Solidarity and responsibility

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Proponents of devolution of social security cite social transfers as a reason for splitting the social security system: social transfers are seen as an important impediment to economic convergence. Others believe that federalising social security would increase poverty in Wallonia and Brussels. Indeed, simulations demonstrated that halting social transfers from Flanders to Wallonia would dramatically increase the poverty rate in Wallonia in the short term.

The first-order effects of eliminating interregional social transfers between Flanders and Wallonia suggest that social security – from the perspective of social efficiency – ought to remain a federal competence. This also ties in with the theory of fiscal federalism, according to which social redistribution is best organised at the central level of government. The underlying notion is that social redistribution will be pressurised if it is organised at a lower tier of government, because of labour and capital mobility.

However, the logic of fiscal federalism conversely implies that, given that wage costs and social regulations are uniform throughout the federation, possible differences in the economic dynamism between regions will be artificially maintained. In Belgium, the development of comparative advantages and the mobility of labour and capital and – thus an economic convergence of the regions – may be impeded by the prevailing system of universal social protection. The latter argument is heard increasingly often in the debate on the position of social security within Belgian federalism. The question is, however, to what extent federalising the social security system will lead to diverging social safety nets in the regions and a substantial reduction in the cost of labour in Wallonia. Theoretically, a devolved social security system would allow Wallonia to cut taxes and social security contributions (and thus to reduce the cost of labour). As such a measure would inevitably lead to a dramatic increase in poverty, it would appear to be an unlikely political option.

On the other hand, there are good arguments in favour of extended regional competences within a single federal social security system. Principles such as localness (close-knit solidarity), suitability (the fact that regions have different needs and preferences) and efficiency (the fact that accountability will result in cost saving and that a smaller territorial scope creates more room for policy innovation) suggest that federalising social policy further may generate better outcomes. The Belgian case provides some important examples in this respect, Labour market policy is certainly one of them.

Social security, as an instrument of interpersonal redistribution, regions should be made fully aware of their financial accountability for federalised policy strategies. All Community competences touching directly or indirectly upon the federal social security system should be the subject of consultation between the competent authorities. Where appropriate, the regions should be granted competence over certain social security resources (e.g. PWA, outplacement) – to be allocated to the Communities using a well-considered distribution code – so that they could be spent in accordance with local needs. In view of the major socioeconomic differences between the Communities and the growing policy divergences in the fields of labour, care and education, it is necessary to align the various policy levels more closely. Europe's approved 'Open Method of Coordination', whereby common objectives are formulated, indicators defined and policy strategies exchanged, could serve as a useful example in this respect.