# BELGIUM

## Priorities supported by indicators

### *Reduce the labour tax burden and enhance work incentives in the tax system (2007, 2009, 2011)*

**Recommendations:** Target wages subsidies and reductions of social security contributions on low-wage workers. Address other labour market traps by removing spikes in effective marginal tax rates.

**Actions taken:** Since 2005, social security contributions have been lowered on several occasions for low-skilled, younger, older, R&D and shift-and-night workers as well as for the long-term unemployed.

### *Ease regulation in the retail sector and network industries (2007, 2009, 2011)*

**Recommendations:** Scrap competition-inhibiting retail-sector regulation and liberalise zoning and shop opening hours regulation. Establish single independent regulators in all network industries and simplify universal service obligations while combining them with competitive tendering and government financing.

**Actions taken:** In 2010, Belgian-specific restrictions in the retail sector were relaxed, including through the authorisation of tied sales, fewer restrictions on sales with a loss, reducing the pre-sales black-out period and limiting it to clothing. Furthermore, the opening of large outlets was facilitated by removing the assessment of the impact on existing businesses.

### *Reduce implicit taxes on continued work at older ages (2007, 2009, 2011)*

**Recommendations:** Phase out early retirement schemes and close other exit routes from the labour market, including by extending the surtax on employment benefit top-ups to all wage agreements and by phasing out occupational exemptions to the minimum retirement age.

**Actions taken:** Since the mid-2000s, job-search requirements have been gradually extended to age 58. Similarly, the minimum age for early retirement was raised to 60 and the legal retirement age of women was in several steps raised to 65 to be aligned with that of men. An in-work benefit for older unemployed and a pension bonus for staying longer in the labour market have been introduced. Thorough assessment of the early retirement schemes is planned for late 2011.

## Other key priorities

### *Make wage setting more flexible (2007, 2009, 2011)*

**Recommendations:** Decentralise wage negotiations and phase out the automatic wage indexation.

**Actions taken:** No action taken.

### *Improve job-search incentives in the unemployment benefit system (2009, 2011)*

**Recommendations:** Reduce unemployment benefit over the unemployment spell to raise job-search incentives. Initial net replacement rates may have to go up to make room for such a phasing-out.

**Actions taken:** In 2009, the first year replacement rate was increased, but no other action has been taken.

### *Strengthen the efficiency of active labour market policies (2007)*

**Recommendations:** Improve enforcement of job-search requirements for unemployed and co-ordination between regional placement agencies. Redirect ALMP funds from subsidised employment to compulsory training.

**Actions taken:** In 2008 and 2009, activation of younger unemployed was stepped up. In 2007, the regional placement agencies created an inter-regional association to exchange job offers and to co-operate on training. In 2009, Wallonia introduced commuting and childcare subsidies for newly hired low-wage workers. By contrast, Flanders stopped activation of older unemployed (above 52 years).

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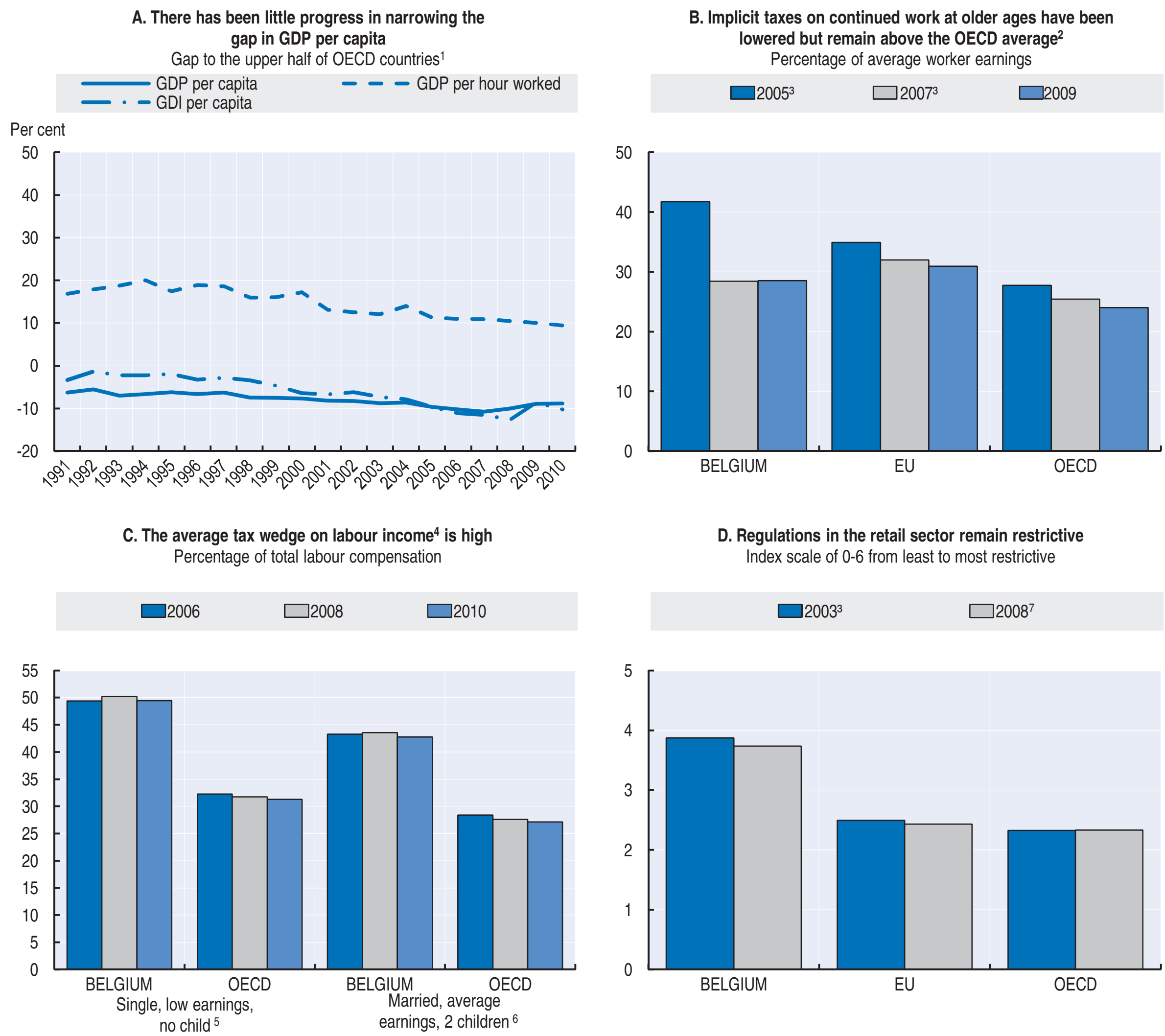
- The GDP per capita gap relative to the upper half of OECD countries has stabilised. It is mostly explained by low labour utilisation, although there has been some progress in raising the low employment rate of older female workers. The erosion of the relatively high labour productivity level has come to a halt.
- Among the key priority areas, progress has been made to strengthen product market competition, particularly in the retail sector. Little progress has been achieved in labour market policies, notably regarding the wage determination process.
- In other areas, a massive expansion of the short-time work schemes was instrumental in preserving jobs during the crisis.

## Performance and policy indicators




1. Percentage gap with respect to the simple average of the highest 17 OECD countries in terms of GDP per capita, GDP per hour worked and GDI per capita (in constant 2005 PPPs).
2. Average implicit tax on continued work for five more years in "early retirement route" (as defined in Duval, 2003) for 55 and 60 year-olds.
3. Average of European countries in the OECD. EU and OECD averages exclude Chile, Estonia, Israel and Slovenia and also Luxembourg in Panel D.
4. Labour taxes include personal income tax and employee plus employer social security contributions and any payroll tax less cash transfers.
5. Low earnings refer to two-thirds of average earnings.
6. At 100% of the average worker earnings for the first earner. Average of three situations regarding the wage of the second earner (0%, 33% and 67% of average earnings).
7. The 2008 figure does not include the most recent reforms which, however, only have a limited impact on the indicators.

*Source:* Chart A: OECD, *National Accounts and Economic Outlook 90 Databases*; Chart B: Duval, R. (2003), "The Retirement Effects of Old-Age Pension and Early Retirement Schemes in OECD Countries", OECD *Economics Department Working Papers*, No. 370 and OECD calculations; Chart C: OECD, *Taxing Wages Database*; Chart D: OECD, *Product Market Regulation Database*.

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