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- The small income gap vis-à-vis the upper half of the OECD has remained steady in recent years, with a decline in the (positive) labour productivity differential and hours worked offset by higher employment rates.
- The government aims at increasing the low effective retirement age by raising the standard (as well as the special regimes) minimum retirement age and the number of contribution years to be eligible for a full pension. Also, pensions for public employees will be brought closer to that of the standard pension system. In addition, unemployment benefits are declining over four years to a level just above that of social assistance, which in combination with activation measures taking place at an earlier stage of the unemployment spell, provide for enhanced job-search incentives and prospects.
- A better performance hinges on removing unemployment and other labour market traps, including by reducing taxation of labour as well as through greater efficiency in policies aimed at helping unemployed workers to return to work and older workers to remain active. In addition, the wage determination process should ensure that wage and productivity developments are broadly aligned. Promoting product market competition in network industries by reducing regulatory layers would bolster productivity growth.
- At the same time, shifting the tax structure from labour to environmental taxes could favour higher and more sustainable growth.

Growth performance indicators

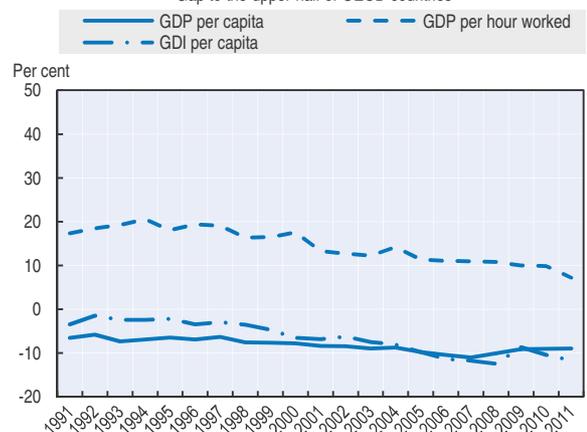
A. Average annual trend growth rates

Per cent

	2001-06	2006-11
Potential GDP per capita	1.2	0.6
Potential labour utilisation	0.4	0.1
of which:		
Labour force participation rate	0.4	0.1
Employment rate ¹	0.0	0.0
Potential labour productivity	0.8	0.5
of which:		
Capital intensity	0.1	0.3
Labour efficiency	0.2	-0.1
Human capital	0.4	0.4

B. There has been little progress in narrowing the gap in GDP per capita

Gap to the upper half of OECD countries²



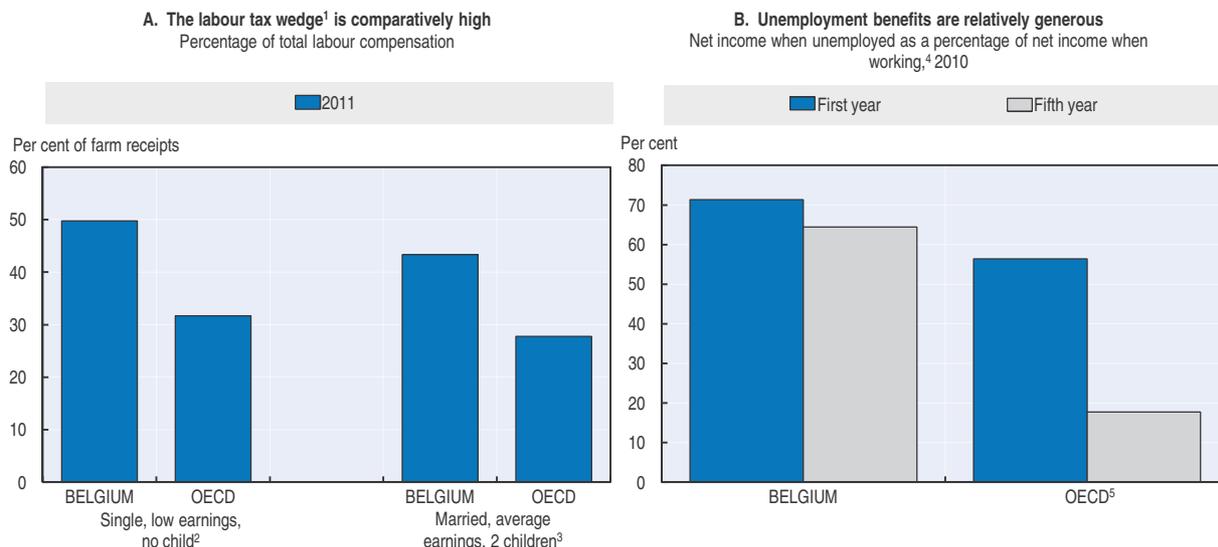
1. The employment rate is defined with respect to the economically active population and therefore captures the (inverse) changes in the structural unemployment rate.
2. Percentage gap with respect to the simple average of the highest 17 OECD countries in terms of GDP per capita, GDP per hour worked and GDI per capita (in constant 2005 PPPs).

Source: OECD, National Accounts and OECD Economic Outlook 92 Databases.

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Policy indicators



1. Labour taxes include personal income tax and employee plus employer social security contributions and any payroll tax less cash transfers.
2. Low earnings refer to two-thirds of average earnings.
3. 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).
4. Average of net replacement rates for single, one-earner couple, at 67% and 100% of average wage with and without children.
5. OECD average excludes Chile and Mexico.

Source: OECD, *Labour and Taxing Wages Databases*; *Tax-Benefit Models*.

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Identifying Going for Growth 2013 priorities

Priorities supported by indicators

Reduce the labour tax burden and enhance work incentives in the tax system. The interaction of the tax and social security contribution systems creates numerous labour market traps.

Actions taken: Existing cuts in social security contribution have been expanded to include the first three recruited employees in SMEs.

Recommendations: Remove spikes in effective marginal tax rates. Narrow the scope of wage subsidies and reductions of social security contributions to low-wage workers. Reduce taxes on labour income and offset the revenue shortfall by a higher reliance on property and environmentally related taxes.

Reform the unemployment benefit system while strengthening the efficiency of activation. The unlimited duration of unemployment benefits undermines search incentives.

Actions taken: Since November 2012, unemployment benefits are being reduced gradually to a level slightly above social assistance after four years and activation starts after one year of unemployment. The waiting period for youth to receive unemployment benefits after graduation has been expanded to one year and the entitlement period limited to three years. Control of search activity is being transferred to the regions.

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Recommendations: Shorten the still long benefit period and lower generous ceiling for higher income workers. Furthermore, activation should start even earlier in the unemployment spell and be effectively applied to all age groups.

Reform wage bargaining. The highly coordinated wage bargaining system prevents the alignment of wages to productivity developments and automatic wage indexation erodes external competitiveness.

Actions taken: No action taken.

Recommendations: Decentralise wage negotiations and encourage social partners to phase out the automatic wage indexation mechanism.

Other key priorities

Reduce the implicit tax on continued work. Employment rates for older workers are low due to the widespread use of early retirement schemes and other possibilities for early exit from the labour market.

Actions taken: The minimum age for early retirement is being gradually increased to 62 with 40 years of career, but earlier exit is still possible for longer careers. These changes were approved in 2012 and will be fully implemented in 2015. The minimum age (and career requirement) in the pre-pension system is also being increased to 55 years. Moreover, pre-pension years prior to the age of 60 will no longer be fully included in the calculation of pension rights.

Recommendations: Increase the minimum retirement age further and phase out occupational exemptions. Reduce the use of the unemployment benefit system as a gateway to early retirement by extending the surtax on employer-provided top-ups to unemployment benefits to all wage agreements.

Increase product market competition in network industries. Competition in network industries is hampered by the multi-layered regulatory setup.

Actions taken: The energy regulator's access to information was improved in 2011 and its powers enlarged the following year, including right to approve energy suppliers' proposed tariff increases.

Recommendations: Establish a single independent regulator for each network industry. Simplify universal service obligations, including competitive tendering and government financing.

Previous Going for Growth recommendations no longer considered as a priority

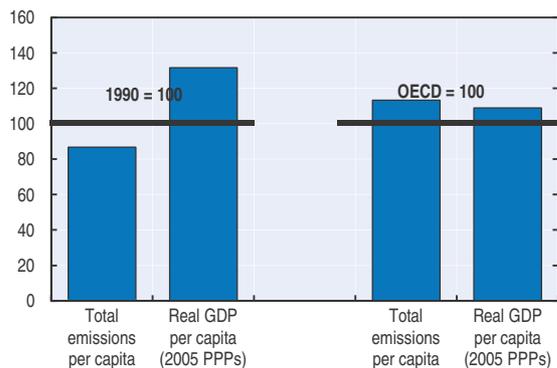
For this country, all 2011 *Going for Growth* recommendations remain as priorities.

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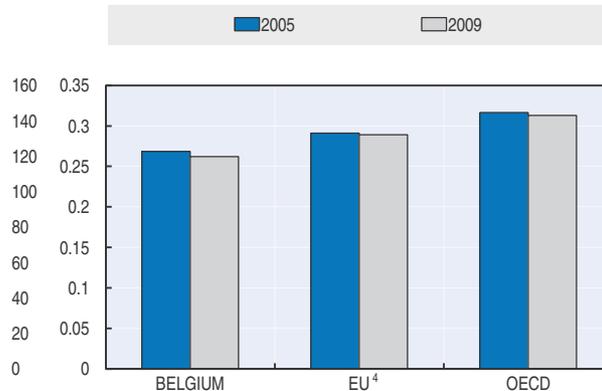
Other dimension of well-being: Performance indicators

A. Emissions per capita are below the 1990 level
Average 2006-10¹

Share in global GHG emissions:² 0.3%



B. Income inequality³ is below EU and OECD average and has been decreasing
Gini coefficient



1. Total GHG emissions including LULUCF in CO₂ equivalents (UNFCCC). The OECD average (excluding Chile, Israel, Korea and Mexico) is calculated according to the same definition.
2. Share in world GHG emissions is calculated using International Energy Agency (IEA) data and is an average of years 2005, 2008 and 2010.
3. Income inequality is measured by the Gini coefficient based on equalised household disposable income for total population.
4. Average of 21 EU countries members of the OECD.

Source: United Nations Framework Convention on Climate Change (UNFCCC) Database; OECD, Energy (IEA) Database and OECD Income Distribution Database, provisional data (www.oecd.org/social/inequality.htm).

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