Social security brings Belgians to brink

"If our country splits up, we'll all be worse off."

BY RICARDO GUTIÉRREZ AND BÉNÉDICTE VAES

REUTERS/FRANCOIS LENOIR

Belgians tussle over their health-care system. Hospital workers recently protested lack of funding for the non-profit health sector.

A MAJOR STRUGGLE IS BREWING over Belgium's social security system and the battle could alter the country's federal structures. What is at stake is Belgium's once-generous network of social services, which could be considerably rolled back as a result of recent national elections.

The tug of war over social security began June 10 after the national elections for the federal parliament. As there was not a clear majority, King Albert II named the leader of the largest party, Flemish Christian Democrat leader Yves Leterme, to form a coalition government.

But disagreement among the parties over whether to devolve social security to the regions of Belgium has led to a stalemate. It is not known when a new coalition government will be formed. In the meantime, Guy Verhofstadt, the outgoing prime minister, whose Flemish Liberal party was defeated in the June 10 election, has agreed to govern as a caretaker.

The communities in Belgium most at odds over social security are the two that make up the vast majority of the country: Dutch-speaking Flanders in the north, which comprises 58 per cent of Belgium's 10.4 million population, and French-speaking Wallonia in the south, where 31 per cent of the people reside. Most of the balance of the population is in Brussels, a separate, largely French-speaking region, surrounded by Flanders.

The struggle is playing out against a background of disquieting talk of separation where, in a recent poll, 43 per cent of those polled from the Flemish north said they favour separation from Wallonia.

Decentralizing social security

The fate of the Belgian social security system, known as *sécu*, is at the heart of debates between potential partners of an "orange-blue" government coalition, which would unite Christian Democrats (orange) and Liberals (blue) against the Socialists.

A clear winner at the polls on June 10, Yves Leterme's Christian Democrats want greater weight to be given to the federal constituent units (the communities and regions). This is good news for the Flemish nationalists. It is not at all reassuring for French-speaking Belgians of all political colours, who see in this the seeds of destabilization of the federal system, starting with social security.

The stakes are high. Each year, the social security system provides income to 1.7 million pensioners, 600,000 unemployed and 150,000 pre-retirees. It also pays family allowances to more than one million families, covers 26 million days of hospitalization and pays for 70 million visits to the doctor.

But social security is operating in a different context from the unitary Belgian state in which it was founded in 1944, on the private-insurer model of obligatory universal insurance. Since that time, the Belgian government has become largely decentralized, with the regions and communities taking over several jurisdictions from the central authority, including education, welfare and culture. For Flanders, this is just the beginning: the region also wants to have its say on health and employment – two areas where

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social security plays a predominant role.

Leterme, the Flemish Christian-Democrat leader, has translated his voters' desires into government proposals. For example, his much-debated federal proposal gives regions the right to help determine salary costs through targeted reductions of employer contributions to social security. Implicit in this proposal is the creation of three different methods for the funding of social security: one for Flanders, one for Brussels and one for Wallonia.

Two conflicting visions of the future

Leterme, who is most likely to become prime minister, speaks of a progressive regionalization of health care. Flanders wants to completely decentralize preventive medicine, whereas French speakers are advocating its remaining a federal competence. Unemployment benefits would follow: for a start, each region would become responsible for policies to reintegrate the long-time unemployed.

For Robert Deschamps, economics professor at the *Facultés universitaires de Namur* and author of *Fédéralisme ou scission du pays* (Federalism or splitting up the country), "these measures risk – without it becoming clearly apparent – an irreversible destabilization of the federal system and, in time, will result in a splitting of the country to the advantage of only one partner – the richest and most powerful." Deschamps wrote that he fears "a decline of the federal system, basically to the detriment of the inhabitants of Brussels and Wallonia, who are the poorest."

Might it go so far as to have a prosperous and enterprising Flanders split off from Wallonia, which is stuck in a post-industrial crisis? This is a simplistic and unhelpful scenario. A study published in June by the Centre for Social Policy Research of the University of Antwerp, titled *Social Security, Transfers and Federalism*, concluded that Wallonia receives more social benefits than Flanders, particularly in the areas of unemployment benefits and early retirement pensions. However, since 2003, more social security payments have gone to Flemish pensioners than to Walloons. This trend probably will continue because there is a larger aging population in the Dutch-speaking north of the country.

The co-author of this study, Béa Cantillon, defends the principle of financial transfers managed by the social security system: "Differences in income within and among the Flemish and Walloon regions are reduced. The '*sécu*' therefore reduces, to a significant degree, the risk of poverty."

Yet many in Flanders are determined to turn social security over to the regions. And the *sécu* is not all that Flanders wants the regions to control. Former Flemish minister Eric Van Rompuy was recently quoted as saying that a "new deal" was necessary to put control of Belgium's "economic levers" under the regional governments. An article on the Vlaams Belang separatist party's website claims that in 1999, Flanders financed 64 per cent of Belgium's social security benefits and received less than 57.6 per cent in return.

The University of Antwerp team evaluated the effect of a major cut in north-south transfers. In Flanders, the average household income would increase by seven per cent while in Wallonia it would drop by four per cent, exacerbating poverty levels.

Study co-author Cantillon said she wondered whether the aging population of Flanders would like to see a Wallonia with low salaries and poor social security developing on its doorstep.

Belgium trails other EU countries in social security

Economist Deschamps agreed, saying: "In a country such as ours, with multiple interregional relationships, co-operative arrangements, involving responsibility and co-ordination, produce better results than splitting, in terms of economic growth and employment. In other words, if our country splits up, we'll all end up worse off."

The need for reform is pressing because the social security system has become less effective. In a February 2007 comparison of the Belgian system with the evolution of European social policy, Cantillon made a harsh assessment: "In 1997, we were champions of the fight against poverty. We were ahead of Denmark, Norway, France, Germany and the Netherlands. Today, in 2007, our social safety net is comparatively mediocre; we risk heading towards minimal social protection. We're moving from the Scandinavian to the British model."

But the mesh of the net could become too wide. The risk of poverty is particularly high for families that depend entirely on replacement income, namely many single mothers and pensioners. The Minister of the Economy says that one Belgian in seven (14.7 per cent) is poor, which for a single person, means living on less than 822 euros a month. For a couple with two children, it is less than 1,726 euros. This is the situation of 10.7 per cent of the population of Flanders and 17.5 per cent of that of Wallonia.

What is at stake here? Cantillon points to the reduction of the family allowance for the first child, which has lost one-third of its value in 25 years. (Leterme aims to increase it). She also cites pensions – "among the lowest in Europe" – which have failed to keep pace with the cost of living. However, a measure to progressively link the lowest pensions with social assistance has been introduced recently.

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REUTERS/FRANCOIS LENOIR

Protesters march on the residence of Belgium's King Albert II in Brussels in August with a banner reading "Now more than ever: Flanders independence."

BELGIUM [FROM PAGE 3]

Missing: political unity over social security

In August, the *Fondation Roi Baudouin*, a Brussels-based charity established in 1976 to work for justice, democracy and respect for diversity, sent a special report to the presidents of all political parties, reinforcing the climate of disillusionment. Its authors, Michel Roland, of *Université Libre de Bruxelles*, and Jan De Maeseneer, of Ghent University, highlight the essentially inequitable nature of the health care system. They conclude that depending on a person's ranking on the income scale, on average, she or he may die five years earlier than another of higher rank. They add that on average, those with a lower level of education may experience 25 fewer years of good health than well-educated citizens.

Belgians are not equal when it comes to health. And the *Fondation*, which claims that the Belgian government is indifferent about this inequity, has submitted concrete proposals to the government coalition negotiators to create a federal body to combat inequalities in the health care system, enhance primary care and step up preventive efforts.

Reforms require the financial means to carry them out, and these means are not lacking in Belgium. Since 2005, the centrally managed pool of pensions, health and disability insurance, unemployment and family allowances has posted surpluses. To date, this money has been used to pay off debts and to bolster the *Fonds de Vieillissement* (Aging Fund), created in 2001 to cover the costs generated by the growing number of senior citizens. Other steps are expected.

Economics professor Deschamps advocates broadening responsibilities for the regions and increased co-operation between the federal government and the constituent units.

"Co-operation here is still piecemeal, in contrast to countries like Germany, where federalism is really entering a phase of maturity."

What is needed is a maturity that requires imagination, Cantillon said. "In Flanders, people see separation as the cure-all. At the other end of the country, people feel continually under threat. This situation puts social security on the line. It prevents us from coming up with more constructive solutions."

VENEZUELA [FROM PAGE 25]

REUTERS/JORGE SILVA

A mural in Caracas portrays Fidel Castro and Hugo Chávez. The legend reads "Cuba and Venezuela: the two countries are brothers."

and municipalities through the "Constitutional Transfer".

- Granting authority to the central government to establish limits on state and municipal taxation powers (Article 156).

Essentially, with the inauguration of Hugo Chávez as president in 1999, the processes of decentralization and federalism were reversed. Chávez could not turn back the clock and prevent the achievements of the previous decade from influencing the Constitution adopted in December 1999.

However, according to constitutional expert Allan Brewer-Carias, the 1999 constitutional text contradicts the Constitution's initial intent, and "covers with a democratic veil a highly centralized and authoritarian system in which powers can be concentrated, which has in fact happened." Defenders of the Chávez government have a different interpretation, such as that of Member of Parliament and constitutional scholar Carlos Escarrá. According to Mr. Escarrá the Constitution of 1999 is in the process of being reformed in order to, among other objectives consolidate the "peoples' power." He added that the government hopes to deepen the dispersed decentralization proposed by President Chávez.

The future of federalism

The presence of a federal structure enabled the Venezuelan opposition to rally around the only serious opposition candidate for president, Manuel Rosales, the governor of Zulia State, in 2006. Governors and mayors have been elected by coalitions opposing the president's program. They are against presidential Legal Decree No. 5841, which creates a mandatory system of centralized planning for all government entities, including states and municipalities.

As for finances, all the states depend on intergovernmental transfers from the national government. The national government has used its administrative tools to slow or deny payments, but the transfer that accounts for most of the money, called the Constitutional Transfer, is subject to less discretionary action. This gives the states some autonomy in spending, and transfers have grown in real terms with the increase in the national government's budget, although less so than the central government's finances. This condition, combined with the fact that the majority of Venezuelans approved of the changes that took place after decentralization, may have protected state government finances so far. Also, Venezuelans typically associate their cultural values and individual rights with their geographic location. Most people did not believe that political decentralization could be reversed.

The efforts on the part of President Chávez to impede the states' autonomous actions demonstrate that, to date, even a weakened federalism represents an obstacle to his other goals that require an increasing concentration of power in the central government. The current situation is one of uncertainty for those who defend Venezuela's federal model.