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- Over the past two decades, GDP per capita has remained broadly in line with that of the upper half of OECD countries. The high hourly productivity has slowed somewhat since the mid-2000s, while the number of hours worked per employee has declined further.
- Measures have been taken to lower housing tax distortions and facilitate residential property transactions, though more is needed to address housing market rigidities. The government's coalition agreement contains welcome plans to simplify dismissal procedures and to reduce the duration of unemployment benefits.
- The priority should be to stimulate the labour supply by further lowering the marginal effective tax rates on labour income, reforming disability benefits schemes and easing employment protection legislation for regular contracts. The latter would also encourage labour turnover and thus enhance productivity.
- Increasing employment among disabled people would benefit labour supply and growth, while at the same time contributing to reduce income inequality in the long run.

Growth performance indicators

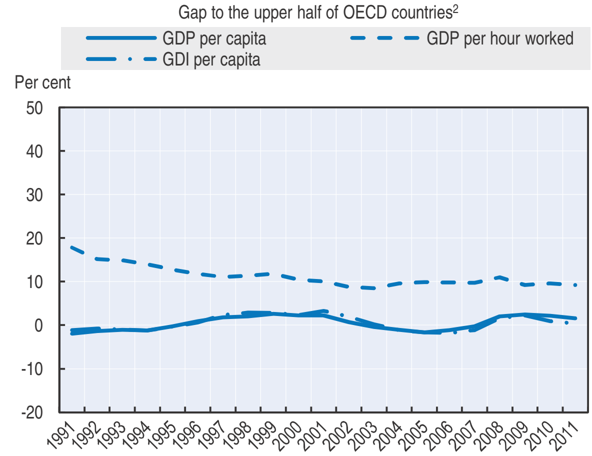
A. Average annual trend growth rates

Per cent

		2001-06	2006-11
Potential GDP per capita		1.3	0.7
Potential labour utilisation		0.3	0.0
of which:	Labour force participation rate	0.3	0.0
	Employment rate[1]	0.0	0.0
Potential labour productivity		1.0	0.7
of which:	Capital intensity	0.2	0.4
	Labour efficiency	0.5	0.1
	Human capital	0.2	0.2

B. Income per capita has remained comparable to leading OECD countries

Gap to the upper half of OECD countries[2]



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.*

StatLink http://dx.doi.org/10.1787/888932777321

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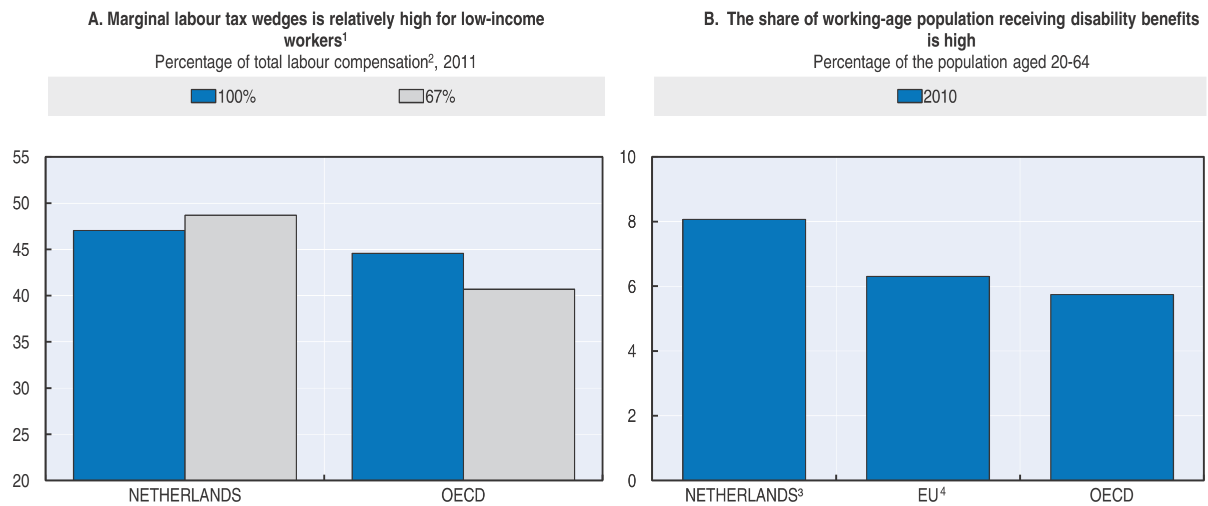
Policy indicators



1. Labour taxes include personal income tax and employee plus employer social security contributions and any payroll tax less cash transfers.
2. Evaluated at 67% and 100% of average earnings for a single person with no child.
3. 2009 data.
4. Average of 21 EU countries members of the OECD.

Source: OECD, *Taxing Wages Database*; OECD (2013), *Mental Health and Work: Belgium* (forthcoming).

StatLink http://dx.doi.org/10.1787/888932777340

Identifying *Going for Growth 2013* priorities

Priorities supported by indicators

Lower marginal effective tax rates on labour income. High marginal effective tax rates hamper work incentives for low-income households and second income earners.

Actions taken: The transferability of the individual tax credit is being phased out gradually (by 2025). Workers will enjoy an additional income tax allowance. The two highest income tax rates are reduced.

Recommendations: Increase reduced value-added tax rates to further finance lower labour taxes. Phase out more rapidly the transferability of the individual tax credit. Reduce the effective marginal tax rate arising from the family-income-based tax credit and make childcare support more dependent on second earners' income rather than family income.

Ease employment protection legislation for regular contracts. Dismissal procedures are complex and costly, especially for older workers, hindering labour turnover.

Actions taken: The coalition agreement stipulates a shortening and simplification of dismissal procedures by closing the judicial route, except for appeals, and a EUR 75 000 cap on severance pay.

Recommendations: As envisaged, make the dismissal system simpler, more predictable and less time-consuming. Cap severance payments, with a cap decreasing as workers approach retirement to prevent severance payment from being used as an early retirement route.

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Reform the disability benefit schemes. The share of the working-age population receiving disability benefits remains high.

Actions taken: The coalition agreement stipulates that a quota of 5% of disabled employees in companies, except small ones, will be introduced, with fines in case of unfilled quotas.

Recommendations: Apply the tightened entry criteria introduced in 2009 to all existing disability benefit recipients and enhance monitoring mechanisms. Decouple benefits from past earnings over the disability spell and exclude them from wage agreements.

Other key priorities

Increase the scope of the unregulated part of the housing market. The rigid housing market hinders labour mobility, generating congestion and hampering productivity.

Actions taken: In 2011, the housing transaction tax was lowered from 6% to 2%. From 2014, tax deductibility of mortgage interest will be progressively reduced. Social rental housing has been restricted (for new tenants) to households with an income up to EUR 33 000.

Recommendations: Extend means-testing to social housing tenants and give the housing associations incentives to sell off dwellings. Further ease strict rent and land regulation.

Reform the unemployment benefit system. The high level and duration of unemployment benefits reduce job-search incentives.

Actions taken: The coalition agreement stipulates a reduction in the maximum duration of unemployment benefits from 36 to 24 months. Benefits will decline over the unemployment spell as they will be based on the minimum wage (instead of the last salary) after 12 months of unemployment.

Recommendations: As envisaged, reduce unemployment benefit duration and make benefits decline more rapidly throughout the unemployment spell. Lower the cap on unemployment benefits to further enhance job-search incentives for the high-skilled.

Previous *Going for Growth* recommendations no longer considered a priority

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

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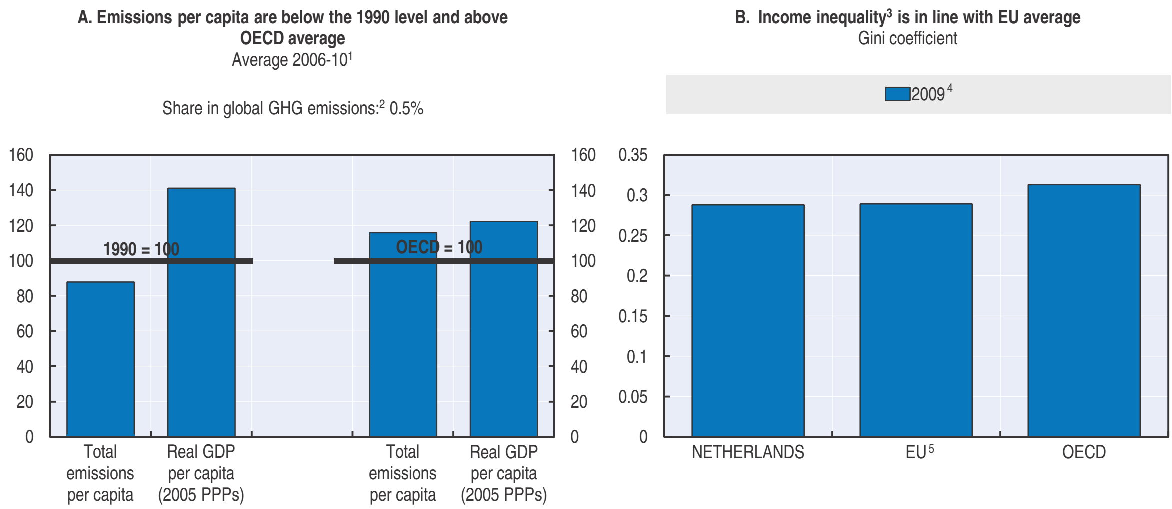
Other dimensions of well-being: Performance indicators



1. Total GHG emissions including LULUCF in CO_2 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 equivalised household disposable income for total population.
4. Data refer to 2010 for the Netherlands.
5. 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*).

StatLink http://dx.doi.org/10.1787/888932777359