Social Security Abroad

Guaranteed Income In Belgium*

On August 7, 1974, the Belgian Government passed a law granting the legal right of all groups in the population to a guaranteed income. This right, given to the aged in 1969, is now extended to all other citizens and legal residents in need. Financed by the national and local governments, the program is means-tested. In implementing this law, Belgium may well be the first of the free-market economy countries to provide in recent times a unified national guaranteed income for all the needy.

The new program became effective January 1, 1975, with basic minimum amounts established for couples, single persons, and independent minors. Each amount is linked to the consumer price index and changes with each 2.75-percentage-point movement in the index. In addition to automatic adjustments, the guaranteed minimum amount may be further changed by the Council of Ministers on an ad hoc basis, as warranted by economic conditions.

BACKGROUND

In 1968, the Belgian Government announced a new direction for national social policy—the legal right of all citizens to a "social minimum" income. The aged were the first group to benefit from a program intended ultimately to protect all the disadvantaged.

The first step in implementing the new policy was taken in 1969, when a guaranteed income, subject to a test of resources, was provided for the aged who had never worked, who had not been covered by the compulsory social insurance programs for wage earners, salaried employees, the self-employed, and public employees—or whose attachment to one of these programs was so limited as to preclude effective coverage.

Subsequently, coverage was extended piecemeal to several other groups, such as the handicapped. The new law further extends the principle of legal right to all regular residents who qualify.

The Government recognized that the guaranteed income, as orginally set for the aged, was too low to meet subsistence requirements. The base amount was therefore scheduled to be increased by 10 percent every year through 1974, in order to bring it eventually up to an acceptable minimum level, in addition to adjustments according to changes in the price index.

There are indications that the policy has already been successful in slowly improving the ratio of minimum income to average income. From 24 percent of average income in 1969, the guaranteed minimum had increased to 29 percent by 1974.

APPROACH TO GUARANTEED INCOME

Belgium is a prosperous industrialized country with an advanced social security system. In past years it has had a relatively low unemployment rate. The Belgian planners were concerned, however, with the fact that, in that country as in others, some persons are unable to obtain the means of existence. In the past, such persons had to apply to the public assistance commissions for aid. As in many other countries, the granting of cash assistance was locally determined. Each case was determined individually, at the discretion of the local commissioners, who would decide whether the applicant should receive assistance or not and how much he should receive. In Belgium, as elsewhere, the "right" to such a payment did not as yet exist as a legal concept.

Under the new system, the same commissions still administer the program, but the payments are made as a matter of right to all those who are eligible. There are uniform guidelines for the entire country under the law. The income amounts have been standardized.

Before the guaranteed minimum was enacted in Belgium in 1969, workers and retirees benefited from liberal unemployment provisions, cash sickness benefits, and mandatory group health plans—programs that kept many of them out of poverty. Low income groups not in one of these categories, or not adequately provided for, were aided through public assistance, operated

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by several thousand local governments and city commissions. The commissions assured medical assistance to the indigents, subsidized hospital treatment of the aged poor, the unemployed, and orphans, and provided rent subsidies and cash subsistence payments. Also available were government subsidies for certain permanent or long-term disabilities, such as retardation or tuberculosis.

The new guaranteed minimum income program is designed to supplement rather than replace these programs, as evidenced by the number of services exempt from consideration under the means test. It is also intended to consolidate the administration of a fragmented system of welfare and support programs.

One of the most significant characteristics of the new guaranteed income is that eligibility is based on a test of resources that permits a recipient to retain all or part of his income from specified sources, up to certain limits, and still receive full or partial payments. The purpose of such exemptions is to avoid a situation that calls for an applicant to be reduced to a state of destitution before his right to the guaranteed income may be invoked. Other countries taking this approach in their income and means tests include Australia, United Kingdom, Finland, and New Zealand.

Amount

In establishing the new program, the policy of pushing up the guaranteed minimum was continued and scheduled increases of approximately 10 percent a year have been scheduled through 1978, as shown below. These amounts will also be adjusted annually for changes in the consumer price index. On the basis of projections for average income and guaranteed minimum income during the period 1974–78, it appears that the Government intends to maintain the guaranteed minimum at a level approximately one-third the average wage.

Type of recipient	Guaranteed annual minimum (in francs), as of Jan 1—			
	1975	1976	1977	1978
Couples	72,000	80,000	90,000	100,000
Single persons (with minor children in their care)	52,000	57,000	65,000	72,000
Minor children	36,000	40,000	45,000	50,000

[1] One U.S. dollar equals 37 Belgian francs

Test of Resources

The test is to be administered by each district Commissioner of Public Assistance through a formal inquiry—an arrangement that is entirely new with the 1974 provision. To be eligible for the guaranteed minimum income, the recipient must establish proof of his ability and willingness to work unless he is unable to do so for such reasons as ill health. In addition, he may be required to justify his claim to dependents.

The new law expands the type of exemptions that the recipient can claim before his payments are reduced. As might be expected, the test takes into account support received from other social programs but establishes a very low exemption limit for general income.[1] Among social-security-related programs that are exempted for the low income group are family allowances, rental subsidies, and medical and hospital assistance. Public assistance benefits are also excluded.

The purpose of these exemptions is to allow the recipient to maintain a standard of living above the subsistence level. Since the guaranteed minimum is a supplement to existing but inadequate means and not considered sufficient in itself, a fairly liberal approach was adopted in setting the maximums on allowable income and property the recipient is permitted to retain and still qualify.

A single person with an annual earned income of 15,000 fr., for example, receives a guaranteed minimum income computed in the following manner: In 1974, if the individual's minimum guaranteed annual income was 40,000 fr. (approximately 25 percent of average income for men in manufacturing), his income deduction would amount to 5,000 fr. (15,000 fr. income minus 10,000 fr. income exemption), and the guaranteed income payment would be 35,000 fr. Adding the 15,000 fr. earned to his guaranteed income would make his total income equal to 50,000 fr. In essence, this program provides the

[1] Until now, the exemption limits have been 10,000 fr. and 12,500 fr. a year for single persons and couples, respectively. They are expected to be increased under the new program.

same total income for the very low income group (with 10,000–40,000 francs), regardless of the person's individual earnings within that range.

Financing and Administration

The guaranteed minimum income is financed from government funds with the Ministry of Public Health and Family responsible for 50 percent and the Commissioners of Public Assistance and the local communities responsible for the remaining 50 percent. To ensure flexibility during the initial phase of the program, there is considerable latitude on the part of the Belgian Government in making additional appropriations.

As of January 1, 1975—the effective implementation date—the amount of 1.5 billion francs was earmarked for the program. A 1-percent tax on all incomes above 500,000 fr.[2] has been proposed by the legislation, as an alternative method of financing.

[2] Equivalent to $10,000 or approximately three times the average income for men in manufacturing at that time.

PROGRAMS IN OTHER COUNTRIES

Other countries have similar programs—at times a conglomeration of programs—that add up to a guaranteed income for the aged population. Switzerland, for example, has a statutory minimum provision under its general social security system, but it differs from Belgium's new program in that (1) a work history is required, (2) financing is from general as well as special funds, and (3) only the aged are affected. Finland has a universal pension and provides the retired worker with a variety of means-tested benefits, financed from a combination of payroll tax, income tax, and general revenue. The United Kingdom perhaps comes closest to providing a guaranteed minimum income for its citizens, but the approach is fragmented rather than universal since the policy (or policies) is based on many separate programs.

Notes and Brief Reports

Growth of the Supplemental Security Income Program in 1974*

The first year of the Supplemental Security Income (SSI) program has seen substantial growth both in the numbers of aged, blind, and disabled persons receiving payments and in the total expenditures for such payments. By the nature of the program changes that accompanied the establishment of the SSI program, the predominant portion of the costs to the expansion was met from Federal funds.

PERSONS RECEIVING SSI PAYMENTS

In January 1974, federally administered payments were made under SSI to 3.2 million persons, of whom about 1.9 million were aged, 72,000 were blind, and 1.3 million were disabled (table 1).[1] The vast majority of them had been getting payments under State assistance programs for the aged, blind, and disabled. About 150,000 of the 3.2 million were persons who had not been receiving assistance under State programs at the beginning of the SSI program.

Eleven months later, the number receiving federally administered payments had increased by 24.3 percent. In December 1974, federally administered payments were made to 4 million

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[1] These payments include those to persons receiving a Federal payment and to persons receiving State supplementation administered by the Social Security Administration.

TABLE 1.—Persons receiving federally administered supplemental security income payments and percentage change from January to December 1974

Reason for eligibility	Number receiving payments		Percentage change
	January 1974	December 1974	
Total	3,215,632	3,996,064	+24 3
Aged	1,865,109	2,285,909	+22 6
Blind	72,390	74,616	+3 1
Disabled	1,278,133	1,635,539	+28 0