

## BELGIUM

The gap in GDP per capita with the best performing countries remains substantial, largely owing to low employment rates of older workers and immigrants, as well as geographical mismatches in the labour market.

### Priorities supported by indicators

#### **Further reduce the implicit tax on continued work at older ages**

High public subsidies to early retirement, including via unemployment insurance benefits for older workers and special early retirement pensions, contribute to very low employment rates for the older working-age population.

**Actions taken:** The general minimum age for entry into early retirement via the old-age pension system is being raised from 58 to 60 years and a number of paths to early retirement have been closed. The standard retirement age for women has been aligned with that of men (65 years). Social security charges for older workers have been lowered.

**Recommendations:** Continue to phase out alternative routes to early retirement by realigning access conditions to such schemes with those for standard old-age pensions. The possibility for accumulating pension rights for persons in special early retirement schemes should be removed and early receipt of old-age pensions should be made more actuarially neutral.

#### **Further reduce the tax wedge on low-income workers**

High effective taxes on labour income contribute to the low labour market participation rates among low-income workers and immigrants.

**Actions taken:** Additional reductions in social security charges and personal income taxes have been implemented.

**Recommendations:** Implement further targeted cuts in social security charges and personal income tax rates for low-income workers together with offsetting spending cuts.

#### **Ease regulation in the retail sector**

The regulation of the retail sector is stricter (particularly in terms of zoning and opening hours) than in most other OECD countries, notwithstanding recent reforms. This sector tends to have a high capacity to create jobs for groups with low employment rates, by providing flexible work-time schedules and employment opportunities for the low-skilled.

**Actions taken:** Recently the threshold surface above which special regulations apply has been increased from 700 m<sup>2</sup> to 1 000 m<sup>2</sup> and restrictions on opening hours have been relaxed somewhat.

**Recommendations:** Continue relaxing regulation of zoning and shop opening hours.

### Other key priorities

- Reduce large geographical mismatches in the labour market by allowing wage determination to reflect local labour market conditions through increasing the scope for individual companies to opt out from sector agreements.
- Strengthen enforcement of job search requirements for the unemployed, redirect ALMP funds from subsidised employment to training and ensure better co-ordination between placement agencies in different regions to facilitate the return to employment.