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Income inequality and social security in the United States (US): A comparison with Belgium



INCOME INEQUALITY IN THE US

The US is the world's largest economy, but its enormous economic output does not mean that income is distributed equally among its population. In 2025, the United States combined very high levels of wealth and income with substantial differences between rich and poor households.

Median household income reached $87,460 in 2025, the highest level recorded in its series going back to 1967. Yet the income inequality, as measured by the Gini index, remained substantial throughout the years at 41 (Belgium: 26).

This creates an interesting economic question. How can one of the richest countries in the world have considerably more income inequality than a country such as Belgium? An important part of the answer can be found in differences in the labour market, taxation, social security and government redistribution.

Income inequality describes how unevenly income is distributed among a population. One common way of measuring it is the Gini coefficient. A coefficient of 0 represents complete equality, while a coefficient of 1 represents complete inequality.

The American income distribution is relatively unequal because there are very large differences between households at the top and bottom of the distribution. High-income Americans can receive income not only from wages and salaries but also from shares, dividends, interest, businesses and other investments. At the same time, millions of Americans depend primarily on labour income and some have relatively low wages or unstable employment.

The existence of a very rich upper class does not automatically mean that everyone else is poor. The US also has a large middle class and high average living standards. Nevertheless, the gap between households at different points of the income distribution is considerable.



The 2025 figures illustrate this apparent contradiction. American median household income reached a record level, while the official poverty rate was still 10.2%.

The important point is that economic growth and income equality are two different concepts. A country can produce enormous amounts of goods and services and still have a relatively unequal distribution of the income generated by that production.

US SOCIAL SECURITY

The US does have an extensive system of social programmes. It would therefore be incorrect to say that there is no American welfare state. However, the system is organized differently from the Belgian one and is generally less comprehensive.

The main programme, formally known as “Old-Age, Survivors, and Disability Insurance” (OASDI), is financed by workers and employers through payroll taxes. It provides income when a worker retires, becomes disabled or dies and leaves eligible dependants.

Healthcare is organized through several different systems. Medicare primarily covers older Americans and certain other eligible groups, whereas Medicaid provides healthcare coverage to qualifying people and families with low incomes. Medicaid is jointly financed by the federal government and the states, and individual states have considerable freedom in determining aspects such as eligibility and services within federal rules.

There is also unemployment insurance, but here again the individual states play an important role. It is a federal-state system rather than one completely uniform national programme. Eligibility rules and benefit amounts can consequently vary between states.

Other programmes form additional parts of the American safety net, including food assistance, housing assistance and programmes aimed specifically at low-income households and families with children.



The American system can be described as a combination of government programmes and private insurance. Government plays an important role, but private insurance, employers, individual savings and private pensions also have major functions.

One particularly important example is healthcare. Unlike Belgium, the US does not simply place the entire population within one broad compulsory health-insurance framework of the Belgian type. Many working-age Americans obtain health insurance through their employers, while government programmes cover specific categories of the population. In 2025, 26.7 million people, or 7.9% of the population, were uninsured for the entire year.

BELGIUM

Belgium takes a more comprehensive approach to social protection. Solidarity is explicitly a central principle of the Belgian social-security system: solidarity between employed and unemployed people, healthy and sick people, younger and older people, and people with and without an income.

Employees and employers make social-security contributions, while the government also provides funding. The Belgian system covers areas including pensions, unemployment, healthcare and incapacity for work, occupational accidents and diseases, and family-related support. The RSZ collects employee and employer contributions in the employees' system.

RSZ RIJKSDIENST VOOR SOCIALE ZEKERHEID

Belgium also has supplementary assistance financed by government resources for people who meet particular conditions. In addition, residents can turn to the OCMW for social assistance intended to enable people to live with dignity, subject to the applicable conditions.

The basic logic closely corresponds to the redistribution mechanism. Social security acts as a safety net, while contributions and benefits redistribute resources across society.

BELGIUM vs THE US

The main difference is therefore not that Belgium has social security and the United States does not. Both countries have taxes, pensions, unemployment protection, healthcare programmes and assistance for vulnerable households. The differences concern their scale, organization, accessibility and redistributive strength.

Belgium relies more heavily on compulsory collective financing. The American model leaves a larger role for employers, private insurance, private savings and programmes targeted at particular categories of people.

American unemployment insurance, Medicaid and several other programmes also involve substantial differences between states, whereas many central elements of Belgian social protection operate through nationwide compulsory systems, even though some Belgian competences and benefits have been regionalized.

Taxation is another major difference. Belgium places a very high tax and social-contribution burden on labour. According to the OECD, in 2025 Belgium had the highest tax wedge in the OECD for a single worker without children earning the average wage: 52.5% of total labour costs. This figure should not be confused with the worker's personal income-tax rate: the tax wedge includes personal income tax plus employee and employer social-security contributions.

Such a high burden has disadvantages—it can make labour expensive, for example—but it also generates substantial resources that can be used to finance collective services and social protection. Belgium's system consequently performs a stronger redistributive role.

INCOME INEQUALITY IN THE US EXPLAINED

First, market incomes are more unequal. The American economy can generate extremely high rewards at the upper end of the income distribution. Successful entrepreneurs, executives, investors and highly skilled professionals can receive very high salaries, bonuses and investment income. At the other end, low-paid workers have much less income. This creates considerable inequality before government intervention even begins.

Second, redistribution is less powerful. Both countries use progressive taxation and social transfers, but Belgium's tax-and-transfer system is more strongly oriented toward collective redistribution. This distinction has also appeared in OECD research: historically, taxes and transfers have reduced inequality considerably less in the United States than in much of Europe.

Third, social protection is less universal in important areas. American programmes frequently target particular categories or depend on employment, income, age, disability or state-specific eligibility rules. The continued existence of millions of uninsured Americans is one illustration. Belgium uses a broader collective social-insurance structure.

Fourth, education, healthcare and other essential services influence disposable income and opportunities. Income inequality is not only about the salary deposited into someone's bank account.



If a low-income family must devote a large part of its resources to healthcare, housing, education, transport or childcare, its effective economic position can be very different from that of a household that has easier access to publicly financed or subsidized services. This connects directly with the course material: semi-public goods and services can reduce structural barriers and give lower-income households greater access to opportunities.

Fifth, inequality can reproduce itself across generations. Families with high incomes can generally invest more in education, housing and opportunities for their children and can transfer assets to the next generation. Low-income families have fewer resources to do so. This connects income inequality with wealth inequality and with the concept of generational poverty discussed in the slides.

CONCLUSION: A PARADOX

The American situation demonstrates an important principle in economics: the size of the economic pie and the way that pie is divided are separate questions.

The US can simultaneously have highly productive companies, globally successful entrepreneurs, high household incomes and enormous aggregate wealth, while also displaying considerable income inequality. Becoming richer as a country does not automatically make the distribution of income more equal.

Belgium makes a different trade-off. It taxes labour and collectively finances social protection to a much greater extent. That system redistributes more income and offers a broader safety net, but it also comes with a high tax burden, particularly on employment. The US leaves more income and responsibility in the market and private sphere, while providing a less comprehensive and more fragmented safety net. Neither observation means that every American receives less government support than every Belgian, nor that every Belgian household is economically better off. They describe differences in how the two systems are structured.