

## BELGIUM

Despite increases in employment rates, labour utilisation remains low. Labour productivity growth has slowed, albeit from a relatively high rate.

### Policy priorities

#### **Reduce the implicit tax on continued work at older ages**

**Challenge and recommendations:** To reduce incentives for early retirement, it was recommended that access conditions for early retirement schemes be progressively aligned with those for early retirement pensions, that the accumulation of pension rights for persons in early retirement schemes be terminated and that early retirement pensions be made actuarially fair.

**Actions taken:** The minimum age limit for receipt of early retirement pension (“pré-pension”) will be raised to 60 as from 2010 compared with 58 at present.

#### **Reduce the tax wedge on labour income**

**Challenge and recommendations:** To raise labour utilisation, it was recommended that room for further reductions in taxes on labour income be created by cutting government expenditure, especially on social transfers, and by reducing tax expenditures.

**Actions taken:** Further reductions in social security charges and in personal income taxes have occurred.

#### **Ease the regulatory burden on business operations**

**Challenge and recommendations:** To strengthen product market competition, it was recommended that regulators be required to consider alternative policy instruments before adopting a new regulation and be given guidance on alternatives. It was also recommended that the government continue to eliminate unnecessary sector-specific regulations, reduce the administrative burden and review laws and regulations governing the professions to eliminate unwarranted anti-competitive practices.

**Actions taken:** Licences and permits for at least 11 trades were abolished in 2005.

#### **Improve education outcomes for minority ethnic groups and counter labour-market discrimination**

**Challenge and recommendations:** To increase employment rates among ethnic minority groups, it was recommended that education outcomes be improved for this group and that enforcement of anti-discrimination laws be strengthened.

**Actions taken:** Recent additional measures are being taken to improve education achievement among poorer social groups, in which ethnic minorities are over-represented.

#### **Strengthen enforcement of job-search requirements for the unemployed and upgrade their skills**

**Challenge and recommendations:** To reduce structural unemployment, it was recommended that unemployment benefits be made conditional on properly enforced job-search requirements and that efforts to upgrade skills for unemployed people be reinforced.

**Actions taken:** Unemployment beneficiaries up to age 50 are being monitored until 2007 to verify that they fulfil job search obligations. Improvements in the education system in the French-speaking community should improve skills among low achievers, who are most at risk of being unemployed.