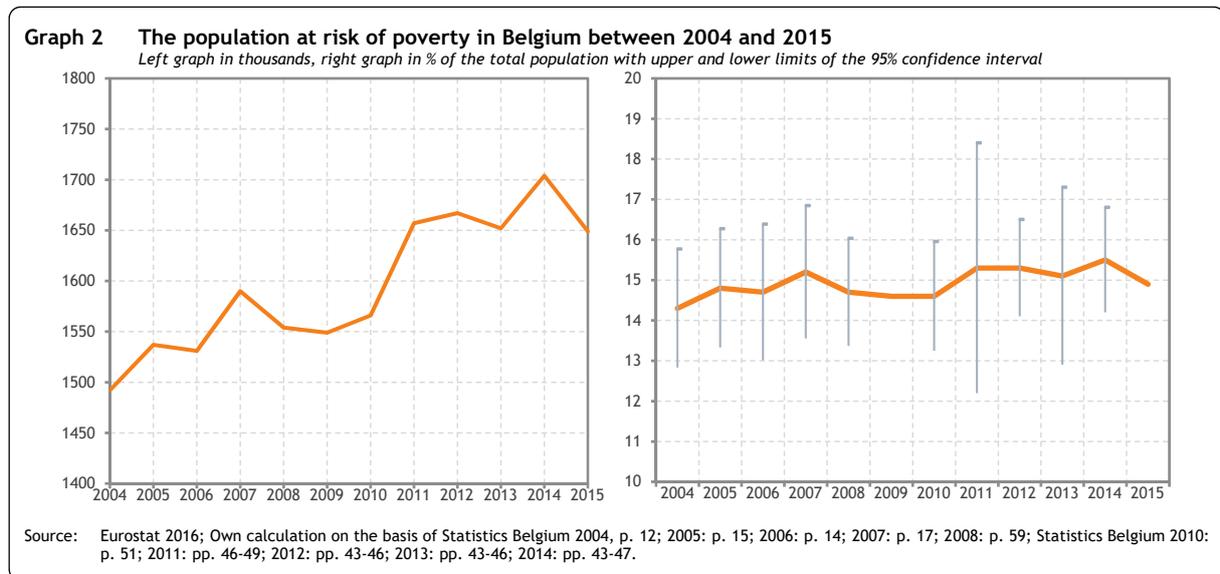
If the equivalent net disposable household income of a person in the year prior to the EU-SILC survey year is lower than the at-risk-of-poverty threshold, this person belongs to the population at risk of poverty. This at-risk-of-poverty threshold equals 60% of the mean equivalent net disposable household income of the population. This indicator assumes that – below this income level – the living standard of the person involved is insufficient to meet the minimum acceptable way of life in Belgium.

Statistics Belgium calculates the total disposable household income – used to calculate the at-risk-of-poverty rate – on the basis of the methodological guidelines determined at EU level. The total available household income equals the total gross household income minus the regular inter-household cash transfers paid and the tax on income and social insurance contributions paid during the income reference period, including tax adjustments-repayment during that period (EC 2016: pp. 209-210). A distinction is made between incomes paid to each household member personally (from the age of 16) and incomes imputed to the entire household. The table in the appendix contains details of the income sources registered by EU-SILC.

⁵ Statistics Belgium advises to use EU-SILC starting from 2004 and not 2003, which should be considered as a trial year for the launch of EU-SILC in Belgium.

To take into account the economies of scale of a joint household, the disposable household income is reduced to an individual level by dividing this income by an equivalence factor. The equivalence factor that is used here equals the sum of the weights of each household member which are – by convention – set at 1 for the first adult, 0.5 for each additional adult and 0.3 for each additional child (person under the age of 14). To calculate this indicator, the equivalent net disposable household income is assigned to each household member. Since EU-SILC does not discount the value of equity (that is, owning a home) or goods and services offered free of charge, the net disposable household income of a person can be considered as an indication of the living standard of the person involved.

Graph 2 shows that the population at risk of poverty rose from 1.492 million to 1.649 million people between 2004 and 2015. In percentage terms, this increase in absolute terms corresponds to a slight increase from 14.3% in 2004 to 14.9% in 2015.⁶ For the sake of completeness, it should be mentioned that the at-risk-of-poverty threshold in current prices on an annual basis rose from 9 405 euros in 2004 to 12 992 euros in 2015 (Statistics Belgium 2016). These amounts are for a person living alone. With the equivalence factors mentioned above, the at-risk-of-poverty thresholds for other household types can be calculated.



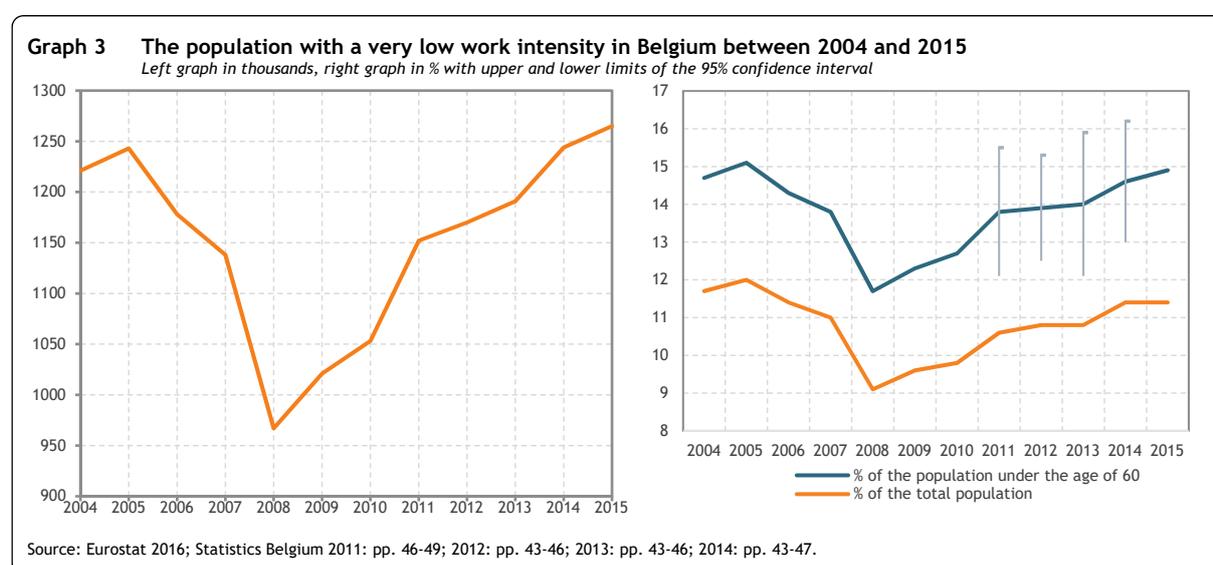
2.1.2. The population with a very low work intensity

The work intensity of a household is calculated as the ratio of the number of months actually worked by the household members of working age (18-59 years of age, excluding dependants between the ages of 18 and 24) during the year prior to the EU-SILC survey year and the total number of months that these people theoretically could have worked during the same year. If this ratio equals 20% or less, all household members under the age of 60 belong to a household with a low work intensity. For people who indicated that they worked part time, the number of months worked in full-time equivalents was estimated using the number of hours the person involved usually works at the moment of the survey

⁶ From this graph can also be concluded that with a 95% confidence in 2014, 14.2% to 16.8% of the population has an income below the at-risk-of-poverty threshold in 2014. The other remaining confidence intervals are mentioned in the graph.

interview. This indicator can be considered as an indication of the number of people in the household that face difficulties integrating into the labour market.

Graph 3 shows that the population living in a household with a very low work intensity fell from 1.221 million in 2004 to 0.967 million people between 2004 and 2008, after which this number rose constantly to 1.265 million in 2015. In relative terms a similar trend became visible. In 2015, 11.4% of the total population belonged to this target group. Because only people under the age of 60 are included in the calculation of this indicator, it is usually represented in percentage of the population under the age of 60. For the sake of completeness, Graph 3 mentions this information in the right graph along with the known confidence intervals. Between 2004 and 2015, the share of people under the age of 60 in a household with a very low work intensity is on average still 3 percentage points higher than this share in the total population. Both indicators virtually run completely parallel.



2.1.3. The population in a situation of severe material deprivation

A person is severely materially deprived if he is confronted with at least four problems out of a list of nine. Table 1 mentions these problems and the share of the Belgian population that is confronted with them, on the basis of EU-SILC 2015. According to the survey, the problems can be divided into three categories. Not being able to afford one week annual holiday away from home or not being able to face unexpected expenses are most common and occur in more than 25% of the population. In total, between 5 and 7% of the population is unable to avoid arrears, afford a car of their own, keep home adequately warm (due to financial reasons) or afford a meal with enough proteins at least every second day. Finally, not being able to afford a washing machine, a colour TV or a telephone is very rare.⁷

⁷ It should be noted that the EU-SILC will use an updated list of items in 2016 and 2017. The items relating to the possession (if necessary) of a washing machine, TV and telephone will be replaced with the following items: not being able to afford some new (not second-hand) clothes to replace worn-out clothes, not being able to afford two pairs of properly fitting shoes (including a pair of all-weather shoes), not being able to afford a small amount of money each week to spend on oneself (without having to consult anyone), not being able to afford to get together with friends/family for a drink/meal at least monthly, not being able to have regular leisure activities, not being able to afford an internet connection for private use at home and, finally, that the household is not able to replace worn-out furniture. The items mentioned above will be integrated into EU-SILC 2018 (EC 2015; ESSC 2016).

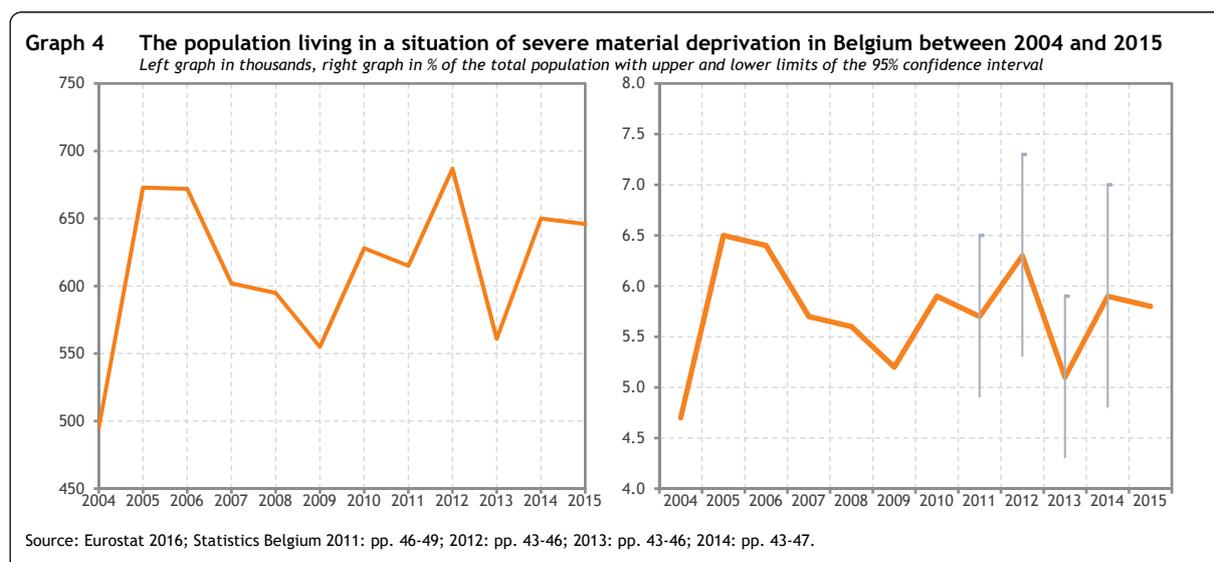
Table 1 Share of the population that is confronted with problems of severe material deprivation in Belgium in 2015

	Share of the population
Not being able to afford one week annual holiday away from home	26.7%
Not being able to face unexpected expenses	26.0%
Not being able to avoid arrears (mortgage or rent, utility bills or hire purchase instalments)	7.0%
Not having a car (if desired)	6.9%
Not being able to afford a meal with proteins at least every second day	5.2%
Not being able to keep home adequately warm (due to financial reasons)	5.0%
Not having a washing machine (if desired)	1.5%
Not having a TV (if desired)	0.6%
Not having a telephone (if desired)	0.1%

Source: Eurostat, 2016.

The evolution between 2004 and 2015 of the population in a situation of severe material deprivation mentioned in Graph 4 has to be interpreted taking into account the following remarks. First, in 2005 there was a methodological change in the formulation of the item relating to the extent to which the respondent cannot adequately heat his home. This change could explain the strong rise from 495 000 in 2004 to 673 000 in 2005 and is an indication to consider the year 2004 as an outlier. Likewise, the place of this item changed in the EU-SILC questionnaire in 2008, which could influence the observed trend during the 2005-2015 period. For these reasons, it seems appropriate to consider the evolution of this indicator from 2008 onwards and not over the whole 2004-2015 period.

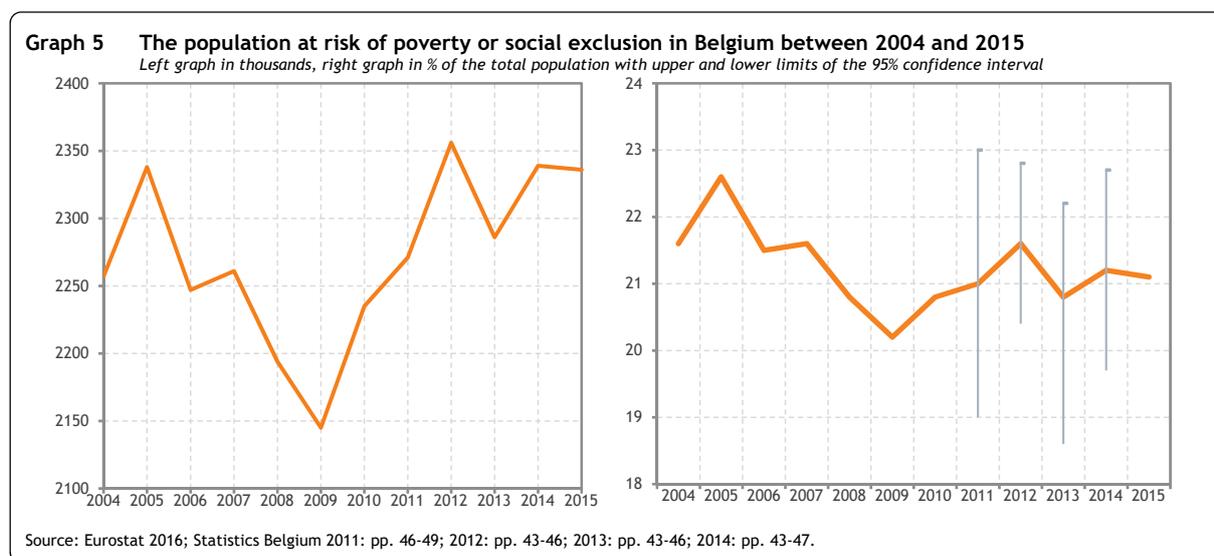
Between 2008 and 2012, the number of people living in a situation of severe material deprivation rose from 595 000 to 687 000. Afterwards, a drop to 561 000 was observed in 2013, after which this indicator rose again to 650 000 in 2014. In 2015, 646 000 people lived in a situation of severe material deprivation, which is virtually identical to the situation in 2014. In relative terms, this increase corresponds to an increase from 5.6% in 2008 to 6.3% in 2012. This was followed by a drop to 5.1% in 2013 and a rise to 5.9% in 2014. In 2015, this rate remained virtually unchanged and 5.8% of the population was confronted with a situation of severe material deprivation.



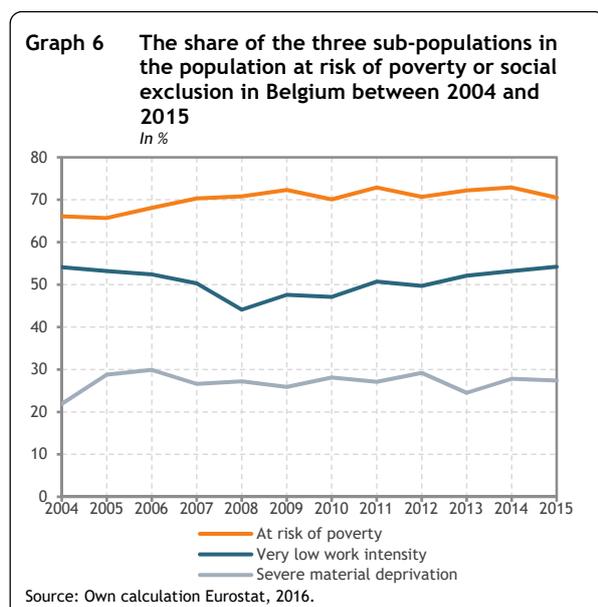
2.2. Definition and evolution of the population at risk of poverty or social exclusion

The population at risk of poverty or social exclusion of the Europe 2020 Strategy equals the sum of the three sub-populations mentioned above. Graph 5 describes its evolution in Belgium. Between 2004 and 2009, this number fell from 2.257 million to 2.145 million, after which this number rose to 2.356 million in 2012. After a drop to 2.286 million in 2013, this number once again rose to 2.339 million in 2014. In 2015, this figure was virtually unchanged, that is, 2.336 million.

In relative terms, a downward trend can also be observed between 2004 and 2009, when 21.6% and 20.2% of the population respectively belonged to this target group. This rose to 21.6% in 2012, after which a certain drop is observed to 21.1% in 2015, which is still above the 2009 level.

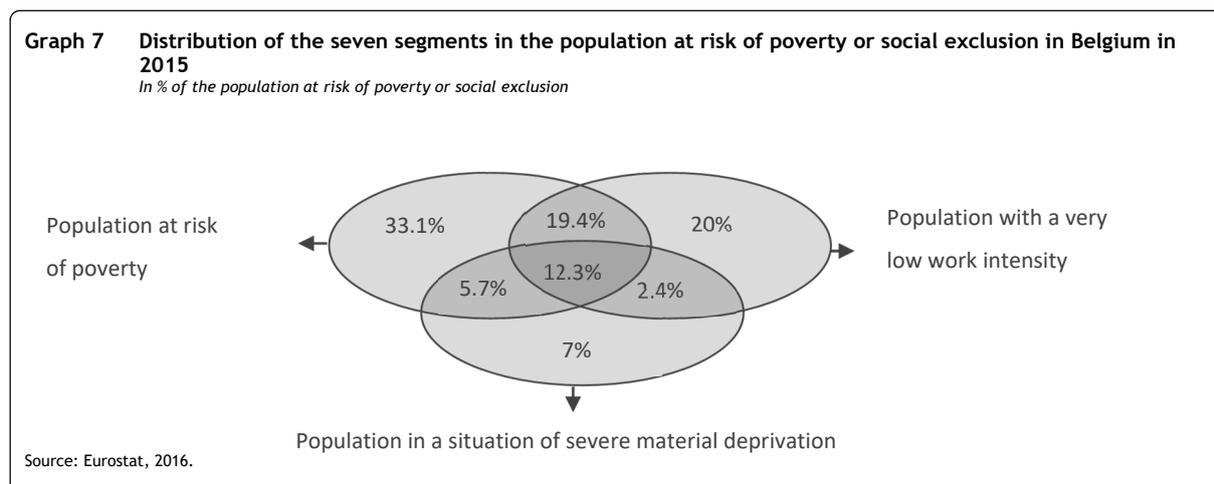


Graph 6 shows the evolution of the share of the three sub-populations in the total population at risk of poverty or social exclusion in Belgium between 2004 and 2015. Since these three sub-populations overlap – as seen in Graph 1 – these percentages do not add up to 100%. It appears that in the Europe 2020 target group in 2015, 70.5% are people at risk of poverty, which virtually corresponds to the 2004-2015 period average. The population with a very low work intensity dropped from 54.1% in 2004 to 44.1% in 2008 and afterwards rose to 54.2% in 2015. The population living in a situation of severe material deprivation in Belgium between 2004 and 2015 fluctuates at around 27%. In 2015, this share amounts to 27.4%.



The population at risk of poverty thus has the largest influence on the evolution of the Europe 2020 target group, followed by the population with a very low work intensity and the population living

in a situation of severe material deprivation. However, this should be specified, since the three sub-populations overlap and form seven partial segments. Therefore, Graph 7 shows the subset of Graph 1, but in conjunction with the share of each segment on the basis of the Belgian EU-SILC 2015. It appears that the population that is only at risk of poverty forms the largest group, that is, 33.1%. The population with only a very low work intensity forms 20% of the Europe 2020 target group. This is practically identical to the share of the population both at risk of poverty and with a very low work intensity but not living in a situation of severe material deprivation in the Europe 2020 target group (19.4%). The share of the segment combining the three poverty issues – the dark grey subset – is 12.3% in 2015. The share of the other segments is considerably smaller.



Summarised, it appears that the population at risk of poverty and the population with a very low work intensity in Belgium together form 92.9% of the Europe 2020 target group in 2015. The share of the population living only in a situation of severe material deprivation is small, that is, 7% in 2015. For the sake of completeness, Table 2 shows the evolution of the share of the seven segments of the population at risk of poverty or social exclusion between 2004 and 2015. The finding mentioned above for 2015 is unchanged: the average share of the population living only in a situation of severe material deprivation in the Europe 2020 target group remains relatively small in the 2004-2015 period and in the 2008-2015 period, 8% and 8.2% respectively.

Table 2 Composition of the total population at risk of poverty or social exclusion in Belgium between 2004 and 2015
In % and total in millions

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Average 2004-2015	Average 2008-2015
Only at risk of poverty	36.0	33.1	34.6	36.6	40.4	39.3	38.2	34.8	36.3	35.5	34.5	33.1	36.0	36.5
Only very low work intensity	23.3	21.9	18.9	19.3	17.9	17.5	17.9	16.8	16.5	18.7	17.2	20.0	18.8	17.8
Only severe material deprivation	6.7	8.2	9.0	7.3	9.3	7.7	8.9	8.2	9.6	7.3	7.2	7.0	8.0	8.2
At risk of poverty and very low work intensity	18.8	16.1	16.6	17.5	14.6	17.3	15.7	21.3	18.0	21.3	20.5	19.4	18.1	18.5
At risk of poverty and severe material deprivation	3.2	5.5	4.0	5.8	6.2	5.4	5.7	6.2	4.4	5.2	5.1	5.7	5.2	5.5
Very low work intensity and severe material deprivation	3.8	4.1	4.0	3.1	2.0	2.6	3.0	2.0	3.2	1.8	2.7	2.4	2.9	2.5
At risk of poverty, severe material deprivation and very low work intensity	8.2	10.9	12.9	10.5	9.6	10.2	10.4	10.7	12.0	10.3	12.7	12.3	10.9	11.0
Total in %	100	100	100	100	100	100	100	100	100	100	100	100	100	100
in millions	2.257	2.338	2.247	2.261	2.194	2.145	2.235	2.271	2.356	2.286	2.339	2.336		

Source: Eurostat, 2016.

3. Projection of the population at risk of poverty or social exclusion

The projection of the population at risk of poverty or social exclusion presented here is explained in Section 3.1. Section 3.2 shows the projection results and compares them to the poverty reduction targets adopted by Belgium in the framework of the Europe 2020 Strategy and the 2030 UN Agenda for Sustainable Development.

3.1. Projection method

This projection of the population at risk of poverty or social exclusion integrates into a coherent framework various data that influence the evolution of the intended target group. These are administrative unemployment data, data from the labour force survey and projections of the Study Committee on Ageing (SCA) on the fiscal and social sustainability of pensions, as reported by the Federal Planning Bureau in the 2016 Annual Report of the SCA (High Council of Finance 2016). Concretely, three projections are used here: the projections of the at-risk-of-poverty rate, the unemployment rate and the total population. These are all based on the SCA baseline scenario. This baseline scenario is based on specific demographic (fertility rate, life expectancy and net migration), socioeconomic (employment by scheme, beneficiaries of social benefits) and macroeconomic assumptions on productivity growth, wages and, finally, unemployment and employment rates. The projections based on the assumptions of the baseline scenario assume no change in legislation until 2021 and afterwards assume no change in policy. It should be noted that certain assumptions on the parameters governing the future welfare adjustment of social benefits are taken into account (High Council of Finance 2016: p. 14).

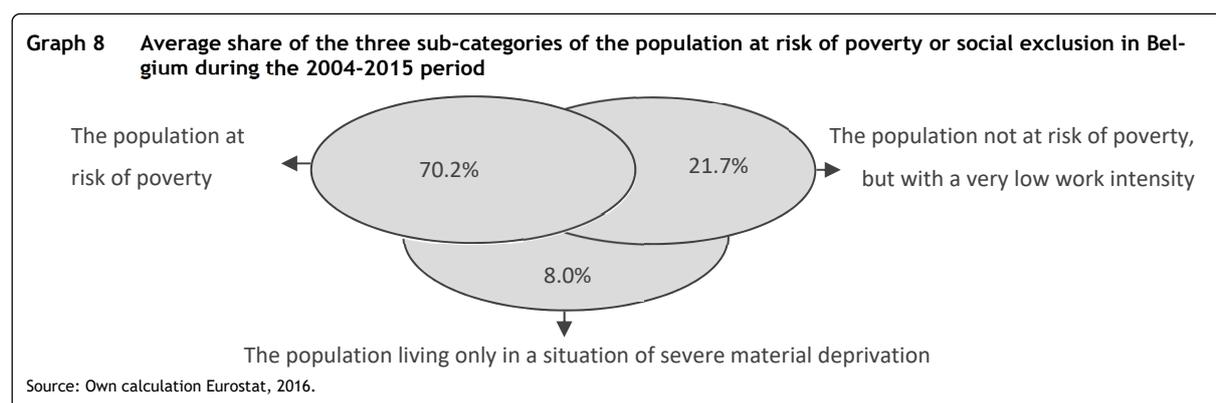
The SCA projections are calculated using specifically designed or refined models. The projection of the at-risk-of-poverty rate is derived from the MIDAS microsimulation model. This model simulates the future evolution of the income distribution in Belgium, on the basis of a sample of 300 000 people from an administrative data file from 2001 (Dekkers et al. 2015: pp. 137-138; High Council of Finance 2012: p. 85-86). The projection of the unemployment rate is part of the MALTESE modelling system. This modelling system calculates – on the basis of aggregated units such as socioeconomic and age categories derived from administrative data – the long-term evolution of Belgian social security revenue and expenditure. The MIDAS and MALTESE projections are always based on the same assumptions and use the same population projection (Dekkers et al. 2015; Federal Planning Bureau – Statistics Belgium 2016a). As a result, these models are mutually consistent, which makes it possible to analyse the fiscal and social sustainability of pensions in an integrated manner.

This particular characteristic makes the projections based on the SCA baseline scenario highly suitable for a projection of the population at risk of poverty or social exclusion. They can be linked – as will be demonstrated below – to both the share of the population at risk of poverty and the share of the population with a very low work intensity, both of which are calculated on the basis of EU-SILC. During the 2004-2015 period, these populations make up on average 91.9% of the population at risk of poverty or social exclusion.

The projection method divides the population at risk of poverty or social exclusion into three sub-categories:

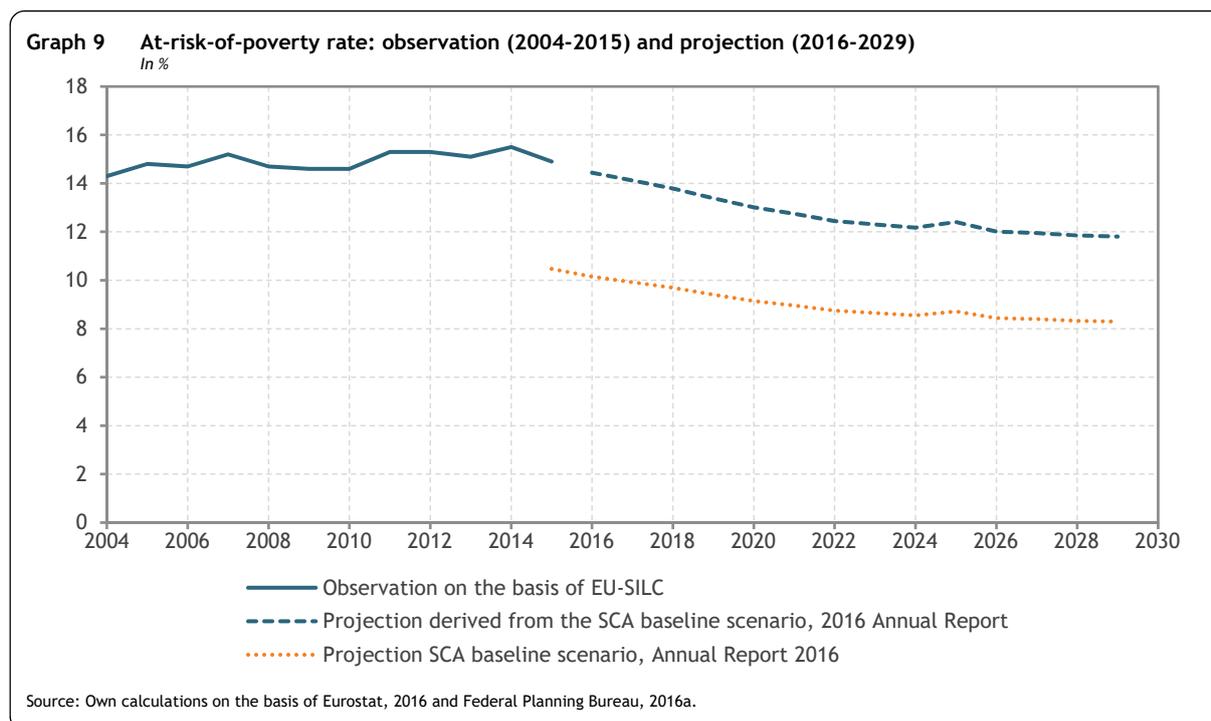
- the population at risk of poverty,
- the population not at risk of poverty, but with a very low work intensity,
- The population not at risk of poverty and without a very low work intensity, but living in a situation of severe material deprivation.

Graph 8 visualises this and shows the average share for each of these three sub-categories in the total target group during the 2004-2015 period. The projection of the share of each sub-category in the total population during the 2016-2030 period is carried out using a specific method. The sum of the three projection results leads to the projection of the share in the total population of the people at risk of poverty or social exclusion. Multiplying these projection results by the projection of the total population leads to the projection in absolute figures of the population at risk of poverty or social exclusion. It is assumed that the situation will be evaluated in 2030 using data from the source which is most up-to-date at that time (probably the source of the year 2029). This is why the latest presented figures always relate to the year 2029.



3.1.1. The population at risk of poverty

The MIDAS projection according to the SCA baseline scenario of the at-risk-of-poverty rate provides the basis for the projection of the at-risk-of-poverty rate measured on the basis of EU-SILC. However, the level of the observed at-risk-of-poverty rates according to EU-SILC is not in line with the MIDAS projection, although in both cases the at-risk-of-poverty rate is calculated using the same method, described in Section 2.1.1. In 2015, the at-risk-of-poverty rate in Belgium on the basis of EU-SILC amounts to 14.9%. However, for the same year, MIDAS assumes an at-risk-of-poverty rate of 10.5%. As can be seen from Graph 9, MIDAS shows a drop of the at-risk-of-poverty rate to 10.1% in 2016 and to 8.3% in 2029, whereas the EU-SILC observations during the 2004-2015 period fluctuate at around 15% (Eurostat 2016; Federal Planning Bureau 2016a).



The differences in the at-risk-of-poverty rates for the year 2015 calculated on the basis of EU-SILC and simulated by MIDAS for the same year can be imputed to the differences in the EU-SILC and MIDAS income concept. The MIDAS projection does not take into account income from capital and additional (second or third pillar) pensions, regular inter-household transfers, non-cash employee income and, finally, certain very specific allowances. The table in the appendix provides a detailed comparison between the income sources registered by the EU-SILC survey and simulated by MIDAS as part of the 2016 Annual Report of the SCA.

These income sources are wide spread in EU-SILC, but are less frequent in the lowest income deciles. If these unknown income sources were to be simulated in MIDAS as well and assuming that they would be spread in the same way as in EU-SILC, the mean income in MIDAS would be higher. These incomes – which are not simulated in MIDAS – explain why the simulated mean equivalent disposable household income from MIDAS for 2015 is lower than the observed EU-SILC mean. Since the income level below which a person is at risk of poverty is directly dependent on the mean income – this poverty threshold equals 60% of the mean equivalent disposable household income – the poverty threshold in MIDAS is lower than in EU-SILC. This makes it seem plausible that the at-risk-of-poverty rate of MIDAS for 2015 is lower than that of EU-SILC.

Because of this difference in level, the MIDAS data cannot be used as such for the projection of the population at risk of poverty measured on the basis of EU-SILC. By contrast, the annual relative changes of the at-risk-of-poverty rates of the MIDAS projection can be applied, on the basis of the most recent observed value (the 2015 value). In this way, the at-risk-of-poverty projection is in line with the EU-SILC observations. Moreover, it respects the trend of the MIDAS at-risk-of-poverty projection. This trend points to a drop of 18.2% between 2016 and 2029. The projection results so calculated – which are also mentioned in Graph 9 – show that the at-risk-of-poverty rate should amount to 14.4% in 2016 and afterwards drop to 12.1% in 2029.

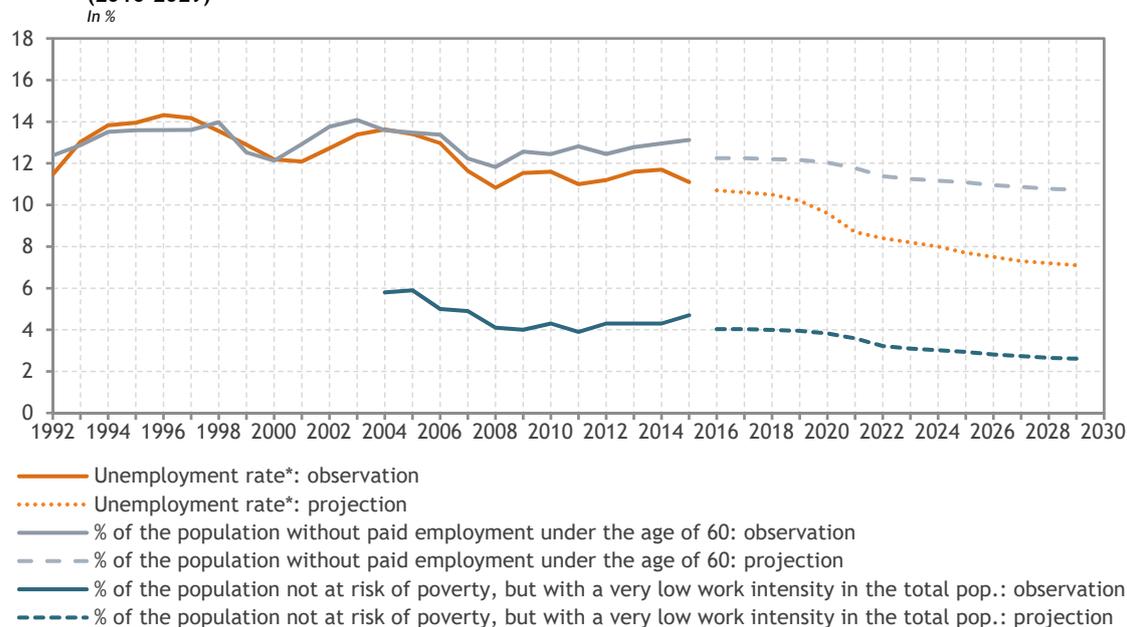
The MIDAS at-risk-of-poverty projection carried out for the SCA mainly focuses on the situation of pensioners. This projection shows that the risk of poverty of pensioners should drop from 13.2% in 2016 to 10.6% in 2029 (Federal Planning Bureau 2016a). Two factors in particular can explain this: the faster increase of the basic pensions of employed and self-employed persons and of the guaranteed income for the elderly compared to the wages in the projection period under consideration, and the future increase in labour market participation of women, which contributes to the accrual of pension rights (High Council of Finance 2016: 59-60). It is obvious that the factors ensuring the drop in the future at-risk-of-poverty rate of pensioners determine the – albeit less pronounced – expected drop in the total at-risk-of-poverty rate.

It should be underlined that the MIDAS poverty projection – as published in the most recent annual SCA reports – had foreseen the future downward trend of the poverty risk of pensioners (High Council of Finance 2012: p. 13; 2016: p. 60). The EU-SILC observations indicate a decrease in the at-risk-of-poverty rate for people over the age of 65 from 23.2% in 2006 to 15.2% in 2015 (Eurostat 2016). This decrease could already be seen in the preceding years in the MIDAS simulation results. Ex post, this can be considered as an indication of the reliability of the trend shown in the MIDAS projection.

3.1.2. The population not at risk of poverty, but with a very low work intensity

The projection of the share in the total population of the population not at risk of poverty, but with a very low work intensity is carried out in two stages. The result is presented in Graph 10.

Graph 10 Unemployment rate, population (< 60 years) living in a household without paid employment and population not at risk of poverty, but with a very low work intensity: observation (1992-2015) and projection (2016-2029)
In %



* age category 20-59, on the basis of administrative data and including elderly unemployed non job-seekers
Source: own calculation on the basis of Eurostat 2016 and Federal Planning Bureau, 2016.

- First, a projection is carried out of the share of people living in a household without paid employment, as can be seen in the labour force survey. Compared to the households with a very low work intensity on the basis of EU-SILC, none of the household members are gainfully employed according to this indicator.

For the years 1992 to 2015, the linear function is estimated showing the correlation between the dependent variable ‘WPE’, that is, the share of people living in a household without paid employment in the population under the age of 60 according to the labour force survey and the independent variable ‘U’, that is, the unemployment rate in the age category 20-59 on the basis of administrative data (including elderly unemployed non job-seekers). This comparison explains 59% of the variation between both variables and appears significant.⁸ Formally, it can be written as follows:

$$WPE_{-60\text{ years},t} = 7,63 + 0,43 U_{20-59\text{ years},t} \quad (1)$$

$WPE_{-60\text{ years},t}$ = share of people in a household without paid employment in the population under the age of 60, according to the labour force survey in year t

$U_{20-59\text{ years},t}$ = unemployment rate in the age category 20-59, on the basis of administrative data (including elderly unemployed non job-seekers) in year t

Using the unemployment projection of the SCA baseline scenario of 2016, function (1) makes it possible to calculate the share of the population under the age of 60 in a household without paid employment for the 2016-2029 period. The share of the population mentioned above should drop from 12.3% in 2016 to 10.7% in 2029.

This drop is the result of the macroeconomic assumptions that the SCA uses in its baseline scenario. *“In the medium term, the macroeconomic environment is based on the ‘2016-2021 Economic forecasts’ of the Federal Planning Bureau, published in June 2016. Between 2015 and 2021, the rate of economic growth should average 1.5%, with a productivity growth of 0.7% and an employment growth of 0.8%. This growth, which is primarily stimulated by employment, reduces the unemployment rate from 11.8% in 2015 to 9.8% in 2021”* (High Council of Finance 2016: 17, translation FPB). After 2021, the unemployment rate should move towards the level of the structural unemployment rate of 7%, which should be reached as from 2033 (High Council of Finance 2016: p. 14, 18; Federal Planning Bureau 2016a).

- Subsequently, the linear function is estimated for the 2004-2015 period showing the correlation between the dependent variable ‘VLWnA’, that is, the share of the population not at risk of poverty, but with a very low work intensity on the basis of EU-SILC and the independent variable ‘WPE’, that is, the share of people under the age of 60 in households without paid employment in the population according to the labour force survey. This takes into account the fact that the employment data in EU-SILC relate to the year preceding the survey year. This comparison explains 83% of the variability and appears significant.⁹ Formally, it can be written as follows:

$$VLWnA_t = -7,44 + 0,94 WPE_{-60\text{ years},t-1} \quad (2)$$

⁸ $R^2 = 0.59$, $F = 31.84$, degrees of freedom 22, critical value $F_{(0.05;1;22)} = 4.3$, standard error $U_{20-59\text{ years}} = 0.08$, standard error intercept = 0.96

⁹ $R^2 = 0.83$, $F = 49.66$, degrees of freedom 10, critical value $F_{(0.05;1;10)} = 4.96$, standard error $WPE_{-60\text{ years}} = 0.13$, standard error intercept = 1.72

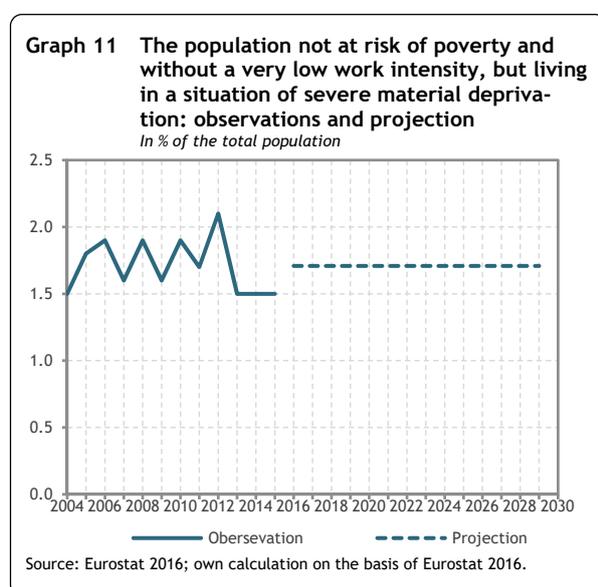
$VLWnA_t$ = share of people not at risk of poverty, but with a very low work intensity in the total population in year t

$WPE_{-60 \text{ years}, t-1}$ = share of people in a household without paid employment in the population under the age of 60 in year t-1

Using function (2) and the projection of the share of people under the age of 60 in a household without paid employment calculated in the first step, the share of people not at risk of poverty, but with a very low work intensity in the total population can be calculated for the 2016-2029 period. It appears that this share should drop from 4% in 2016 to 2.6% in 2029. This drop is an indirect result of the macroeconomic assumptions of the SCA previously mentioned and the ageing population.

3.1.3. The population not at risk of poverty and without a very low work intensity, but living in a situation of severe material deprivation.

The population not at risk of poverty and without a very low work intensity living in a situation of



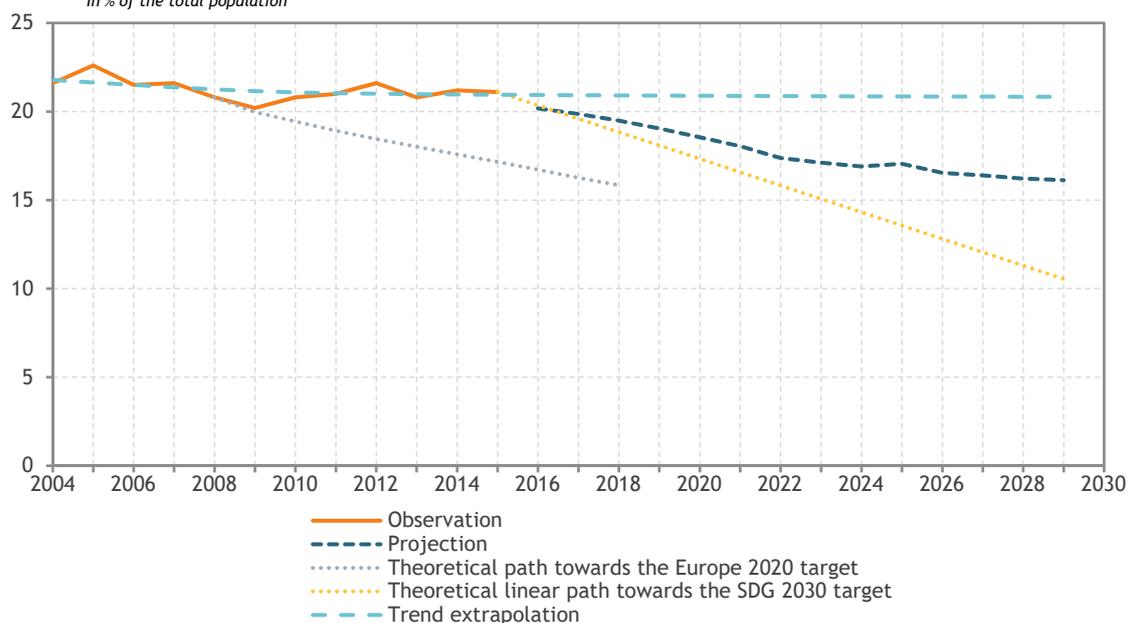
severe material deprivation forms on average 8% of the Europe 2020 target group during the 2004-2015 period (see Graph 8). Graph 11 shows that the share of this sub-category in the total population during the 2004-2015 period fluctuates relatively even at around the 1.7% average. During the 2008-2015 period, this average also equals 1.7%. Moreover, this sub-category is quite small and its influence on the total evolution of the population at risk of poverty or social exclusion is limited. For these reasons, the share of this sub-category in the total population during the 2004-2015 period – which, as previously mentioned, equals the 2008-2015 period average – is used for the 2016-2029 projection period.

3.2. Projection results

This projection of the share of the total population at risk of poverty or social exclusion equals the sum of the projections presented earlier. (See Graphs 9, 10 and 11). Graph 12 mentions these projection results together with the observations on the basis of the Belgian EU-SILC. The projection points to a decrease in the share of the population at risk of poverty or social exclusion from 20.2% in 2016 to 19.5% in 2018 and then to 16.1% in 2029.

The Belgian target in the framework of the Europe 2020 Strategy – a drop to 1.814 million people in 2018 – should in relative terms amount to a drop to 15.8% in 2018. Therefore, the Europe 2020 target will not be reached. This is also the case for SDG sub-goal 1.2 of the UN 2030 Agenda for Sustainable Development, which aims towards a drop to at least 10.6% in 2029. The projected level is on average 5.6 percentage points higher than the intended level.

Graph 12 The population at risk of poverty or social exclusion: observation, projection, theoretical paths towards policy goals and trend extrapolation
In % of the total population

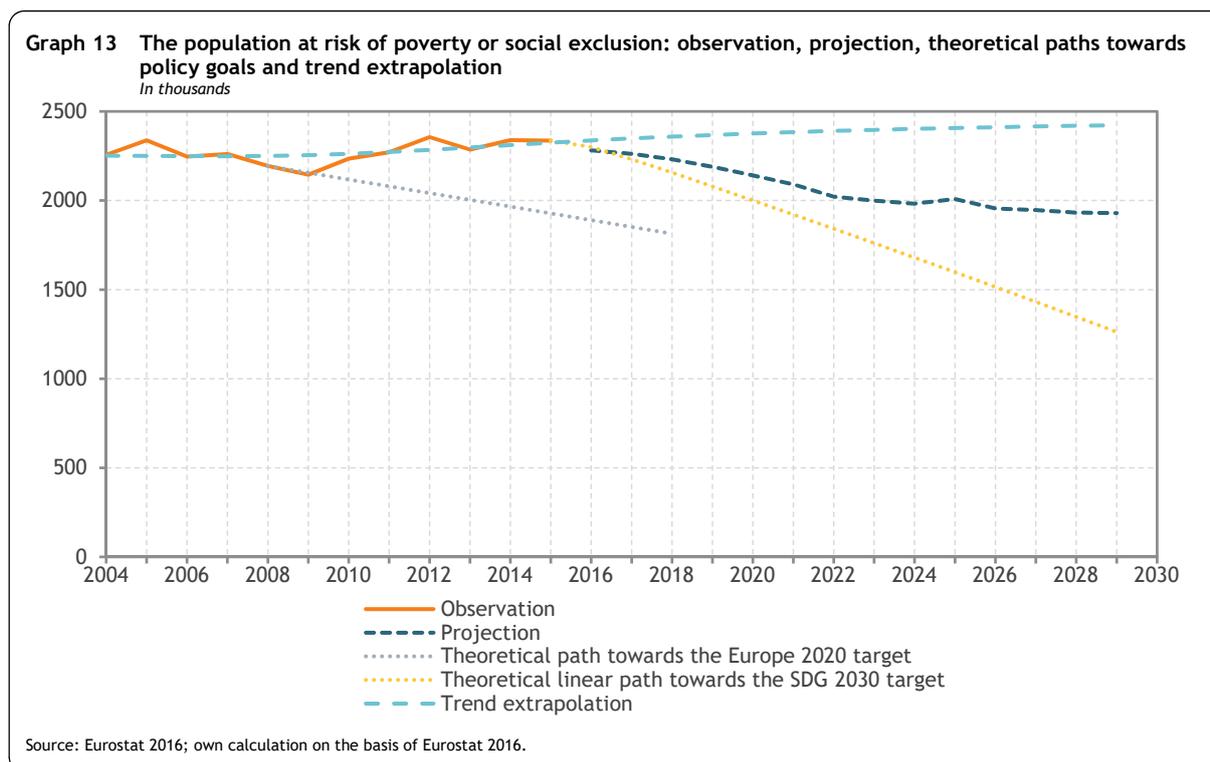


Source: Eurostat 2016; own calculation on the basis of Eurostat 2016.

These evolutions can also be shown in absolute figures by multiplying the share of the population at risk of poverty or social exclusion by the population projections of the SCA baseline scenario. This population projection assumes a population increase in Belgium from 11.306 million in 2016 to 11.966 million in 2029¹⁰ (Federal Planning Bureau - Statistics Belgium 2016b). This corresponds to an increase of 5.8% over a fourteen-year period. Net migration, that is, the difference between immigrations and emigrations, is the key factor of this population increase (Federal Planning Bureau - Statistics Belgium, 2016a, pp. 1-2).

Graph 13 shows the projection and observations in absolute figures. These results show a slight decline in the population at risk of poverty or social exclusion in Belgium from 2.282 million people in 2016 to 2.232 million people in 2018. Therefore, the drop to 1.814 million people that Belgium strives towards as part of the Europe 2020 Strategy should not be reached. The projected level is 418 000 units higher than the intended level. After 2018, the population at risk of poverty or social exclusion should decrease further to 1.930 million in 2029, whereas SDG sub-goal 1.2 of the UN 2030 Agenda for Sustainable Development aims towards a maximum of 10.6% or 1.262 million people. The decrease in the population at risk of poverty or social exclusion is thus insufficient to reach this target.

¹⁰ This corresponds to the population average on 1 January and 31 December of the year in question.



Note that Graphs 12 and 13 also mention the theoretical paths towards the poverty reduction targets and the trend extrapolation on the basis of the observations. The Federal Planning Bureau used the trend extrapolation method¹¹ in June 2016 in its proposition for a limited list of SDG indicators (Federal Planning Bureau 2016b: p. 11; 2016). This trend extrapolation on the basis of observed percentages points to a stagnation at around 20.9% during the whole projection period (see Graph 12). The trend extrapolation on the basis of absolute figures shows a slight increase in this population from 2.337 million in 2016 to 2.359 in 2018 and to 2.423 million in 2029 (see Graph 13). Both extrapolations do not move towards the theoretical paths leading to the Belgian poverty reduction target of the Europe 2020 Strategy and the UN 2030 Agenda for Sustainable Development. Up until now, this was the only available forecasting data on the future evolution of the population at risk of poverty or social exclusion. As mentioned, the projection presented above goes one step further by integrating into a coherent framework various data which influence the evolution of the intended target group.

¹¹ The trend extrapolation consists of flattening out the observed evolutions between 2004 and 2015 using the Hodrick-Prescott filter. For this filter an arbitrary parameter λ has to be determined. With a very small λ value, the observed series is not flattened out and the calculated trend equals the observations. The contrary is true when λ takes on a very large value: the calculated trend then equals a constant regression line. A λ value of 100 is used here. Subsequently, the indicator for the 2016-2029 projection period is calculated by gradually reducing the growth rate of the last year calculated by 10%. This prevents an unrealistic, exponential change in the projection period (Federal Planning Bureau, 2016b: 11).

4. Conclusion

This publication presents, on the basis of information available until July 2016, a projection at unchanged policy until 2030 of the population at risk of poverty or social exclusion in Belgium, as defined in the framework of the Europe 2020 Strategy. This population consists of three sub-populations: the population living on an income below the at-risk-of-poverty threshold, the population living in households with a very low work intensity and the severely materially deprived population.

The first two sub-populations represent, on average, 91.9% of the target group in the 2004-2015 period. The future evolution of these sub-populations is estimated based on the projections of the at-risk-of-poverty rate and the unemployment rate carried out in 2016 by the Federal Planning Bureau for the Study Committee on Ageing (SCA). The severely materially deprived population represents, on average, merely 8% of the Europe 2020 target group. During the projection period, the share of this segment equals the observed average in the 2004-2015 period.

These results show a slight decline in the population at risk of poverty or social exclusion in Belgium from 2.282 million people in 2016 to 2.232 million people in 2018. Within the framework of the Europe 2020 Strategy, that population should be reduced to at least 1.814 million people in Belgium. Therefore, this target will not be reached: the projected number in 2018 exceeds the target by 418 000 people. The goal set out in the UN 2030 Agenda for Sustainable Development to reduce at least by half the population living in poverty, based on the common national multidimensional poverty definition, will also not be reached. The share of the population at risk of poverty or social exclusion should drop from 20.2% in 2016 to 16.1% in 2029, i.e. broadly, 5.6 percentage points higher than the maximum rate of 10.6%. The assumed decrease in the at-risk-of-poverty rate for pensioners and the drop in the unemployment rate as reported by the SCA and the demographic assumptions used, can explain these projection results.

This projection until 2030 of the population at risk of poverty or social exclusion can be further updated. Moreover, projection results based on scenarios other than the SCA baseline scenario could be used to verify the effect of a change in assumption on the population projection. This projection can also contribute to the development of projections computed by microsimulation models based on EU-SILC, such as the Nowcasting project of the Federal Planning Bureau

In any case, the results presented here give, based on information available until July 2016, an insight into the additional policy effort required to reduce the number of people at risk of poverty or social exclusion to 1.840 million by 2020 and to diminish the share of this target group to a broad rate of 10.6% by 2030. These projection results can thus be used to monitor the poverty reduction targets that Belgium has adopted in the frameworks of the Europe 2020 Strategy and the UN 2030 Agenda for Sustainable Development.

Annex: Income sources registered by the EU-SILC survey and simulated by MIDAS

The table below mentions in the left column the income sources registered by the EU-SILC survey. (EC 2016: pp. 209-210; Statistics Belgium 2014: pp. 34-41). In the right column the income sources are ticked off which are simulated by MIDAS in the no-policy-change baseline scenario of the 2016 Annual Report of the SCA.

Table 3 Income sources registered by the EU-SILC survey and simulated by MIDAS

EU-SILC	MIDAS
Income resource registered by EU-SILC and paid to each household member (from the age of 16)	
Employee income	
in cash	✓
in near-cash (e.g. profit shares)	
Non-cash employee income, namely company car and associated costs (e.g. free fuel, car insurance, taxes and duties, as applicable). ¹²	
Cash profits or losses from self-employment (including royalties)	✓
Pensions from individual private plans (3rd pillar pensions)	
Unemployment benefits	
Full unemployment benefits	✓
Partial unemployment benefits	
Unemployment with employer top-up (early retirement)	✓
Vocational training allowance	
Mobility and resettlement allowance	
Severance and termination payments	
Redundancy compensation	
Other cash benefits	
Old-age benefits	
Old-age pensions	✓
Anticipated old-age pensions	✓
Partial retirement pensions	
Care allowance (the indemnity for help to the aged)	
Survivors' pension paid after the standard retirement age	✓
Disability benefits paid after the standard retirement age	
Lump-sum payments at the standard retirement date	
Other cash benefits	
Guaranteed income for the elderly	✓
Supplementary pension paid by the employer (2nd pillar pension)	

¹² When calculating the disposable income, other advantages in kind registered by the SILC survey are not taken into account (free or subsidised meals, luncheon vouchers, reimbursement or payment of housing-related expenses such as gas, electricity, water, telephone or mobile telephone bills and finally, other goods and services provided free or at a reduced price by the employer to their employees, provided that they are a significant component of the income at national level or they constitute a significant component of the income of particular groups of households).

EU-SILC	MIDAS
Survivors' benefits	
Survivors' pension	✓
Death benefits	
Other cash benefits	
Sickness benefits	
Disability benefits	
Disability benefits	✓
Disability pension paid before the standard retirement age (Income replacement allowance)	✓
Early retirement in the event of reduced ability to work	
Care allowance	
Economic integration of disabled people	
Disability benefits for disabled children in their own right	
Other cash benefits	
Scholarships and study grants	
Income source registered by the EU-SILC survey and attributed to the household as a whole	
Income from rental of a property or land	
Family/children-related allowances	
Maternity benefits-maternity leave, paternity leave	
Birth grant	✓
Parental leave benefit	
Family or child allowance	✓
Other cash benefits	
Social exclusion not elsewhere classified	
Living wage	✓
Other cash benefits: support for destitute and vulnerable persons to help alleviate poverty or assist in difficult situations.	
Housing allowances	
Rent benefit	
Benefit to owner-occupiers: a means-tested transfer by a public authority to owner-occupiers to alleviate their current housing costs (the so-called 'Insurance against income loss')	
Regular inter-household cash transfers received, including alimony	
Interest, dividends, profits from capital investment in an unincorporated business	
Income received by people aged under 16	

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