

Social concertation and middle class stability in Belgium ¹

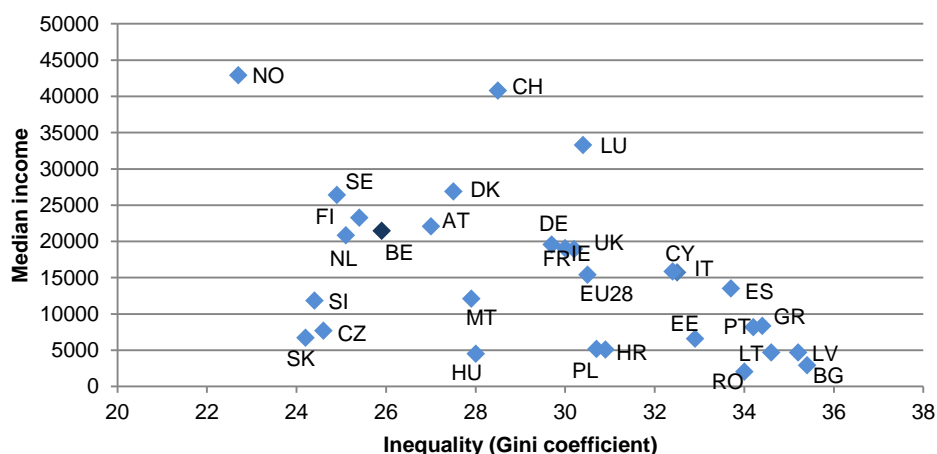
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1. Introduction

Belgium appears to have one of the more thriving and stable middle classes in the world. By all available indicators, Belgium's middle class enjoys a high overall living standard, in a context of low overall income inequality (see Figure 1). In addition, median net wealth appears to be among the highest in the Euro area, again in the context of what appears to be a less unequal distribution than in many countries. Middle class living standards and consumption levels have remained relatively unaffected by the recent economic crisis. Belgium's economy was relatively unaffected in the first place and automatic stabilizers, such as extensive short-time compensation schemes, were instrumental in sheltering the middle class from adverse impacts.

Figure 1: Country ranking by inequality and median income, 2013



Source: Eurostat.

Belgium's high overall living standard in a context of comparably low inequality can in parts be linked to the country's extensive and resilient social concertation model. Union membership has remained comparatively high and social partners play a dominant and stabilizing role in social and economic policy. Wage bargaining occurs in a multi-tiered coordinated system and legal extension of collective agreements ensures that all workers are covered. In addition – and importantly – Belgium has an extensive welfare state that also caters to the middle class to a large extent: this applies, for example, to education, health care, social services (child care) and other services (one of which, the service voucher scheme, features in this report).

¹ This report is an extended version of a chapter published in "Europe's disappearing middle class? Evidence from the world of work" / Vaughan-Whitehead, D. [edit.] - ISBN 978-1-78643-059-5 - Edward Elgar Publishing, 2016, p. 112-159

At the same time, however, below this surface of apparent relative affluence amidst comparative equality, Belgium is marked by deep divisions, including ethnic gaps, generational gaps, educational gaps and regional gaps. The share of the population living in relative poverty is high for a country with a low overall level of inequality and high level of social spending.

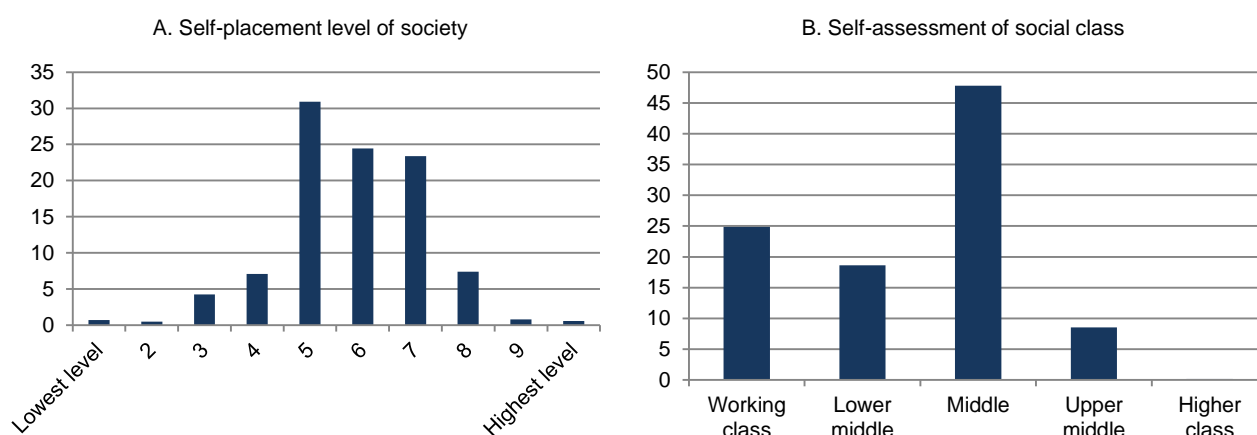
The remainder of the report is organized as follows. In Section 2 we study the evolution of the middle class from several perspectives, concentrating on magnitude, composition and share in the income and wealth distributions. The impact of long-term changes in the world of work on the development of the middle class will be studied in Section 3. Section 4 discusses the relationship between various welfare policies and the living standard of the middle class. In Section 5, in two case studies we discuss in depth how the introduction of the service voucher system and the long-term development of migration have affected the Belgian middle class. Section 6 concludes.

2. Development of the middle class in Belgium

A key issue in the literature on the middle class is how to define it, where any chosen definition will have its advantages and drawbacks. The results of any examination of the long-term evolution of the middle class will also probably depend on the definition adopted, although the approaches used in this report find a relative stable Belgian middle class over the past three decades. Most often some type of 'objective' measure is taken to classify the population. Although classes are a sociological construct, most studies on the evolution of the middle class typically approach it from an economic perspective. Indeed, class definitions are often based on income, asset holdings, expenditures, occupations, etc. Some of these aspects will be covered below.

Subjective measures reveal some interesting findings on class perception. Important to note, however, is that subjective feelings are typically surveyed individually, while objective measures are analysed at the household level. Panel A of Figure 2 shows how people experience their own place in society on a 1 to 10 scale.² It is clear that a very large share of the population identifies themselves with the middle class. More than 85 per cent of individuals at active age feel that they belong to categories 5 to 8. If the question is asked differently, however, the results are slightly different. Panel B of Figure 2 demonstrates the outcomes for self-assessment of social class.³ It indicates a much larger share at the bottom compared to the 10 point scale indicator at the cost of the upper middle class, while again most people identify themselves with the middle class. In both indicators, very few people acknowledge a feeling of belonging to the top of society.

Figure 2: Subjective measures of class position, 2014



Source: Authors' calculations based on Eurobarometer 81.4 & 82.3.

² The Eurobarometer question is: "On the following scale, step '1' corresponds to "the lowest level in the society"; step '10' corresponds to "the highest level in the society". Could you tell me on which step you would place yourself?

³ The Eurobarometer question is: "Do you see yourself and your household belonging to working/lower middle /middle/upper middle/higher class?"

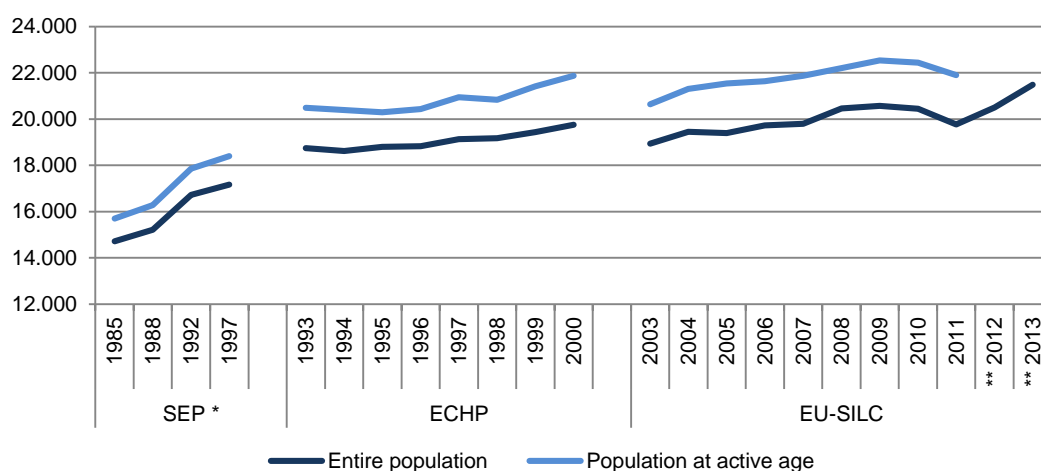
2.1 Income approach (1985–2013)

Income-based definitions of classes are the most widely used in the literature, in part because more detailed and long-term household-level data are available. We analyse the middle class comparatively to the bottom and the top class by adopting a five group classification. We define the bottom as those having an income that falls below the official poverty threshold of the European Union, namely 60 per cent of median equivalised income.⁴ Households on between 60 and 80 per cent of median income are considered to belong to the lower middle class, those on between 80 and 120 per cent to the core middle class and those on between 120 and 200 per cent to the upper middle class. The top of the distribution begins at 200 per cent of median income.

For Belgium we are able to study the evolution of the middle class based on incomes over the period 1985–2011. To be able to construct this analytical time-frame we use three different datasets. The oldest is the Socio-Economic Panel (SEP), which provides data for 1985, 1988, 1992 and 1997. For the period 1993–2000 we use data from the European Community Household Panel (ECHP) and the more recent data are extracted from the European Union Survey on Income and Living Conditions (EU-SILC).⁵ Because the three surveys use different designs and income measurement methods, longitudinal trends should be interpreted with caution. Statements on developments over time will be valid within each survey, but less so across them.⁶

As median income is crucial to our definition of the middle class we start our discussion by looking at its long-term evolution, which is shown in Figure 3, for both the active age population (18–64 years) and total population. Within each of the surveys real income growth at the median has been substantial, especially between 1985 and 1997. In the aftermath of the crisis real income decreased, although only by a small amount. At the same time income inequality has remained more or less stable (Gini around 0.28), with regard to which Belgium is often regarded as one of the few exceptions among OECD countries (Nolan et al., 2014; OECD, 2008; 2011a).

Figure 3: Real evolution of median net disposable equivalent income, 1985–2013



Notes: Amounts in 2013 prices (euros); * monthly income converted into yearly income; ** Eurostat figures.

Source: Authors' calculations based on SEP, ECHP and EU-SILC.

Figure 3 shows that in absolute terms the middle class has experienced an increasing income over the past three decades. Now we will look at how the income of the middle class has evolved relatively to that of the top and the bottom, which is presented in Table 1. It appears that the share of the core middle class declined between 1985 and 2011 by approximately 5 percentage points, if middle class living standards are based on those of households at active age, while it declined by 8 percentage points when the elderly are included. Among the

⁴ We use the OECD modified equivalence scale, which give the first adult a weight of 1, any additional individuals aged 14 years or over 0.5, while individuals younger than 14 count for 0.3.

⁵ The year always refers to the income year, not the interview year. For example, EU-SILC 2003 refers to the results that are surveyed in 2004 but concern income information from 2003.

⁶ For comparability issues between ECHP and EU-SILC see Eurostat Unit D2 'Living conditions and social protection' (2005).

active population the lower middle class saw its income share decrease by about 3 percentage points, partly compensated by an increase in the share of the upper middle by 0.7 percentage point. Results for the entire population indicate relative stability among the lower and upper middle classes. The class that has benefited from the largest increase in is the upper class, which has experienced an increase of approximately 5 percentage points over the past three decades in both measurement populations. Finally, households in the bottom class had an income share in 2011 that was almost 2.5 (1) percentage points higher than in 1985 for the population at active age (entire population). However, (part of) this difference may be the consequence of differences in the particular design and implementation of the various surveys. Within each separate time series it appears that the differences in the income share of the middle class are not large, where upward and downward trends alternate.

Table 1: Evolution of income share classes according to income approach, 1985–2011

	SEP 1985	SEP 1997	ECHP 1993	ECHP 1997	ECHP 2000	EU-SILC 2003	EU-SILC 2007	EU-SILC 2011
Population at active age								
Bottom	4.7	5.3	6.5	6.2	5.5	6.2	6.8	7.0
Lower middle	13.1	11.4	10.0	11.3	9.9	10.2	10.0	10.4
Core middle	35.6	36.3	30.3	32.3	31.6	31.6	29.6	30.4
Upper middle	37.9	36.3	34.5	35.7	36.0	38.6	38.5	38.6
Top	8.8	10.7	18.7	14.5	17.0	13.4	15.0	13.5
Entire population								
Bottom	4.0	5.1	6.1	5.5	5.3	5.4	5.5	4.9
Lower middle	12.9	11.1	11.2	12.0	10.7	11.9	11.7	13.2
Core middle	34.4	35.0	25.9	28.8	28.8	29.2	27.1	26.4
Upper middle	38.9	35.8	35.6	35.2	34.2	38.6	39.1	40.1
Top	9.8	13.0	21.2	18.6	21.1	14.9	16.5	15.4

Source: Authors' calculations based on SEP, ECHP and EU-SILC

These figures, however, reveal nothing about the actual size of the middle class. Table 2 analyses the size of the middle class (measured as the percentage share of the population belonging to each class) over the same period. We find rather stable shares for each of the classes. Overall, the size of the middle classes appears to have slightly decreased at the benefit of both the bottom and the top. Another way to look at these trends is through the concept of a 'polarization index' proposed by Foster and Wolfson (2010).⁷ The evolution of this index is shown in Figure 4 and largely confirms these results. Comparing SEP 1985 and EU-SILC 2011 data suggests slightly increasing polarization and a smaller middle class. However, looking at the trends within each of the surveys' time series we find only small differences. It appears that in each period polarization first decreases, after which it increases again. In the most recent time series polarization is very stable, which corresponds to the stable size of the middle class. As expected, polarization is higher in each year for the entire population than if we only include people at active age.

Table 2: Evolution of population share classes according to income approach, 1985–2011

	SEP 1985	SEP 1997	ECHP 1993	ECHP 1997	ECHP 2000	EU-SILC 2003	EU-SILC 2007	EU-SILC 2011
Population at active age								
Bottom	10.2	11.6	17.6	15.0	14.2	16.5	17.1	17.6
Lower middle	19.9	17.4	15.9	17.5	16.1	15.8	15.8	16.1
Core middle	38.4	39.7	33.5	35.6	36.5	34.3	32.9	32.8
Upper middle	27.8	26.6	25.7	26.4	27.4	28.2	29.1	28.5
Top	3.7	4.6	7.3	5.5	5.9	5.2	5.1	5.1
Entire population								
Bottom	8.5	10.1	16.7	13.2	12.6	13.1	12.7	12.2
Lower middle	20.0	16.5	17.3	17.7	15.4	16.9	16.8	17.6
Core middle	37.8	39.9	30.9	34.4	36.6	33.4	32.6	30.9

⁷ This index tries to capture the spreading away from the median and is calculated using the following formula:

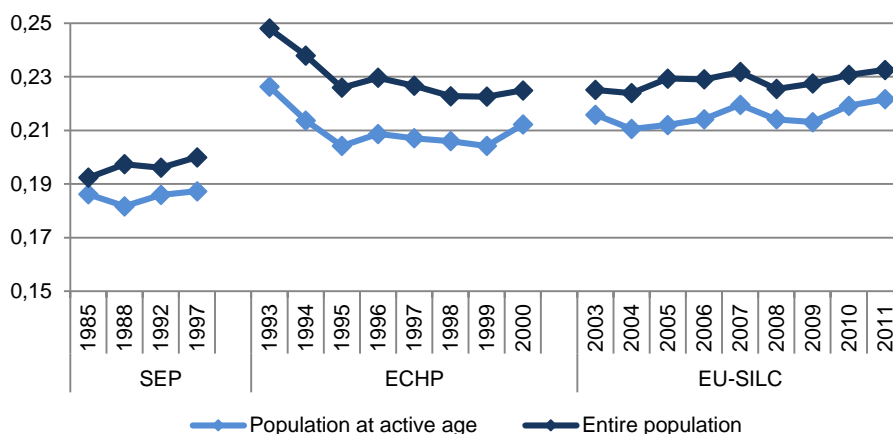
$$P = (T - G) \frac{\mu}{m}$$

where μ and m refer to mean and median income, respectively, G is the Gini coefficient and T is the relative median deviation, that is, 'the ratio to the mean of the average income distance between those above the median and those below the median' (Atkinson and Brandolini, 2013: footnote 8).

Upper middle	30.1	28.4	27.5	27.6	28.2	30.7	31.7	33.0
Top	3.6	5.2	7.6	7.1	7.2	6.0	6.2	6.3

Source: Authors' calculations based on SEP, ECHP and EU-SILC.

Figure 4: Evolution of Foster and Wolfson's polarization index, 1985–2011



Source: Authors' calculations based on SEP, ECHP and EU-SILC

2.2 Wealth accumulations (2009)

Income represents only one aspect of financial well-being; assets, savings and debt are important contributors to class divisions as well. Owning or renting a good property or owning a small business, for example, has historically always been identified with middle class well-being (Beckett, 2010, as cited by Atkinson and Brandolini, 2013: 77). Households faced by low income but who can smooth out their consumption by relying on savings and assets, loans or the financial help of others could clearly still be regarded as middle class although their income level may suggest otherwise. On the contrary, households that would be considered middle class based on their income may be positioned in lower classes when all financial liabilities are accounted for. While income is a way of focusing on the differences between the middle classes and the bottom class, wealth provides an excellent dimension with which to compare middle class living standards with top class affluence. Moreover, as wealth represents the accumulation of past unconsumed income and can be drawn from in the future, it could reveal interesting trends concerning the long-term well-being of middle class households. For instance, the increase in female labour participation – and hence dual earner families, which we will discuss below – has had a large effect on household disposable incomes for the middle class. This typically leads to a higher capacity to save, to purchase a home, start up a business and so on.

For this analysis we use data from the Eurosystem Household Finance and Consumption Survey (HFCS), which provides information on income⁸ and wealth holdings⁹ for 2009. In comparison with the Euro area Belgium has among the highest levels of median net wealth and a high homeownership rate (Kuypers et al., 2015; Arrondel et al., 2014; HFCN, 2013). The latter is largely the result of the fact that the Belgian government has encouraged house acquisition through various policies since as early as the end of the nineteenth century (see Section 4). The distribution of wealth also appears to be less unequal than elsewhere.

The top part of Table 3 shows that a high percentage of middle class households has a positive net worth and possesses several types of assets and debts. Furthermore, real assets are often owned by households in the middle classes, while financial assets appear very important to attain upper class affluence. Indeed,

⁸ The HFCS only covers information on gross incomes, but these have been converted into disposable incomes using the EUROMOD tax-benefit micro-simulation model (see Figari, Kuypers and Verbist, 2015).

⁹ Wealth is covered by the concept of net worth, which is defined as the sum of real and financial assets less liabilities. Real assets comprise the value of the household's main residence, other real estate property, vehicles (cars and others), valuables and self-employment business wealth. Financial assets cover deposits, bonds, shares, investments in mutual funds, private pension plans, whole life insurance policies, money owed to the household and other financial assets. Liabilities include mortgages (for main residence and other real estate), debt on credit cards and other outstanding loans (Eurosystem Household Finance and Consumption Network (HFCN), 2013: 107).

homeownership appears to be an important factor in the relative high wealth accumulations around the median, while bonds, shares and so on are highly concentrated at the top (see Figure 5). As the rate of return on real estate in Belgium is typically lower than on financial assets, this difference is a large contributor to the distinction between the middle and top class. The middle part of Table 3 presents conditional medians by class. Median net wealth is found to be equal to about 194,100 euros in the core middle class and already 306,500 euros in the upper middle class. Again, real assets are most important for middle class well-being, while the top also has a significant amount of financial assets. The share in total wealth (bottom part of Table 3) held by the core middle class is 34.4 per cent, which is slightly higher than their income share. The bottom also owns a slightly larger share of total wealth than of total income, while relatively less wealth is accrued by the upper middle class compared to income.

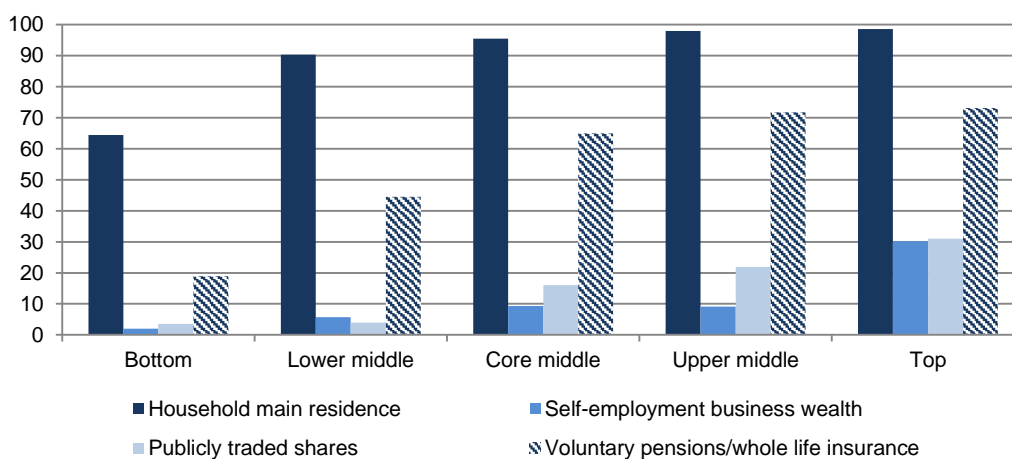
Scott and Pressman (2011: 333) argue that ‘it is now quite common for middle class households to rely on credit to help make ends meet’. Table 3 indicates that a relatively large share of households in the middle classes are in debt of some kind and median amounts of mortgage and non-mortgage debt are the highest at the middle of the distribution. An important factor here is that they have a larger need for credit than top class households, while they have more access to credit than poor households. Indeed, households at the top often have sufficient private resources and banks have less confidence that bottom class households will be able to make their repayments. Or in the words of Wolff (2013), middle class households have the highest ‘leverage’. While debt may facilitate investment in future wealth, it sometimes involves high interest rates, which may also reduce middle class living standards (Scott and Pressman, 2011). The latter may be particularly worrisome during times of economic crisis.

Table 3: Household wealth holdings by class, 2009

	Bottom	Lower middle	Core middle	Upper middle	Top
Prevalence rate (% owning asset type)					
Positive net worth	86.9	95.7	98.7	98.9	98.4
Real assets	64.4	90.3	95.5	97.9	98.5
Financial assets	92.6	99.4	99.0	99.9	100.0
Mortgage debt	13.9	30.5	48.8	55.1	54.5
Non-mortgage debt	27.0	38.4	28.0	28.1	24.0
Median (euro), conditional on participation					
Net worth	5,650	104,200	194,100	306,500	498,400
Real assets	113,900	165,000	218,200	280,500	364,000
Financial assets	2,400	11,300	31,100	52,300	92,900
Mortgage debt	57,200	59,600	75,300	77,000	57,000
Non-mortgage debt	2,000	3,700	6,900	9,900	7,100
Share in total wealth					
	8.1	9.9	34.4	33.1	14.5

Source: Authors' calculations based on HFCS.

Figure 5: Holdings of selected asset components by class (% owning asset type), 2009



Source: Authors' calculations based on HFCS.

Because the income and wealth distributions are far from perfectly correlated (Kuypers & Marx, 2015a), a more accurate classification of households into bottom, middle and top classes will integrate both income and wealth. Since income is a flow and wealth a stock variable their integration is not straightforward. Here we will apply the approach which defines an augmented income concept by summing up income and wealth by transforming wealth into a flow of resources using the annuity method proposed by Weisbrod and Hansen (1968). The annuitisation is specified using the following formula:

$$AY_t = Y_t + \left[\frac{\rho}{1 - (1 + \rho)^{-n}} \right] NW_{t-1}$$

$n = T$ for unmarried,
 $T_1 + (T - T_1)b$ for married

(Brandolini et al., 2010, p.270)

Where AY_t refers to annuitised income, Y_t equals income received from labour, pensions and other transfers in year t , NW_{t-1} is net worth held at the beginning of year t and ρ and n are the interest rate and length of the annuity respectively. With regard to the latter T_1 refers to time to death of the person who dies first, T time to death of the survivor and b is the reduction in the equivalence scale coefficient which results from the death of the first person (for a detailed derivation of this formula see Brandolini et al., 2010, pp.269-271 & 273). For a thorough discussion and robustness analysis of several methodological aspects in this formula we refer to Kuypers & Marx (2015b).

Table 4 shows what the size and welfare of the middle classes would be if we determine class membership on this augmented income concept compared to the traditional income approach. It appears that the (augmented) income share increases in the lower middle and top class at the cost of the income share of the core and upper middle. The class size in the joint income-wealth approach is higher for the bottom, lower middle and top classes, while it is again lower in the core and upper middle classes. In other words, if middle class status would be determined based on the sum of income and annuitized wealth instead of the traditional narrow income concept the share of households considered to be middle class as well as their share in total economic resources would be considerably lower. Although we argue that this approach much more accurately represents the evolution of the division of economic resources between the classes of society, there is currently no data available for such a long-term analysis. Hence, the analyses in the remainder of this chapter will be based on the income definition of classes.

Table 4: Comparison of outcomes income and joint income-wealth approach, 2009

	Bottom	Lower middle	Core middle	Upper middle	Top
Income approach					
Income share	6.0	7.9	30.2	34.4	21.5
Population share	18.9	12.7	34.6	26.9	6.9
Joint income-wealth approach					
Augmented income share	6.0	10.4	25.0	31.2	27.4
Population share	19.7	17.3	28.6	24.5	9.9

Source: Authors' calculations based on HFCS.

2.3 Disparities in middle class attainment

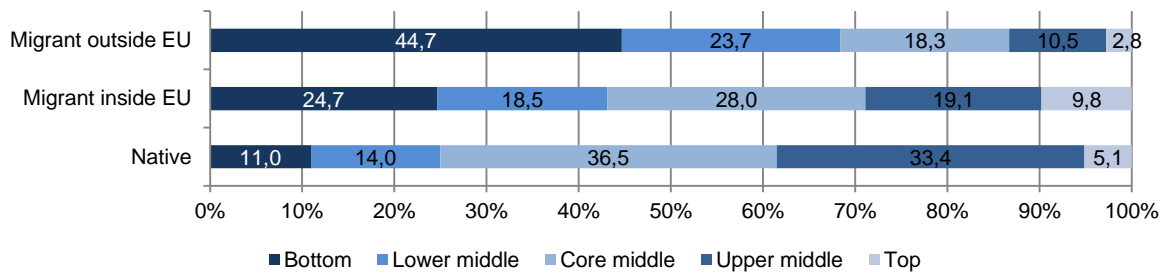
Despite its low overall level of inequality Belgium is marked by substantial gaps in middle class attainment. As before we estimate the boundaries of the different classes based on the national income distribution and then look at the percentage of households belonging to the different classes by particular characteristics.

Ethnic gap

A first important gap exists with regard to ethnic and migrant background. Corluy and Verbist (2010) show that immigrant households are more often unemployed or inactive than native households and have much lower disposable incomes. Moreover, migrants originating from other EU countries perform better than those who

come from outside the EU. Figure 6 shows middle class attainment rates for households by origin.¹⁰ We find that about 36.5 per cent of natives belong to the core middle class, while for migrants from inside the EU this figure is almost 28 per cent and only 18 per cent for migrants from outside the EU. While another 33 per cent of native households are situated in the upper middle class, the largest share of migrants originating in a non-EU country belongs to the bottom class. A more detailed analysis on migration issues in relation to the world of work and the middle class is provided in the second case study.

Figure 6: Size of classes by migrant background, 2011

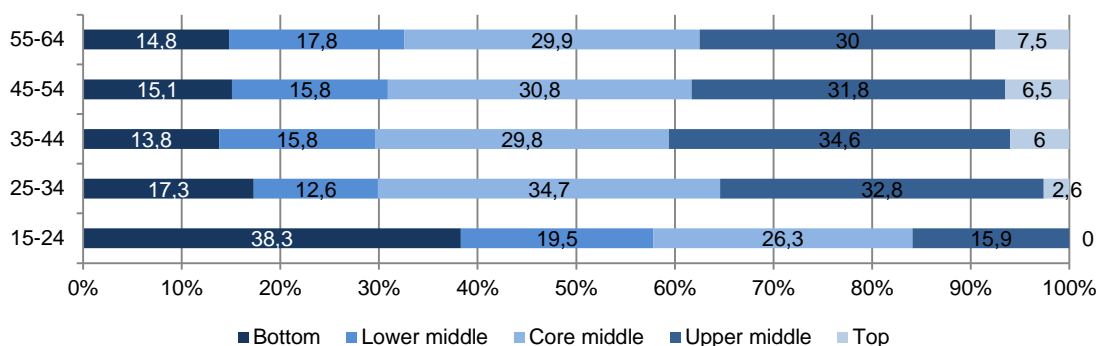


Source: Authors' calculations based on EU-SILC.

Generational gap

Today's young individuals often find it hard to attain the middle class status that their parents acquired relatively easily. In Belgium the share of young people not in education, employment or training (NEET) remains relatively high, which implies that the young generation typically has a higher risk of being unemployed, having a low paid job, working on a temporary or involuntary part-time basis and so on. As we will show in Section 3 these factors of the world of work are highly correlated with the bottom of society. Figure 7 shows that the share of young people in the middle classes, and especially the upper middle class, is considerably lower than for older people and this ratio between younger and older individuals in middle class has deteriorated over time. As early labour market experiences tend to have an effect on long-term career opportunities and future wages, these young people are not likely to attain middle class living standards anytime soon.

Figure 7: Size of classes by age, 2011



Source: Authors' calculations based on EU-SILC.

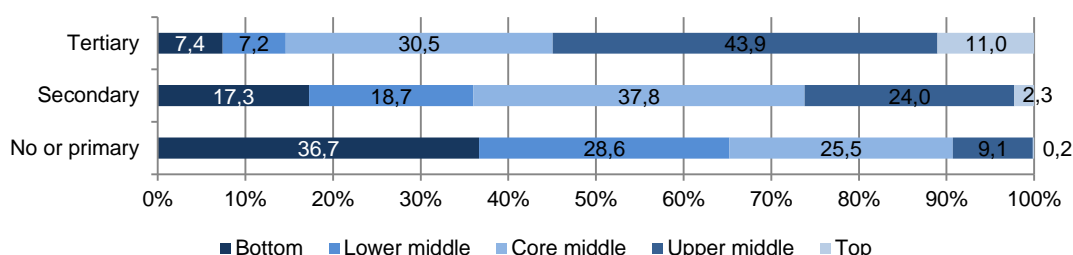
Education gap

Education is also a very important factor in explaining labour market opportunities, which in turn is related to class status. Several studies indicate that those with a low education have been becoming increasingly vulnerable since the mid-1980s (for example, Van den Bosch et al., 2009). Indeed, Figure 8 shows that individuals with no

¹⁰ We define migrant background by country of birth.

or only primary education are overrepresented in the bottom and lower middle classes, while those with a higher education mainly belong to the middle and top classes.

Figure 8: Size of classes by education, 2011

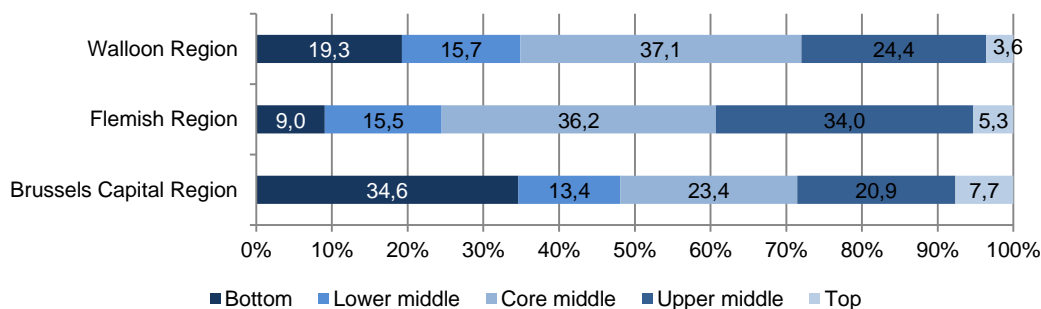


Source: Authors' calculations based on EU-SILC.

Regional gap

Belgium is characterized by major regional differences for a country of its size. Since the 1970s Belgium has experienced a process of 'centrifugal federalism' and after several state reforms Belgium became a federal state in 1993. Over the years, regions have received autonomy in an increasing number of policy domains. In combination with differences in economic performance this has resulted in growing regional gaps in poverty, unemployment and other socio-economic risks.¹¹ The situation of the Brussels Capital Region is particularly noteworthy: on one hand, it is the main centre of economic activity, while on the other hand its residential population is much more vulnerable to unemployment and poverty. In Figure 9 we see that this also profoundly impacts the possibility of attaining middle class affluence. We find that around 35 per cent of Flemish and Walloon households belong to the core middle class, while this is only 23.4 per cent for the Brussels Capital Region. Looking at the wider definition of the middle class – that is, including also lower and upper middle class – Flanders has the largest share of middle class households. Because the Brussels Capital Region has the largest share of households in both the bottom and top middle classes, this region is the most unequal.

Figure 9: Size of classes by region, 2010



Source: Authors' calculations based on EU-SILC.

The remainder of the report will analyse Belgium as one entity, but it is important to keep these large regional differences in mind. The increase in female labour participation, for instance, was much higher in the Flemish than in the Walloon and Brussels Capital Region. Moreover, occupations currently pursued by many middle class workers are often situated in the Flemish and Brussels Capital Region, while the Walloon Region attempts to save its manufacturing industry.

2.4 Demographic changes

¹¹ This relationship in favour of the Flemish Region has only existed since the post-industrial evolution. Before that, the Walloon Region was economically superior as most of the industries were established there.

Complementing our analysis on the size of the middle classes we should also look at the long-term evolution of its composition. As in other countries, demographic characteristics of the Belgian population have changed substantially over the past three decades. The average household reference person has become older and more highly educated and more often includes females, singles and immigrants. Table 5 shows that the composition of the middle class has largely experienced the same changes, although the difference between the composition of the total population and the middle class diverge slightly more in 2011 than in 1985. In other words, the middle class represents ‘the average household’ in socio-demographic terms somewhat less. Households with a reference person with no or primary education are relatively underrepresented in the middle class in 2011, while their share in the middle class in 1985 was almost the same as in the total population. Moreover, in 2011 lone parents were less represented in the middle class than in the total population compared with an almost similar share in 1985, while couples with children were even more overrepresented in the middle class in 2011 than in 1985. Finally, migrant households were represented at a similar rate in the middle class and the total population in 1985, whereas a far fewer migrants attain middle class status than their population share would suggest, especially in the case of non-EU migrants.

Table 5: Socio-demographic characteristics of the middle class, 1985 and 2011

	SEP 1985			EU-SILC 2011		
	Core middle	Middle	Total population	Core middle	Middle	Total population
Age						
15–24	5.5	5.0	5.3	1.8	1.7	2.2
25–34	27.4	27.1	26.5	23.1	20.9	20.2
35–44	23.6	24.6	24.8	25.3	26.1	25.6
45–54	21.3	21.2	21.1	28.6	28.4	28.6
55–64	22.2	22.2	22.4	21.2	22.9	23.4
Gender						
Male	81.3	81.6	81.1	65.7	66.9	65.2
Female	18.7	18.4	18.9	34.3	33.1	34.8
Education						
Primary or no	23.0	23.4	24.7	5.3	5.4	8.1
Secondary	57.7	54.7	53.7	55.7	50.9	50
Tertiary	19.3	21.9	21.6	39.0	43.7	41.9
Household type						
Single	11.0	9.3	10.3	26.0	26.3	28.4
Single with children	3.0	3.1	3.5	5.5	6.1	7.7
Couple	31.0	34.3	33.4	28.7	30.9	29.1
Couple with children	55.0	53.3	52.8	39.8	36.7	34.8
Ethnic background						
Native	94.9	94.3	93.6	88.5	86.7	81.4
Immigrant inside EU*	4.5	4.9	5.3	6.8	6.6	7.8
Immigrant outside EU*	0.6	0.8	1.0	4.7	6.7	10.8

Note: * Inside/outside Europe in case of SEP; characteristics refer to household reference person.

Source: Authors’ calculations based on SEP and EU-SILC.

One might wonder what would have happened to the middle class if these demographic shifts had not taken place. Indeed, Pressman (2007) argues that a rising divorce rate is one demographic factor most cited to explain the decline of the middle class. Because the financial well-being of women typically deteriorates the most and they often need to support their children, it becomes more difficult for their new female-headed household to achieve middle class status, while it is often easier for males to retain their acquired class rank. A second possible demographic explanation for the decline of the middle class is the increase in the number of immigrant households. While households from non-Western countries are often found to be at the bottom of the income distribution, immigrants from Western countries are sometimes rather situated in the top classes, resulting in a

polarization within this group of households with foreign background (see Figure 6 and second case study). By contrast, the increase in tertiary education enrolment rates could be a counter process, because education and income are highly correlated. Another possible demographic counter effect may be the changing age structure of the population. In recent decades life expectancies have continuously increased and because wages, among other things, typically rise with age, older people more easily attain middle class status (see also Figure 7).

In order to analyse the effect of demographic change on the size of the middle class we look at the population share of the middle class taking into account the old distribution of certain socio-demographic characteristics of the household reference person. For this we follow the shift-share analysis proposed by Pressman (2007:188), who recognizes that ‘the overall size of the middle class is just the weighted average of several demographic groups times the percentage of each group falling into the middle class’. We use data from SEP 1985 to calculate the size of each demographic group relative to the total population, while the percentage chance of each of these demographic groups falling into the middle class is calculated based on the EU-SILC 2011 data. When multiplying these two percentages we obtain the population share of the middle class in 2011 with the demographic structure as it was in 1985. Then the difference between this share and the share of 1985 is determined, which is shown in Table 6. The outcomes are subject to several assumptions about the comparability of the different surveys, which means that one should focus on the mutual comparison of the strengths of the effects and not on the exact figures. The largest impact is found for education. If the distribution of education had not changed between 1985 and 2011 then the middle class would have declined even more than it did. The same is true in case of the age distribution for the broad definition of the middle class. As expected, rising divorce rates – and thus a higher incidence of single households – and the increase in immigrant households has facilitated the decline of the middle class. The middle class would not have declined to the degree it did if these demographic changes had not taken place.

Table 6: Effect of demographics on the size of the middle class

	Percentage point change in middle class (1985–2011)	
	Core middle class	Middle class
Reference	–5.6	–8.8
With constant age distribution	–4.6	–9.0
With constant gender distribution	–4.6	–7.7
With constant education distribution	–6.6	–13.8
With constant marital distribution	–4.5	–7.6
With constant native/migrant distribution	–3.0	–5.4

Note: Last column also includes lower and upper middle classes; demographics refer to the household reference person.

Source: Authors’ calculations based on SEP and EU-SILC.

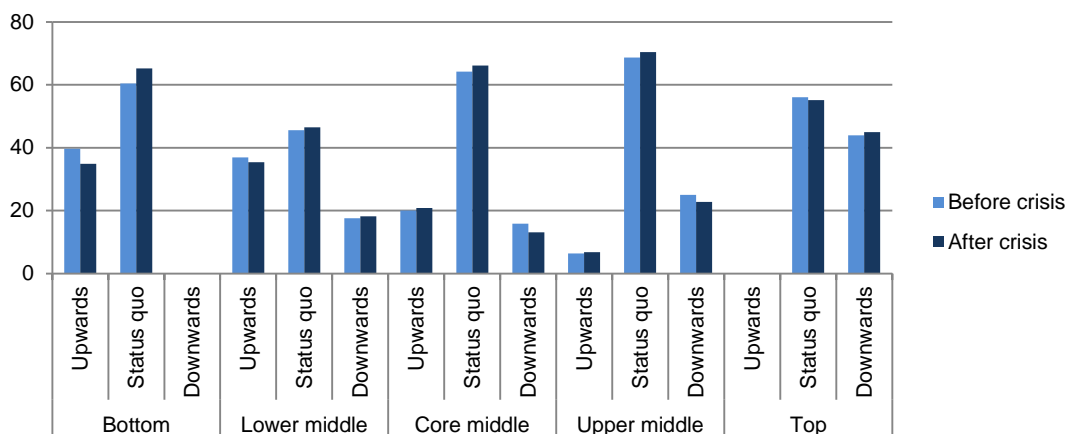
2.5 Impact of the crisis

As is widely known, the financial crisis of 2007–2008 had very negative effects on several aspects of the labour market and economic well-being. Belgium is no exception, but it appears that the magnitude of its impact is among the lowest in the EU. Indeed, unemployment grew 0.8 percentage points between 2007 and 2010, compared with an EU28 average of 2.4 percentage points and the Belgian unemployment rate has remained more or less stable since then, while the EU28 average kept on rising. Real GDP per capita fell by 3.4 per cent between 2008 and 2009, compared with an EU28 average of 4.7 per cent (Eurostat). A major concern for Belgium, however, is the level of its government debt. As in other countries, it increased substantially as a consequence of the crisis, but it was already considerably higher than in other countries before the crisis. Belgium’s central government debt traditionally fluctuates around 100 per cent of GDP; only Italy and Greece fare worse (OECD Finance Statistics).

In Section 2.1 it appeared that the affluence and size of the bottom, middle and top classes have not really been affected by the crisis. However, considerable mobility patterns may well be concealed behind this apparent stability if upward and downward mobility cancel each other out. Therefore, Figure 10 shows the average mobility between two consecutive years before (2003–2007) and after the crisis (2008–2011). In both periods the largest share of households belongs to the same class in two consecutive years. The most mobile class appears to be the lower middle class. We show below that the incidence of temporary contracts is high in the lower middle class, so that a large part of their mobility will probably reflect moving in and out of temporary jobs. Comparison of the two periods reveals that the share of households remaining in the same class has increased

since the crisis. Downward mobility rose in the lower middle and slightly in the top classes and fell in the core and upper middle. Most importantly the bottom class has experienced a fall in the share of upwardly mobile households by about 5 percentage points since the crisis, while it has remained more or less stable in other classes.

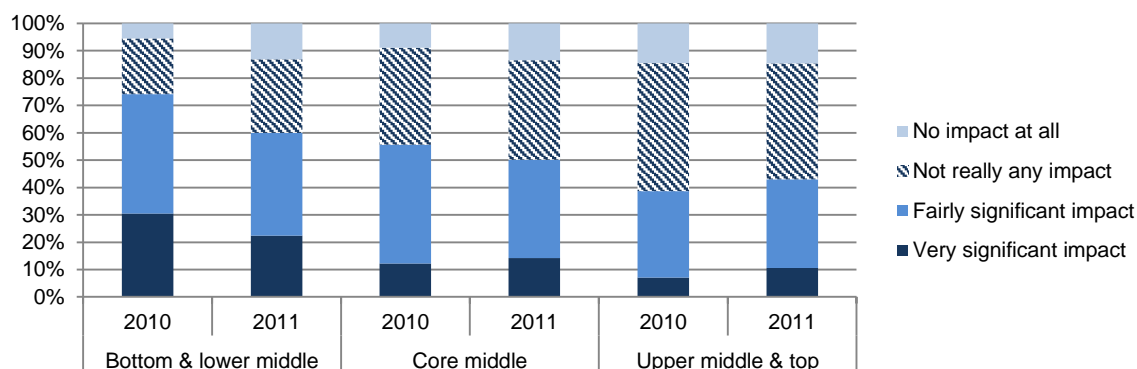
Figure 10: Average mobility before (2003–2007) and after crisis (2008–2011) by class



Source: Authors' calculations based on EU-SILC.

Although objective measures indicate that the effect of the crisis was relatively mild in Belgium, in 2010 more than half of the Belgian population indicated that the crisis had affected their personal situation in one way or another. Remarkably, this percentage lies close to the results for countries that were much more affected, such as Spain, Italy and Ireland (author's calculations based on Eurobarometer 74.1). However, there does exist a considerable difference with respect to the division between individuals perceiving a very significant impact of the crisis and those indicating a fairly significant impact. Figure 11 demonstrates people's perception of the impact of the crisis on their personal situation by class. As expected individuals at the bottom feel much more that the crisis has affected their personal situation than their richer counterparts. However, a significant share of middle and top class individuals also perceive an impact of the crisis on their personal situation. This share even increased between the surveys of 2010 and 2011, while it decreased in the bottom class.

Figure 11: Perceived impact of crisis on personal situation by class, 2010–2011



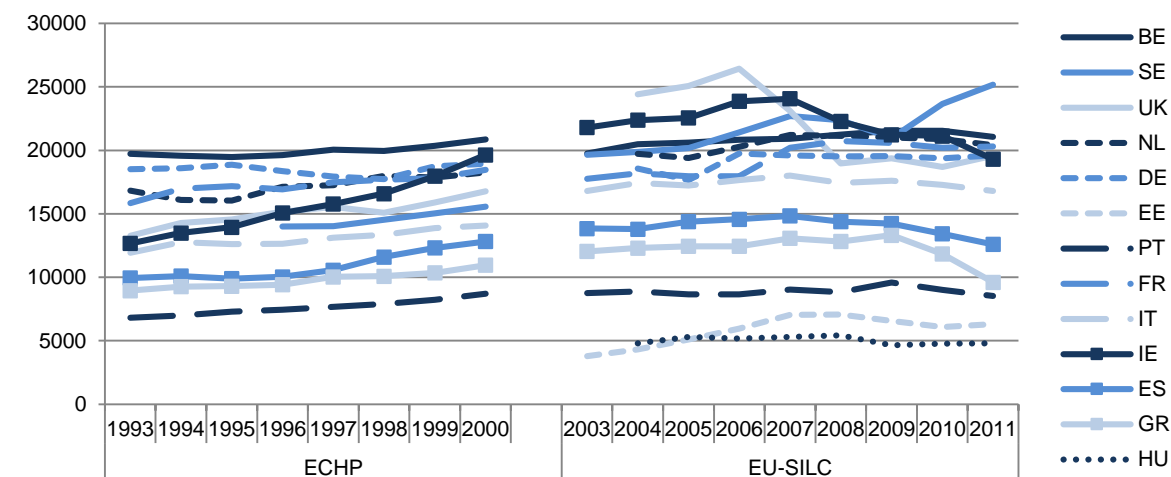
Note: bottom and lower middle are those who score own place in society 1-4, core middle 5-6 and upper middle and top 7-10.

Source: Authors' calculations based on Eurobarometer 74.1 and 76.1.

All the indicators discussed suggest that polarization is relatively low in Belgium and that the middle class is relatively large and wealthy. Moreover, they show a remarkable stability in the size and prosperity of the Belgian middle class throughout the past three decades, even throughout the crisis. Figure 12 shows that this is a fairly

deviant trend in the European context. In both surveys the real average income of the Belgian core middle class is among the highest and appears to fluctuate much less than in other countries. As we will discuss in more detail in Section 3, these trends appear to be correlated with certain changes in the world of work. Stability of the middle class was, for instance, facilitated by low unemployment growth, high job tenure, strong social dialogue, high wage compression, automatic indexation mechanisms and so on.

Figure 12: Comparison of evolution of real average income in core middle class, 1993–2011



3. Long-term changes in the world of work and their impact on the middle class

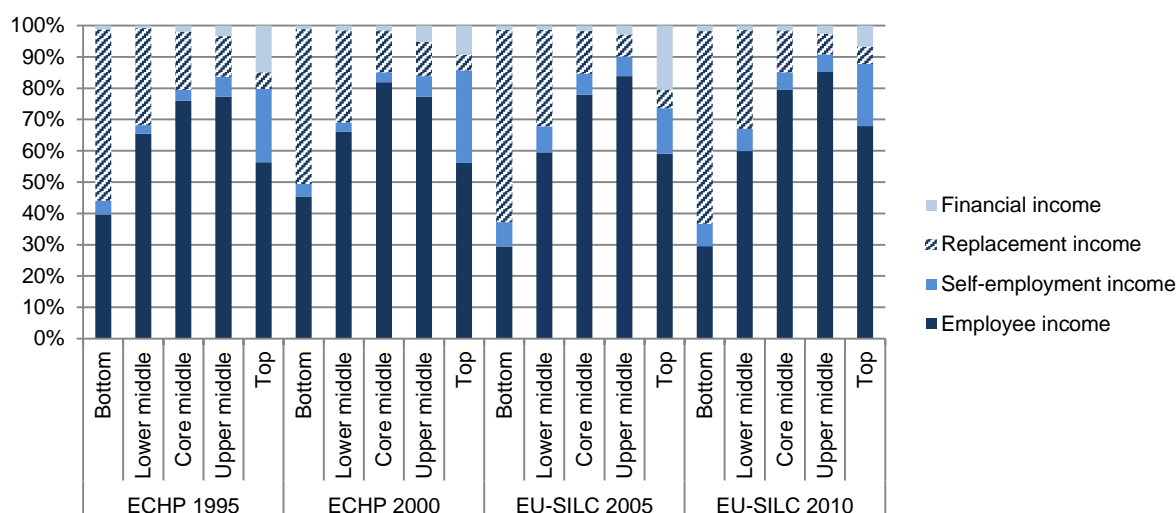
Pressman (2007: 183) lists four groups of factors that could explain the decline of the middle class: (1) demographic factors, (2) structural or microeconomic factors such as the loss of middle class manufacturing jobs, (3) macroeconomic factors such as unemployment and (4) public policy. The impact of demographic characteristics has been analysed in the previous section. In this section we will look at several labour market factors, while the relation between the middle class and welfare policies will be discussed in Section 4.

Figure 13 presents the composition of income in the different classes for four selected years. It is clear that income from employment constitutes the largest source of income for the middle classes, while replacement income is the most important for the bottom class and top households mainly receive their income from financial investments and self-employment activities. Over the years it appears that the importance of employment income has increased slightly for the middle classes. For households at the bottom of society the importance of replacement income increased at the cost of labour income. The effect of the crisis is found in the substantial decrease of the share of financial income for the top between 2005 and 2010 (from 20.5 to 6.7 per cent).

Given that labour and income thereof are highly concentrated in the middle class, it seems particularly interesting to analyse factors in the world of work to understand the long-term changes in the middle class found in the previous section. Hence in what follows we will try to highlight the main developments in the world of work in Belgium and how they have affected the middle class and its relative status compared with the top and the bottom. In all our analyses we look at the situation for the two extreme years we have data for, namely 1985 and 2011.¹² Moreover, we include information for 2007 to be able to distinguish between the long-term trend and possible consequences of the recent economic crisis of 2008.

¹² Differences that are found between the two years can of course always be (partly) due to the use of different surveys.

Figure 13: Distribution of income by source across classes. 1995-2010



Source: Authors' calculations based on ECHP and EU-SILC.

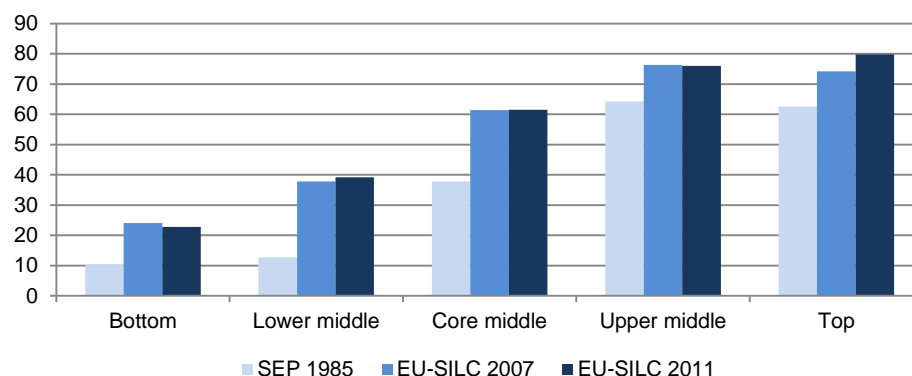
3.1 Employment rates

In relation to employment rates, two main long-term trends can be distinguished for Belgium. First, female employment rates have experienced a large increase over the past three decades, both in the prime age and elderly category. Second, employment among the male elderly had decreased considerably to a historically low 32 per cent at the end of the 1990s after which it restored itself again. However, labour participation among people aged 55-64 remains below 50 per cent for males and below 40 per cent for females, which is still considerably low in international comparison. Besides these large trends, as in other countries, both men and women between the ages of 15 and 24 years participate less in the labour force than in 1983, mainly as a consequence of higher enrolment rates in tertiary education.

Female employment

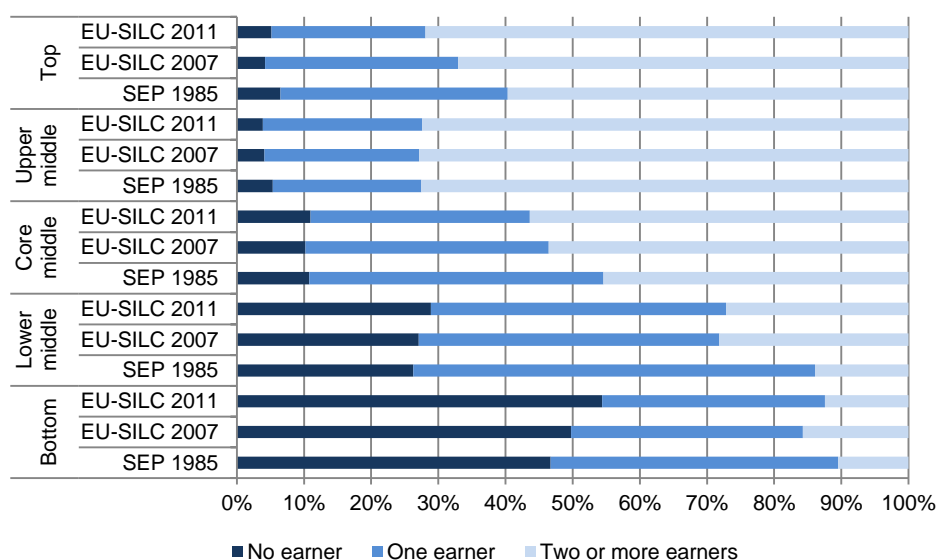
The strong increase in female prime age employment may be considered one of the most radical changes in the world of work over the last 30 years. Over this period maternal employment was in particular facilitated by the extension of policies such as childcare, parental leave and part-time work. Now, one could wonder which types of households are the main beneficiaries of this increase in female employment. Therefore, in Figure 14 we show female employment rates for the five classes under consideration in 1985, 2007 and 2011. The increase in female employment is the largest in the lower middle and core middle classes. The highest female employment rates are still found in the upper middle and top classes where almost 80 per cent of women are employed. This means that households in the middle and top of the distribution, which were already relatively well-off, gained an extra labour income, while female employment at the bottom increased far less. A negative effect of the crisis on female employment is only found in the bottom class, although very small. With the increase of female employment rates dual earner households increased substantially. Figure 15 shows that while dual earner households have been the norm for belonging to the top of the income distribution for a long time now, throughout the last three decades it has also become the norm for attaining middle class living standard, at the expense of the hegemony of single male breadwinners. At the bottom of the distribution, in contrast, the share of households where no one is at work is large and increasing (about 50 per cent). Hence, although individual employment levels may have increased substantially, employment intensity at the household level has decreased.

Figure 14: Female employment rate by class, 1985, 2007 and 2011



Note: Employment refers to people who respond as self-defined economic status 'employee' or 'self-employed' (both full- and part-time).
Source: Authors' calculations based on SEP and EU-SILC.

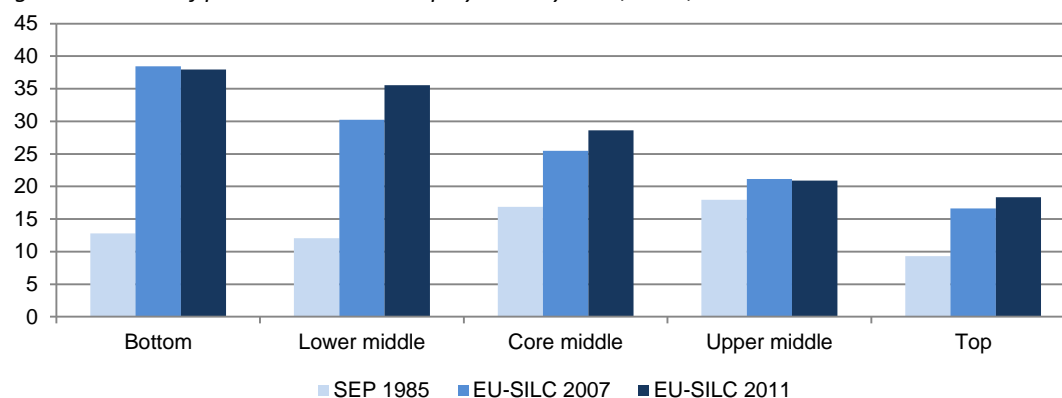
Figure 15: Number of earners in household by class. 1985, 2007 & 2011



Note: earners refers to people who respond as self-defined economic status 'employee' or 'self-employed' (both full-time and part-time).
Source: Authors' calculations based on SEP and EU-SILC.

One of the factors that typically contributed to the rising employment rates of women is the availability of part-time employment schemes. Analyses show that the share of part-time employment in total employment has increased by about 10 percentage points and, although not completely, this increase was mainly found among women and mostly covers second earners. Only a small part of this part-time employment is involuntary, about 10 per cent, representing 2 per cent of total employment, which is the lowest percentage over the past three decades (OECD figures). Part-time employment often makes it much easier for women to combine work with having children as it often implies working hours adapted to children's school hours. Hence, part-time employment provides households with children the possibility to have two incomes and this often means retaining previously attained middle class living standards. Figure 16 indicates that the incidence of part-time employment has increased in all classes over the past three decades, but it is much more common at the lower end of the distribution than at the top. It appears that in the post-crisis period the increase in part-time employment has stagnated, or even slightly decreased, in the top and bottom classes, while it continuously grew in the middle classes. Hence, in 2011 a significant share of employees in the middle classes, especially the lower middle, worked part-time. For people that were initially working full-time this may lead to a decreasing living standard, while for people that were initially not at work it will result in a higher living standard. Because the latter is very often the case in Belgium this process may lead to a rise in the number of households attaining middle class level incomes.

Figure 16: Share of part-time in total employment by class, 1985, 2007 and 2011



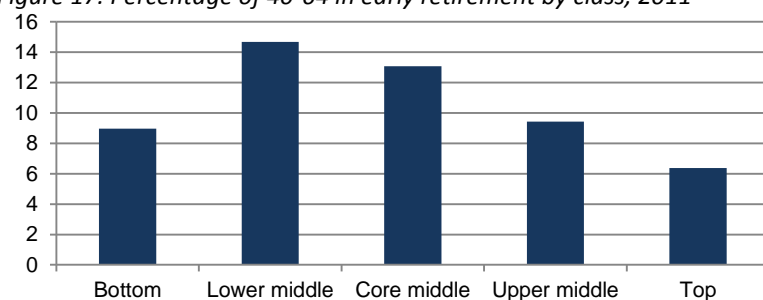
Note: Part-time employment in SEP 1985 defined as working less than 35 hours a week.

Source: Authors' calculations based on SEP and EU-SILC.

Elderly employment

Employment rates among the elderly are traditionally low in Belgium. Although effective retirement ages have increased over the past decade, after a decreasing trend since the 1970s, they still remain well under the legal retirement age of 65 for both men and women. OECD figures, for instance, show that the average effective retirement age of Belgian males is less than 60 years, while the OECD average is around 64 years (2012). A very important role in this story is played by early retirement possibilities which are as popular among employees as employers. The first early retirement scheme was introduced in 1974 with the goal of facilitating economic restructuring and enhancing the labour market prospects of younger workers. Throughout the years several governments have attempted to reduce early exit, but it was regarded as a very arduous task, among other things because of the strong opposition by trade unions. As a response to the problems surrounding the ageing of the population some policy measures were taken to increase the legal retirement age to 66 years in 2025 and to 67 in 2030 and to reduce early retirement possibilities. Figure 17 indicates that in 2011 about 15 per cent of lower middle and core middle individuals between 40 and 64 years old were in early retirement, while it is equal to 9 and 6 per cent in the bottom and top classes, respectively.

Figure 17: Percentage of 40-64 in early retirement by class, 2011



Source: own calculations based on EU-SILC.

Self-employment

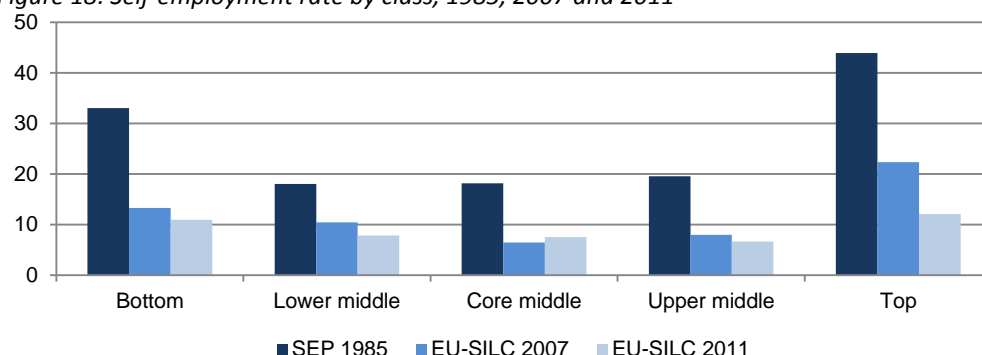
Self-employment is in the literature often related to middle class well-being. Over time the share of self-employed individuals has decreased considerably in Belgium from about 25 per cent in 1956 to 15 per cent in the 2000s. Throughout the years several policies have been developed to stimulate self-employment. One of the most important initiatives was the strengthening of the social security system of self-employees. Changes mainly relate to pensions, health insurance and the financing of the system. A second interesting policy introduced some measures to tackle 'bogus' self-employment¹³ (Van Gyes and Vaes, 2009).

Self-employment rates by class are shown in Figure 18. Although the SEP 1985 data appear to overestimate self-employment (compared with official statistics) it should be clear that the share of self-employed workers is the

¹³ People who claim to be self-employed while they are in fact employees, for the purpose of evading taxes and circumventing employment rights and entitlements.

largest in the bottom and top class. Because education and class attainment are highly correlated (see Figure 8), this corresponds to the finding of Blanchflower (2000) that the least educated and the most highly educated have the highest probability of being self-employed. Moreover, the relatively high share of self-employees in the top class is not surprising as Figure 13 demonstrated that households in this class receive a substantial share of their total income from self-employment. However, self-employment in the bottom and top class may be very different. While self-employees at the bottom often have no or only a few employees and own a business in blue-collar work, those at the top are typically owners of large enterprises engaged in white-collar work. The strong decrease in the self-employment rate among people in the top class in the aftermath of the crisis is very striking. This may well be the consequence of the fact that they often own larger businesses than those in other classes. As those typically seek investment on financial markets they were hit the hardest by the crisis, while sole proprietorships solely rely on own investments (potentially with help from loans).

Figure 18: Self-employment rate by class, 1985, 2007 and 2011

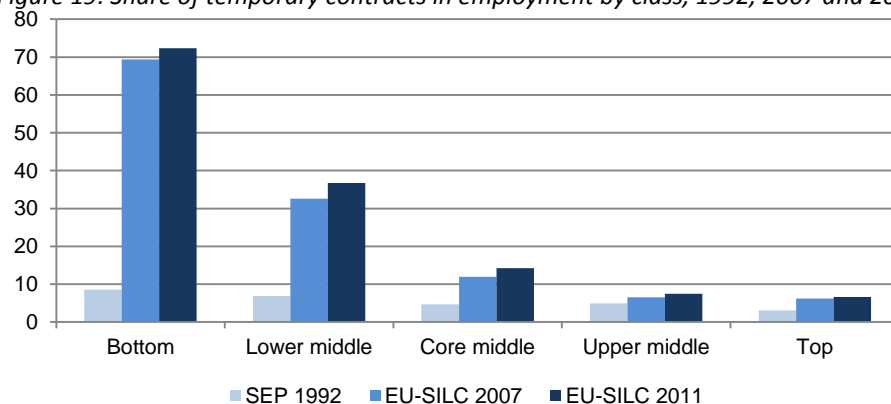


Source: Authors' calculations based on SEP and EU-SILC.

Temporary employment

Over the past three decades the share of temporary contracts has increased steadily in Belgium, mainly among young individuals (OECD figures based on LFS). After the crisis temporary employment slightly dropped. This is not the consequence of the fact that more workers were given a contract of indefinite duration, but a higher dismissal rate among temporary workers. Although the share of temporary contracts has increased, it still remains well under the European and OECD average (OECD). Figure 19 depicts the share of temporary contracts in total employment by class. We find a very large increase in the share of temporary contracts in the bottom and lower middle classes. As mentioned earlier, in the bottom class less than 50 per cent are at work, so that this high share reflects few people and hence has a minor effect on the overall rate. Because temporary employment is especially high among young and migrant workers, this trend could explain a significant part of their struggle to attain middle class status (see Figures 6 and 7).

Figure 19: Share of temporary contracts in employment by class, 1992, 2007 and 2011



Source: Authors' calculations based on ECHP and EU-SILC.

'Belgium has seen considerable deregulation in product markets and employment protection legislation for temporary workers, as many industrialized countries have. Overall, however, Belgium remains among the more strongly regulated OECD countries' (Van Rie and Marx, 2013: 32). Indeed, the OECD's strictness of employment

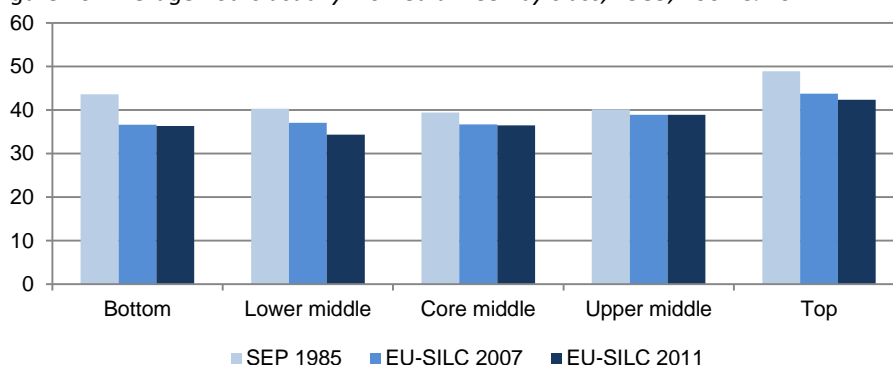
protection indicator has decreased from 4.63 to 2.38 at the end of the previous century, while it has remained stable for individual and collective dismissals of regular contracts (OECD, 2013b). Among these regular contracts, however, distinction between labour laws for white-collar and blue-collar workers has been a Belgian specificity, such as the fact that notice periods are much shorter for blue-collar workers. Although recently a law was passed to reduce these differences, which led to some advances, in practice arrangements for blue- and white-collar workers remain distinct.

3.2 Aspects of employment

Working hours

The average number of hours worked a week is in Belgium as expected between 35 and 39 hours a week because the official workweek in Belgium is equal to 38 hours. The incidence decreased, however, by about 5 percentage points. The incidence of working 40 hours or more fell significantly in the 1980's after which it remained more or less stable. Shorter working weeks have increased together more than 15 percentage points over the last three decades, which largely represents the considerable increase in part-time employment (OECD figures based on LFS). Analysis by social class based on information from the SEP and EU-SILC surveys (Figure 20) shows that between 1985 and 2011 the average number of hours worked mainly decreased in the bottom and top classes (by about 7 hours a week), while average working time only declined by about 3 and 1 hour a week in the core middle and upper middle classes.

Figure 20: Average hours usually worked a week by class, 1985, 2007 & 2011



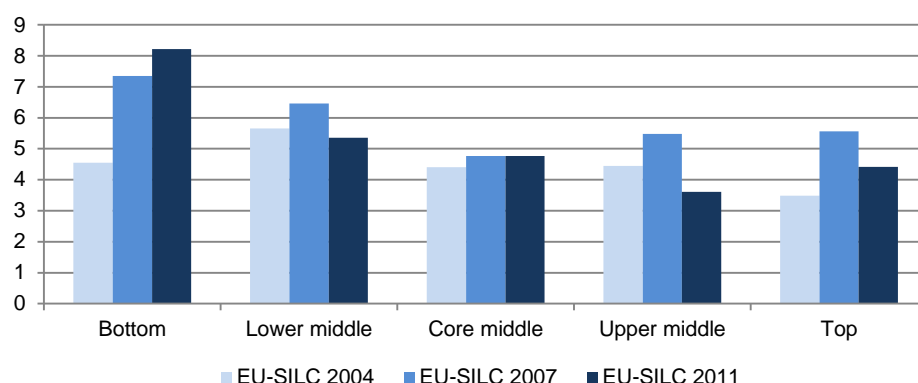
Source: Authors' calculations based on SEP and EU-SILC.

Job tenure

Moreover, relating to job tenure Belgians appear to have on average relatively long careers at one employer and it even increased over the over the last two decades from 11 to approximately 12 years, with a peak of 12.5 years in 2005 (OECD figures based on LFS). Job tenure depends both on the willingness or loyalty of employees to stay at their employer as well as how well employees are protected against dismissal. Regarding the first recent research shows that in 2014 only 9 per cent of Belgians changed employers voluntarily, compared to a 23 country average of 14 per cent. Moreover, about 13 per cent of respondents indicate they intend to change employers in the near future, while this is 22% across all analysed countries¹⁴. The main reason for changing jobs is because of a lack of career prospects (Randstad, 2015). Regarding the latter it appears that Belgian workers are relatively well protected (see below). As information on voluntary job leave is only available in EU-SILC we can look at the evolution by social class only over the last decade, which is presented in Figure 21. The incidence of changing jobs on a voluntary basis is the lowest among core middle and upper middle class workers and has remained relatively stable over the last decade (between 4 and 5 per cent). Voluntary job change is the most common among workers in the bottom class and it even increased from 4.5 to 8 per cent. These trends can be explained by the fact that typical middle class jobs are on average good quality jobs such as good wages, on a permanent contract base and usually with some room for making promotion, while workers in the bottom class are usually employed in low quality jobs with fewer prospects. Workers at the top on the other hand often have compared to middle class workers larger networks and knowledge to search for better job opportunities.

¹⁴ These countries are Argentina, Canada, United States, Australia, China, India, Japan, Hong Kong, New Zealand, Singapore, Russia, Belgium, France, Germany, Hungary, Italy, Netherlands, Poland, Spain, Sweden, Switzerland and UK.

Figure 21: Voluntary change of job since last year, 2003, 2007 & 2011



Source: Authors' calculations based on EU-SILC.

Occupations

Occupational structure has throughout the years always been an important factor determining middle class life. In the literature it is argued that Western economies have experienced in the last decades a process of job polarization (Goos et al., 2014, 2009). This refers to the fact that typical middle class jobs are vanishing, while high-skilled and low-skilled employment is increasing. This is a consequence of both computerization and offshoring to low-wage countries. Middle class jobs often have in common that they consist of routine tasks, for which human labour can easily be substituted by computers or robots. Moreover, because it often involves tasks that do not require high skills, these jobs can be just as well carried out by employees in countries with much lower labour costs. This is less possible with non-routine jobs often conducted by people in the top classes or low-paid personal service jobs such as cleaning that can only be carried out at the demand place (Goos et al., 2014, 2009; Goos, 2013).

Belgium was one of the first industrialized countries and has been reliant on manufacturing industry for a long time. As in other countries after post-industrialization, investment and employment boomed in the tertiary and quaternary sector, at the expense of primary and secondary sector industries. Today Belgium is one of the most open economies in the world and is exposed to large competitive pressures. Because Belgium has among the highest labour costs in Europe (OECD, 2014b) offshoring routine jobs to low cost countries has become a genuine threat. In order to analyse whether this has led to a changing occupational structure of the middle class, Figure 22 presents the evolution of occupations by social class between 1993 and 2011¹⁵. Goos et al. (2009) consider nine typical middle class occupations which belong to the following categories of Figure 22: clerks, plant and machine operators and assemblers and craft and related trade workers. These kinds of occupations are now less represented in the middle class than in 1993. However, while the percentage of clerks has decreased in all classes, plant and machine operators and assemblers are now more often found in the bottom class. The middle classes have mainly experienced an increase in the number of professionals and service workers and shop and market sales workers. A large part of this increase is the consequence of the rising number of female second wage earners. The groups of occupations that are now most common among middle class workers cover many of the typical 'female occupations' such as nurses, teachers and hairdressers, and are often occupations in which flexible working hours, such as part-time employment, are more available than in other types of occupations.

Figure 22: ISCO occupation groups by class, 1993, 2007 and 2011

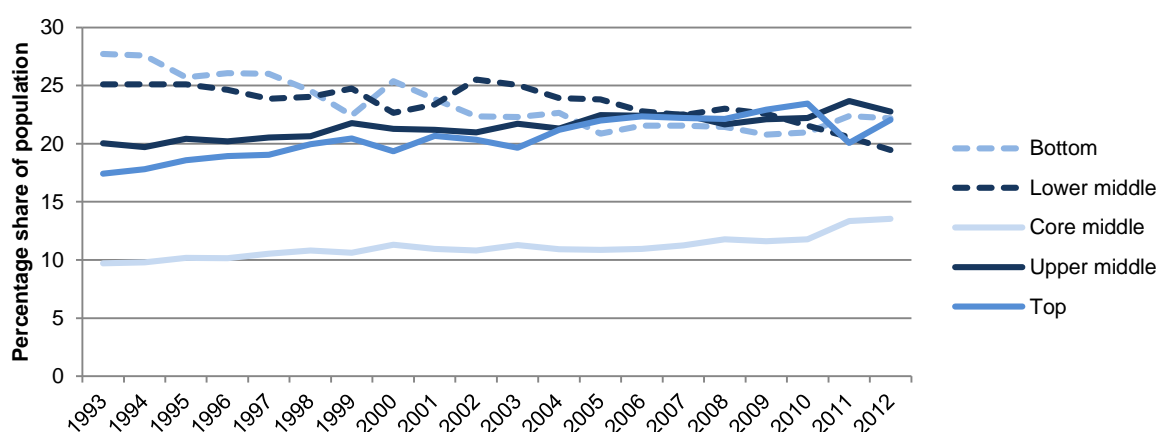


¹⁵ Because a shorter period than before because no comparable information to the ISCO classification is covered in the SEP data.

Source: Author's calculation based on ECHP and EU-SILC.

Goldthorpe (for example, 2000, 2010) criticizes definitions of class based solely on incomes and argues that class positions derive from social relations in economic life or, more specifically, from employment relations. One should look not only at the current economic situation, but also economic security, economic stability (short-term) and economic prospects (long-term), aspects that are typically related to type of job. Hence, one could also look at the evolution of the middle class by defining classes on occupations. This is what we do in Figure 23, using data from the Labour Force Survey (LFS) for the period 1993–2012. According to this occupation-based approach, the size of the core middle class has decreased by almost 4 percentage points over the past two decades. The upper middle and upper classes have also grown by approximately 2.5 and 4.5 percentage points, respectively. This implies that the bottom and lower middle classes have experienced a fall in their population share, both by about 5.5 percentage points. It is important to note that the bottom class is here not actually 'the bottom', as individuals who are unemployed or inactive will be even worse off. Hence, the results of this classification are not completely comparable to the outcomes of the income approach as they comprise only the employed part of society. Moreover, this approach to social class is based on an individual perspective, while the income definition uses the household as the reference level.

Figure 23: Evolution of size social classes according to occupation approach, 1993–2012



Notes: The classes are based on the following ISCO categories: bottom: 6, 7 and 9, lower middle: 4 and 8, core middle: 5, upper middle: 3 and 23, top: 1 and 2 (except 23); 2012: ISCO-08, earlier: ISCO-88.

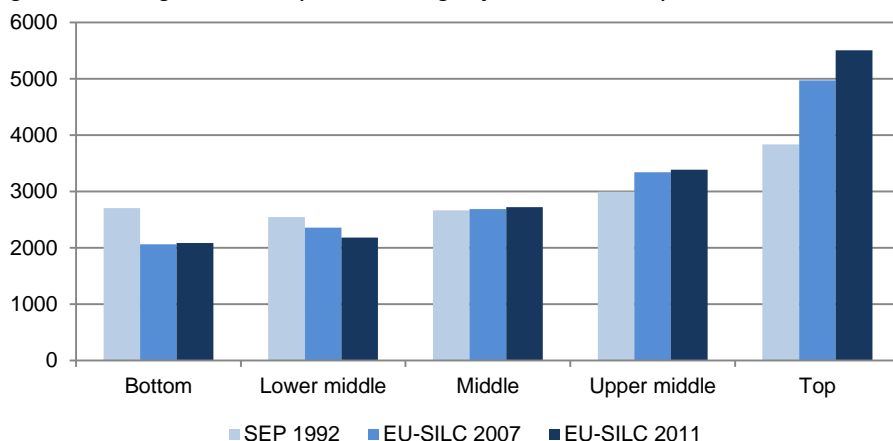
Source: Authors' calculations based on LFS

Wages

Belgium's low level of inequality is largely due to its relatively strong wage compression. A cross-country comparison of the gross earnings decile ratios of D9/D1, D5/D1 and D9/D5 indicate that, together with Sweden and Norway, Belgium has the most compressed wage distribution in the developed world (OECD, 2014a: 69). Moreover, low pay incidence¹⁶ is only about 6 per cent, making it the best performing country in this respect (OECD, 2014a: 287). This wage compression can be attributed to several factors. First, Belgium applies a so-called automatic indexation of wages to inflation so as to safeguard purchasing power. Yet, "concerns for wage competitiveness have lead consecutive governments to reform the relevant index (including a series of indexation freezes in the mid-1980s and adaptation of the basket of goods and services in 1994)" (Van Rie and Marx, 2013). As a crisis measure it has been decided to apply another indexation freeze in 2015. Second, the way in which social bargaining is organized in Belgium largely benefits wage equality. Third, Belgium has a statutory minimum wage, which is found to reduce wage inequality (Koeniger et al., 2007). The Belgian gross minimum wage is equal to about 50 per cent of median wage, which is slightly higher than the OECD average (OECD, 2014a: 68). Moreover, as already mentioned, low pay incidence is very low in Belgium, which implies that the number of people actually working at the minimum wage is low.

The evolution of wages is important for the development of the middle class. Figures from FPS Economy (2014) show that real median and mean wage have increased over the past 15 years (1999–2014) by about 200 euros and 250 euros, respectively, while Eurostat figures indicate that the purchasing power of households working at the minimum wage has stagnated. Figure 13 showed that while households at the bottom often depend on social transfers and the top largely benefits from financial income, households in the middle class acquire their level of well-being based on their wages. Figure 24 analyses the evolution of the median wage of full-time full-year (FTFY) workers in each class. Comparing 1992 and 2011 we find a large increase in the median wage of the top class, while the median wage of the core middle and upper middle classes have stagnated. In contrast, FTFY employees in the bottom and lower middle class have seen their gross monthly median wage decline by about 600 euros. An important factor in the explanation of this trend is the fact that the share of FTFY workers in the bottom class declined considerably, from 9.3 per cent in 1992 to 5.8 per cent in 2011. The remaining bottom class workers appear to earn a low monthly wage, often because they have lower quality jobs, which in turn relates to their low education. Over the crisis gross median wages have experienced a slight drop in the lower middle class, while they retained their level in the bottom, core middle and upper middle classes. Strikingly, the crisis did not put a hold on the strong wage increase of top class workers.

Figure 24: Real gross monthly median wage of FTFY workers by class, 1992, 2007 and 2011



Note: Wages include components such as the thirteenth salary, holiday payments, remuneration for overtime and so on; for EU-SILC yearly figures are converted into monthly figures.

Source: Authors' calculations based on SEP and EU-SILC.

Social dialogue

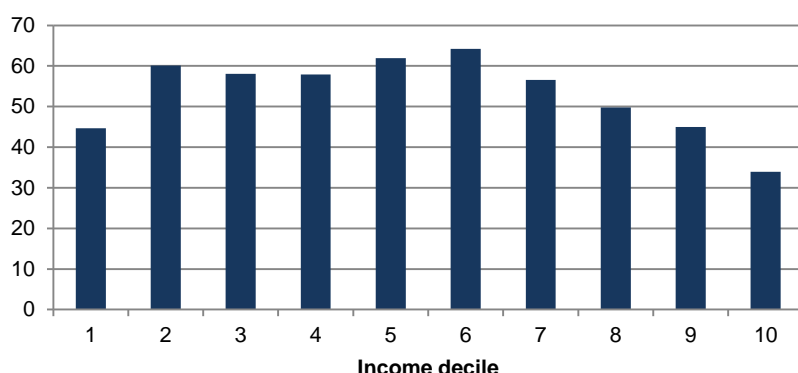
The relatively low wage inequality in turn is related to robust collective bargaining institutions, elevated trade-union membership levels, multi-tier bargaining and the fact that collective agreements are made generally binding by law. Because social partners are involved in practically each facet of the labour market, all evolutions discussed above are largely influenced by what happens in the framework of social dialogue. Evidence shows,

¹⁶ Low pay incidence refers to the share of workers earning less than two-thirds of median earnings (OECD).

for instance, that high union density and bargaining coverage combined with the central co-ordination of wage bargaining is correlated with low wage inequality (Blau and Kahn, 1999; Aidt and Tzannatos, 2002).

Visser's database (2013) covers information on the evolution of several indicators of social bargaining over the period 1960–2012. It indicates that trade union membership (around 50 per cent) and bargaining coverage (around 96 per cent) have been continuously high in Belgium, compared with a general decline in unionization in most Western countries. This resilience can be largely attributed to the so-called Ghent system in which unemployment benefits are provided by the main trade unions (Van Rie et al., 2011). It is interesting to note that the highest union membership rates are found in the middle deciles, as is shown in Figure 25.¹⁷

Figure 25: Trade union membership by income decile, 2012



Source: Authors' calculations based on ESS.

3.5 Impact on the middle class

We can now look at what would have happened to size of the middle class if the discussed changes in the world of work had not taken place. The results shown in Table 7 are calculated using the same shift-share procedure as was discussed before (again one should not focus too much on the exact figure, but rather compare the strengths of the effects). First, the increase in female employment, and with it the growth of two-earner households, leads to an increasing number of households acquiring middle class status. This is even strengthened because there exists a greater tendency for assortative mating, that is, for high income women to marry high income men (Pressman, 2007). Indeed, Table 7 shows that if female employment and household work intensity would have retained its 1985 rate the middle class would have declined even more than it actually did. The increase in part-time employment is also a trend that facilitated the growth of the middle class, although only for the wide definition of the middle class. In contrast, the offshoring of typical middle class jobs discussed in Section 3.2 clearly contributed to the decline of the middle class. If typical middle class jobs had not disappeared the middle class would have declined less or even increased in the case of the core middle class between 1993 and 2011. Moreover, if self-employment had not decreased over the past three decades the size of the middle class would have decreased by only 3.4 (5.7) percentage points instead of 5.6 (8.8) percentage points. The same is true (and even more so) for the increase in temporary employment and the decrease in weekly working hours. Furthermore, the slight increase in voluntary job leave over the past decade has counteracted the evolution of middle class size. Even the increase of real wages has had a negative impact on the size of the middle class, probably as a consequence of the unequal distribution of these increasing real wages. Unfortunately no long-term information on social dialogue together with household disposable incomes is available so that we are not able to look at the effect of this factor in middle class development. However, as already mentioned, union density rates and bargaining coverage have been stable over recent decades and are especially high among middle class households. Hence, it probably contributed to the stability, or even increase, of middle class size.

Table 7: Effect of changes in the world of work on middle class

Percentage point change in middle class

¹⁷ Because the ESS only covers information on income deciles, we cannot provide a distribution of union membership among classes as defined in this report.

(SEP 1985 - EU-SILC 2011)		
	Core middle class	Middle class
Reference	-5.6	-8.8
With constant female employment	-6.9	-13.1
With constant household work intensity	-6.1	-13.3
With constant part-time employment	-4.9	-9.3
With constant self-employment	-3.4	-5.7
With constant working hours	-1.7	-0.1
(SEP 1992 - EU-SILC 2011)		
Reference	-6.0	-8.3
With constant temporary employment	-3.5	-1.9
With constant real wage distribution	-2.8	+3.1
(ECHP 1993 - EU-SILC 2011)		
Reference	-0.7	-5.2
With constant occupational structure	+0.9	-1.3
(EU-SILC 2003 - EU-SILC 2011)		
Reference	+1.5	-1.0
With constant voluntary job leave	+2.9	+8.0

Note: last column also includes lower and upper middle classes.

Source: Authors' calculations based on SEP, ECHP and EU-SILC.

4. Policies and the middle class

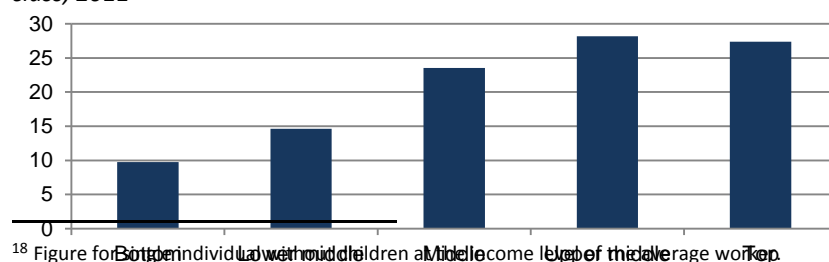
In this section we turn our focus to the welfare state in relation to the middle class. A first section looks at the financial burden that middle class households face, while the second section discusses how the middle class benefits.

The Belgian middle class faces high taxes...

Historically, the size of the Belgian state has increased continuously, to a level that is among the highest in the OECD (OECD, 2013a). It was even more enhanced by the growing transfers of competences within the federal system, resulting in substantial governments at various policy levels. Moreover, government debt levels are among the highest in the developed world. Taxation levels are commensurate. Indeed, combining all taxes and social security contributions Belgian households carry a financial burden of around 55 per cent, which is among the highest in the OECD (OECD, 2014b).¹⁸

Middle class workers appear to be taxed relatively hard as the top tax rate of 50 per cent is already applicable from an upper middle class income level onwards (36,300 euro) (figures applicable for income reference period 2012, Federal Government Belgium). Figure 26 provides the average income tax and social contributions paid by households in each class as a percentage of their total gross household income. It includes taxes on income, profits, capital gains and employee social insurance contributions. It is clear that the highest average taxes are paid by households in the upper middle class. This is the case because the tax base in Belgium consists mainly of labour income and as was shown in Figure 13 the middle class receives the largest share of their income from labour, while households in the top class receive a substantial amount of financial income, which is less taxed. Because of its progressive nature households in the upper middle class pay higher taxes than households in the lower middle.

Figure 26: Average income tax and social contributions as a percentage of total gross household income by class, 2011



¹⁸ Figure for Belgium only. Source: OECD (2014b), Table A1.1.1.

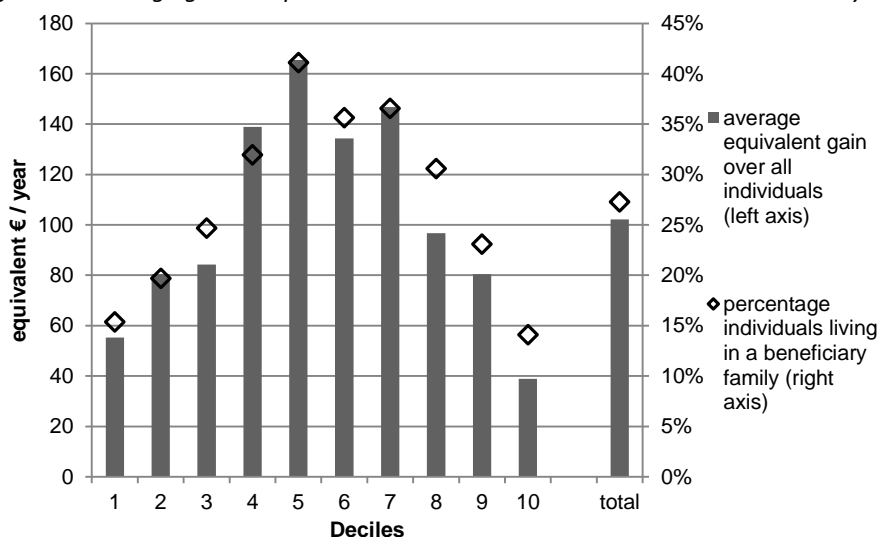
Source: Authors' calculations based on EU-SILC.

... but also receives a lot in return

Middle class households in Belgium are also among the main beneficiaries of cash and non-cash benefits, sometimes contrary to stated policy intent or intent, a phenomenon that is referred to as the 'Matthew effect' (Deleeck et al., 1983; Merton, 1968; Cantillon, 2011). We provide three interesting examples.

A first policy relates directly to the world of work. The so-called Belgian 'Work Bonus' is a government initiative introduced in 2005, which is aimed at reducing employee social security contributions for low wage workers. It can amount to up to 184 euros per month and tapers away at increasing wages (Marx, Vanhille and Verbist, 2012). Figure 27 shows that beneficiaries of the system are mainly situated in the middle of the income distribution. This is mainly the consequence of the fact that it is targeted at low wages and not low incomes. As shown in Section 3, over the years female employment has increased significantly, but mainly among households in which someone was already at work, resulting in a large discrepancy between jobless households in the bottom classes and dual earner families in middle and higher classes. As these (female) second earners are often employed in low wage occupations (such as the service voucher scheme discussed in case study 1), a significant share of the work bonus is accrued by them. Households in the bottom class receive a small share of the benefits because they participate less in the labour market.

Figure 27: Average gain in equivalent household income due to the Work Bonus by decile, 2005

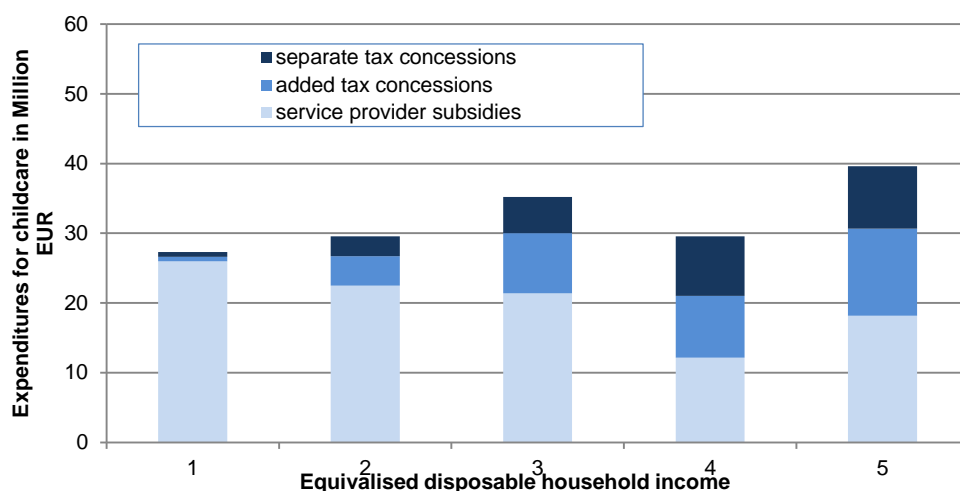


Source: Marx, Vanhille and Verbist (2012).

A second illustration pertains to public services related to having children. Child benefits are by and large universal. Although the exact benefit levels differ somewhat depending on the labour status of parents, the rank and age of the child and certain special increases exist for vulnerable household types, all households with children are entitled to child benefits irrespective of their income situation. Furthermore, childcare is heavily subsidized in Belgium and Figure 28 shows the distribution of the use of these subsidies across income quintiles for the Flemish Region (Van Lancker and Ghysels, 2012). Households in the middle class are among the main beneficiaries, as is the case for parental leave and time credit schemes. It should be clear that child care, parental leave or time credit are necessary only if parents are at work. Because this share is much higher among middle class households than households at the bottom they accrue the highest share of benefits. Moreover, households at the top often have access to facilities such as private child care. As family and child benefits increase household incomes directly and indirectly – by facilitating parental employment – this makes it more likely for households with children to attain middle class status. As children grow up the relevant focus shifts to educational benefits. Belgium typically has a very accessible educational system, with near free public education up until secondary level and relatively modest higher education fees compared with other OECD countries. Furthermore, tuition fees are granted to households with a household income below a certain threshold. As children of middle class

households are more likely to enrol in tertiary education than children of poorer households, subsidization of higher education largely benefits them.

Figure 28: The social distribution of childcare subsidies in the Flemish Region, 2005



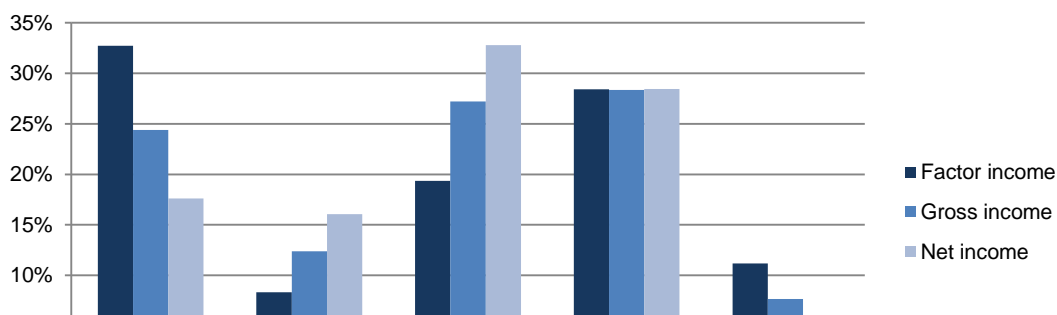
Source: Van Lancker and Ghysels (2012: 137).

By way of third example, a clear middle class bias also exists in housing policy. Belgian governance has a long-standing tradition in its so-called 'asset-based approach to welfare' (De Decker and Dewilde, 2010). As already mentioned, homeownership has been encouraged by the Belgian government since the end of the nineteenth century through various policy choices. Already in 1889 the first housing legislation was implemented and over the years home acquisition was promoted by means of tax exemptions ('Woonbonus'), grants, premiums, social loans, social dwellings and social building parcels. Moreover, the Belgian property tax is based on imputed rent ('Kadastraal Inkomen') which takes account of the rental market situation on 1 January 1975. Because it has only been indexed and not adapted to the completely different current rental market, homeowners typically pay low taxes on their homes. By 1960 this resulted in half of all Belgian households owning their own home (Goossens et al., 1991, as cited in De Decker, 2011: 1635). As we demonstrated above, households in the middle class largely benefit from these policies. In 2011 it was decided to transfer the competences of housing policy from the federal to the regional level. As a result of savings cuts several homeownership benefits will be reduced in 2015. In sharp contrast to this, the social housing sector appears to be much less developed compared to other countries. Verbist and Vanhille (2012, p.20-21) argue that although social housing policies in Flanders have an important poverty-reducing effect, the system is not sufficient in providing affordable housing as a consequence of among others substantial waiting lists. Again, "to stimulate homeownership social loans are available from local government institutions and municipal social renting organizations." (p.5).

Another example of a policy that largely caters to the middle class is the Belgian Service Voucher Scheme, which is discussed in the first case study.

Again, one might wonder what the middle class would look like if the government did not intervene, i.e. if redistribution through the tax-benefit system would not exist. Therefore Figure 29 presents the size of the middle class for 2011 based on different income concepts. The net income concept refers to total equivalised household disposable income. Factor income refers to income received as remuneration for the deployment of labour and capital (income from wages, rents, interests, ...). Hence, the difference between the factor income and gross income concept is the inclusion of cash social benefits, while the comparison between the gross and net income concept reveals the impact of the tax system. The results show that if the middle class definition would be based on the factor income concept the size of the middle class would almost equal 20 per cent, while it is about 27 per cent in case of gross income and 33 per cent for net income. In other words, the tax-benefit system makes the distribution of income much more equal so that the size of the middle class increases substantially.

Figure 29: Size of middle class according to different income concepts, 2011



Source: Authors' calculations based on EU-SILC.

Case studies

Case study 1: The middle class and the welfare state: the Belgian service voucher system as a classic case of the Matthew effect at work¹⁹

In response to structurally poor job prospects for the least skilled, a number of European countries have introduced measures to boost domestic services employment. The Belgian Service Voucher Scheme, in its current form, has been in place since January 2004. Consumers use the service vouchers to pay for a limited but potentially high-volume range of domestic services that are deemed to have been priced out of the regular market due to the high cost of labour, including cleaning, washing and ironing. Within the European context it is probably the most heavily subsidized scheme of its kind - more than 70 per cent of the cost of the services rendered to consumers is subsidized. Not surprisingly, the scheme has proved tremendously popular, probably making it the biggest scheme of its kind in relative terms.

A first objective of the Belgian Service Voucher Scheme was to reduce informal sector activity, which was thriving in domestic work, in construction and parts of the services industry, for example restaurants, bars and hotels. A second objective was the creation of extra jobs, especially for people with no or few formal qualifications. Less skilled women, for whom employment rates were and remain very low, were the primary target group. A third major objective was to contribute to people's work life balance. Because service vouchers can be used for such activities as cleaning and ironing, consumers are partially freed from some daily chores. This opens up more time for leisure and child care or workers are able to put in more paid hours than they would otherwise.

The Belgian Service Voucher Scheme has become extremely popular. In 2012, there were almost 900,000 active users, who used no less than 114 million service vouchers. Around one in five Belgian households used service vouchers at least once in 2012. The service is predominantly used by two adult, full-time working households. A second, and expanding group are users older than 65 with often specific care needs. The vast majority of users are highly educated. Almost all employees are female and most have attained no more than lower secondary education. However, a significant proportion has higher education degrees. In most cases, a service voucher job is not a full time job.

The Belgian Service Voucher Scheme was originally targeted to employ 20,000 people. With more than 150,000 people employed, the scheme has vastly exceeded expectations. However, there are reasons for a dose of scepticism as to the net employment impact. In 2007, 46 per cent of the persons flowing into the Service Voucher Scheme had come out of unemployment; in 2011 this percentage had decreased to 37 per cent. Increasing shares of entrants have come out of another paid job before entering the Scheme. Employees are remaining increasingly longer in the Belgian Service Voucher Scheme – 70 per cent of the employees in 2011 had been active in the scheme for more than 3 years active.

Another objective of the scheme was to reduce informal sector activity. By all accounts Belgium had and still has a large informal sector, especially in domestic work. It is very difficult to get an anywhere near accurate picture of how the service voucher scheme has affected the informal labour market. One research project concluded that the scheme had made limited inroads into informal work.

¹⁹ This case study is based on Marx and Vandellannoote (2015).

There is also some evidence that service voucher work is displacing work already performed in the regular labour market. Almost one in ten service voucher employees admits performing non-allowed activities like child care, care of elderly and disabled persons, gardening and repair work. Potentially the largest displacement is in the segment of the elderly with specific care needs. In theory, service voucher employees are not allowed to perform any care tasks, but in practice they increasingly do so, especially for elderly and disabled persons.

In short, the Belgian Service Voucher Scheme has been remarkably successful in terms of relative expansion and size. This is perhaps not surprising in view of the fact that it is one of the most heavily subsidized schemes of its kind. The growth of the number of people formally employed under the scheme has been impressive, in absolute and relative terms. Yet gross employment growth does not equal net growth, as deadweight, substitution and displacement effects need to be accounted for. No evaluation study of any degree of econometric sophistication has ever been attempted so we do not have net employment estimates. However, all indications are that the net employment effect is likely to be far lower than the gross numbers suggest.

Compared to many other jobs held by people with few marketable skills, service voucher jobs are relatively attractive since they usually offer regular hours on weekdays. Service voucher workers working in people's residences usually have reasonably high levels of autonomy and control. The sector is relatively well regulated and there appear to be fewer instances of late payment or other infringements. Service voucher workers themselves appear to be relatively satisfied with their work conditions.

But the key issue here is whether it is good public policy to draw people away from non-subsidized jobs towards jobs in a sheltered, heavily state subsidized sector. This is not just a matter of effectiveness in the use of public resources; it is also a matter of equity vis-à-vis workers and employers in the non-subsidized service sectors. A further complication here is that there is some evidence of displacement of regular qualified workers in areas such as child and elderly care by less qualified but cheaper service voucher workers.

Another major objective of the scheme is to help people combine work and care. The idea is that the scheme thus supports the potentially most productive and creative segments of the work force, possibly yielding wider benefits in terms of economic growth and taxable revenue. With this workers should be able to put in more paid hours than they would otherwise. Yet there is little direct evidence that this is the case. In one survey a small percentage of users state that thanks to the scheme they put in more working hours than would otherwise be the case. The largest gain, however, seems to be in terms of leisure and care time.

With more than three quarters of the consumers having obtained higher education degrees, the scheme appears to amount for the most part to a leisure time subsidy to people relatively high up in the income distribution. In that sense it is a textbook example of a Matthew effect in social policy: a scheme purportedly designed to help the poor effectively catering to the middle class, and even the more affluent parts of the middle class in this particular case. It is also a classic case of a scheme that has become subject to median voter political capture: politicians are very hesitant to modify let alone abolish the scheme because it is so immensely popular among the middle class segments that mainstream politicians compete for most intensely. For the principal winners are the mostly relatively affluent consumers who thanks to the scheme are able to outsource domestic chores at a bargain price, getting in return more trustworthy, more reliable and better quality services than is possibly obtainable in the grey or irregular market.

Case study 2: The role of immigrants in the relationship between the labour market and the middle class

We saw throughout the main part of this report that immigration has had a significant impact on the Belgian middle class. The fact that immigrants are underrepresented in the middle class was demonstrated in Figure 6. Moreover, Table 6 showed that the middle class would have declined much less if the share of natives and immigrants would not have changed over the past three decades. In this second case study we will analyse more in-depth the impact of immigration on the labour market and the middle class.

Belgium has a long-standing tradition as a country of immigration. It reached a peak with the creation of a single European Union market, and hence free movement of persons. Immigration flows began to rise at a very high pace, resulting in unprecedented levels. In particular after the EU Enlargement of 2004 the number of Central- and East-European immigrants coming to Belgium continuously increased. For migrants from non-EU countries the main continent of origin remains Africa, with Morocco and the Democratic Republic of Congo as the main

originating countries. In 2009-2010 more than 160,000 individuals immigrated to Belgium (FPS Economy, Statistics Belgium, 2012). The consequence is that in 2013 almost 20 per cent of the Belgian population at active age consisted of people born in a foreign country. Only Austria, Ireland, Cyprus and Luxemburg have a higher share of immigrants at active age (Eurostat). In these countries, however, the share of individuals born in an EU member state is higher than those originating from outside the EU, while the contrary is true for Belgium.

Because the average age of immigrants is substantially lower than those of natives, immigration ‘can play an important role in counterbalancing the negative effects of ageing on the labour force, if immigrants can be socially and economically integrated (OECD/EU, 2014)’ (Pina et al., 2015: 5). The problem, however, lies in the last part of this quote; the integration of immigrants in Belgium is poor. Indeed, the employment rate of immigrants in Belgium is very low (about 53 per cent in 2013, Eurostat) and the employment gap with natives is very high in international comparison. There exists, however, considerable heterogeneity, where employment rates among immigrants who originate from within the EU are relatively similar to those of natives, but unemployment and inactivity reach very high levels among immigrants with a non EU background. On a more positive note, the native-immigrant employment gap has recently witnessed a slight decreasing trend, mainly because the latest cohorts of immigrants tend to be more highly educated. An important share of the employment rate gap between immigrants and natives can be explained by differences in (observable) characteristics between the two population groups. Indeed, the poor employment probabilities of immigrant households relate among others to the fact that they often have low skills and education. In international comparison, Belgium receives a large share of low educated immigrants, especially in the case of non-EU immigrants (Corluy and Verbist, 2014). The remaining gap is the consequence of a mixture of migrant specific aspects, factors relating to labour demand and institutional factors (Corluy and Verbist, 2010).

Table 8: Distribution of occupations by origin, 2001

	Immigrants inside Europe	Immigrants outside Europe	Natives
Legislators, senior officials and managers	15.9	11.8	10.5
Professionals	15.0	20.4	19.4
Technicians and associate professionals	8.6	9.2	11.1
Clerks	14.4	10.8	16.3
Service workers and shop and market sales workers	11.0	12.2	10.7
Skilled agricultural and fishery workers	0.6	2.3	2.0
Craft and related trade workers	14.6	10.4	11.8
Plant and machine operators and assemblers	8.2	8.1	7.6
Elementary occupations	11.4	13.4	9.3
Armed forces	0.3	1.1	1.0
Unknown	0.0	0.3	0.3
	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>

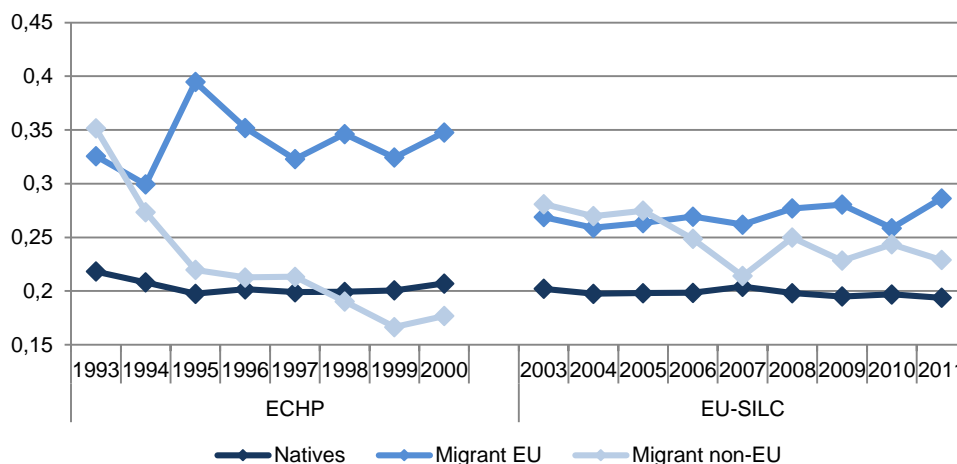
Source: OECD International Migration Statistics Database, based on CENSUS 2001.

The types of jobs that are carried out by immigrants vis-à-vis natives are presented in Table 8. In general a larger share of immigrants is employed in top and bottom class jobs than natives, while natives more often work in middle class jobs. Yet, compared with the substantial gap in employment probabilities, the difference in occupations among those that are employed is not that large. However, immigrants do tend to have poorer job characteristics compared with natives. Pina et al. (2015) show, for example, that the incidence of temporary employment and low wages is much higher among immigrants than among natives, where the situation for people with a non EU background is again more detrimental than for immigrants from EU member states.

As we showed in this report, individual labour market situations largely influence the probability of attaining middle class living standard. As immigrants are found to be disadvantaged in almost every aspect of the labour market, it is not surprising that middle class membership rates are much lower among immigrant households, particularly for those originating from outside the EU. Immigrants are often found to be in the bottom class. Indeed, at-risk-of-poverty rates are more than twice as high among foreign born people than among natives. The incidence of in-work poverty is even five times as large for immigrants (Eurostat). In contrast, another share of immigrants are high skilled and migrate for employment reasons and these are typically found at the top of the employment and income distribution. In other words, the presence of migration enhances the polarization of Belgian classes. This is also shown in Figure 30 which depicts the polarization index for natives and immigrants

separately.²⁰ While the polarization among natives has continuously been equal to about 0.2, it is much higher and unstable for migrants both from inside and outside the EU. Furthermore, migration also intervenes in other relations between the world of work and the middle class. For example, as we saw in Section 3 of the report, the booming in female employment rates has had a very positive impact on the size of the middle class. Female labour participation is considerably lower among migrant households, who often still hang on to the male breadwinner model. Hence, without the significant increase in immigration the effects of changes in the world of work on the evolution of the middle class could have been much stronger.

Figure 30: Foster and Wolfson's polarization index natives versus immigrants, 1993–2011



Source: Authors' calculations based on ECHP and EU-SILC.

On top of their worse labour market outcomes, immigrants are also found to have a considerable disadvantage in wealth accumulations (Kuypers and Marx, 2014). For example, immigrants are less likely to own a house than natives (OECD, 2012) and tend to be much higher indebted (Kuypers, et al., 2015).

Importantly, there is also evidence of substantial intergenerational transmission of these disadvantages. Native born offspring of immigrants typically have significantly less favourable labour market positions than children of native parents. For example, employment rates are considerably lower and the incidence of temporary work is much higher among children with immigrant parents compared with the offspring of native parents (OECD, 2012). Again, this share is the result of a mixture of personal characteristics, institutional factors and factors relating to labour demand (Corluy and Verbist, 2010). The role of education is of great importance in this respect. Native-born offspring of immigrant parents tend to have lower literacy rates, higher dropout rates and a lower share of tertiary educational attainment than children of native-born parents (OECD, 2012). The impact of parents' immigrant background on the educational performance of their children appears to be much larger in Belgium than in other OECD countries with comparable shares of children with immigrant parents (OECD, 2010). However, similarly to their parents' situation, the gap between students from a native and immigrant background has narrowed over the last decade (OECD, 2011b).

Conclusion and discussion

In marked contrast to contemporary discourse, and indeed the experience in a number of countries, Belgium continues to have a thriving middle class on many of the objective measures available to us.

As shown in this report, average real household income among those we label the 'core middle class' is among the highest in the European Union. Not only are incomes high, but Belgian middle class households tend to have substantial wealth holdings, mainly in the form of housing, but also financial and other assets. In addition, middle class households continue to enjoy significant non-financial benefits in the form of almost free education, heavily

²⁰ As only information on nationality is available in the SEP data, we do not include this survey.

subsidized health care, child care, culture and so on. While such services are not specifically targeted at the middle class, effective take up of numerous provisions tends to be concentrated there. This is certainly true for such provisions as higher education, child care or culture.

In some ways this picture of enduring middle class affluence is surprising. An early industrializer and for a long time heavily reliant on manufacturing industry, Belgium experienced massive job losses during the 1970s and 1980s. As one of the most open economies in the world, the country remains fully exposed to the competitive pressures that economic globalization brings. Yet in the world of work too we find striking stability on a number of fronts. Employment has increased, albeit less than in many other comparable countries. There is not much evidence of dramatic increases in temporary or precarious work, although these have increased somewhat. Average job tenure remains very high and has even increased over recent decades. Non-standard employment, such as part-time work, has increased but with very limited rises in involuntary part-time employment. Belgium stands out in having one of the most equal wage structures in the rich world, with just about the lowest rate of relatively low-paid employment anywhere to be found in the OECD area.

This picture of stability and relative equality in the world of work plausibly relates to the remarkable robustness of Belgium's social concertation model. Trade union membership remains relatively high and has not declined over recent decades, in marked contrast to trends in neighbouring countries. Trade union membership rates are also highest among those in the middle income classes. Wages are set through successive rounds of multi-tier collective bargaining and collective agreements are made generally binding by law, ensuring close to maximum coverage rates.

Another factor contributing to middle class stability is Belgium's welfare state and the public sector in general. Belgium has one of the highest levels of public spending in the rich world, with tax levels to match. While these tax levels, especially as they apply to labour income, are a continuing source of dissatisfaction and public debate, the reality is also that many of the benefits flow back to the middle classes paying these taxes. This is certainly the case for such provisions as tertiary education or child care, both of which impose much higher burdens on middle class budgets in many other countries. We have discussed the service voucher scheme as a prime example of a costly public programme that in effect benefits the middle classes.

As we have stressed, while overall income inequality remains low in Belgium and the middle class continues to thrive in a host of dimensions, middle class status remains elusive for important sections of the population. On measures of intergenerational mobility Belgium comes out as mediocre. The share of young people leaving school without adequate qualifications remains high. The least skilled face bad labour market prospects as evidenced by the low employment rates and high unemployment rates for those with less than secondary education. Belgium has just about the highest share of working age people living in a household where nobody has a job. The prospects of enjoying middle class living standards and lives for people with a migration background are downright dismal, as the second case study in this report brings out. For a country with a comparatively low level of income inequality and a comparatively high level of social spending, Belgium is confronted with a comparatively high level of relative income poverty. Child poverty is also comparatively high. The same applies to elderly income poverty, but conventional poverty measures probably do not account for wealth holdings among the elderly sufficiently well.

A strong case can be made for a redirection of public efforts and spending away from the middle classes to the less advantaged. But the middle classes do not seem inclined to 'show more solidarity', as it is often phrased in Belgian debates. That is perhaps because their subjective experience is different from the story of enduring middle class stability that the figures seem to tell. There are several possible reasons for this. One possible reason is that in some ways a middle class income buys less than it used to. Wages and living standards have held up well, but housing prices have gone up even more, and this is most strongly affecting the younger generation seeking affordable housing. In the aftermath of the crisis banks have become more reluctant to provide housing loans. Clearly, the younger aspiring middle class finds it more difficult to realize a lifestyle that seemed to come easily for their parents.

A second possible reason is that the middle classes feel more stressed. 'Dual earnership' is a prerequisite for a middle class living standard these days and this brings continuous work/care worries, especially – again – for younger people. The work/care conflict is especially acute in the Belgian context because work is so unevenly spread over the life cycle. Belgians enter the labour market relatively late as it is customary to be in education full time. At the same time, the effective age of retirement in Belgium remains among the lowest in the OECD. Re-employment chances after the age of 50 are very low. This imposes extremely strong pressures to perform and work hard at prime-age. This perhaps helps us understand why maternal employment rates in Belgium are

among the highest in the rich world. Mothers return to employment rapidly after childbirth, usually to full-time employment. In this context it is perhaps more easily understood why the service voucher scheme has taken flight and why it is not experienced as a middle class perk but as a legitimate, even necessary form of government support for the work/life balance. In other words, the middle classes do not seem receptive to giving up such things as heavily subsidized child care or domestic work to redirect that spending towards the less advantaged.

A third possible reason for the apparent discrepancy between the objective and subjective middle class experience is insecurity. As we have indicated, Belgium has gone through a rough period of massive deindustrialization and remains exposed to the vagaries of increasingly competitive global markets. Mass lay-offs resulting from factory closures feature more heavily in the mass media than gradual and dispersed job growth elsewhere. In the past, generous early retirement schemes could be relied upon to cushion against job losses after prime age but these early exit routes are being made increasingly less accessible because of cost concerns. The mechanisms that secured middle class living standards even when middle class jobs were disappearing are themselves under threat, if not in reality then certainly in perception.

Fourthly and finally, as elsewhere, a secular shift is happening from labour income to capital income. The share of labour income in national income is declining, while the financing of the welfare state takes place predominantly through contributions and taxes on labour. With rising costs for health and other items those reliant on earnings are structurally squeezed, despite talk about a gradual tax shift away from labour and towards capital income, consumption and pollution. Such taxes would also affect the middle class.

Thus Belgium's middle classes closely guard what they consider to be 'acquired rights'. When the government recently announced a one-time temporary suspension of automatic wage indexation, the protest was immediate and forceful, despite protestations from the government that this would help to save, if not create jobs. Regardless of the validity of the government's claim it is clear that the middle class still holds formidable power to voice and stage protests and to exert power, even if on this (rare) occasion the government did not cave in. This is not only because union membership itself remains high – and remember that it is highest in the middle income groups – but also because membership of allied organizations (the health insurance mutuals, the many social and cultural organizations associated with the labour movement and so on) that hold considerable sway remains strong. Moreover, in Belgium's highly competitive landscape the middle class voter remains the key battleground. In that sense it would appear that Belgium's middle class has little to fear, if of course the policies that politicians put forward in pursuit of middle class approval each election also serve its longer term interests. But here Keynes' famous dictum seems to apply.

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