

## BELGIUM

The GDP-per-capita gap vis-à-vis best performing countries remains substantial. This mainly reflects low employment rates, especially for older workers, and high unemployment, in part due to geographical labour market mismatches. Broad reforms have been implemented over recent years to improve labour market performance, but additional measures are still required, in particular in the following areas.

### Priorities supported by indicators

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

Employment rates for older workers are low, as early retirement schemes remain pervasive and implicit taxes on continued work are high.

**Actions taken:** Ceilings on pensioners' work income above which pensions are partially withdrawn have been increased. Otherwise, no actions have been taken beyond completing the implementation of the Solidarity Pact in 2008. The pact includes a gradual increase in the minimum age of entry into early retirement via the old age pension system from 58 to 60 years as well as a longer working life requirement for a full pension.

**Recommendations:** Early retirement via the old age pension system should be phased out and other exit routes should be closed. This includes extending the surtax on top-ups on unemployment benefits to all wage agreements and phasing out occupational exemptions.

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

The tax wedge is among the highest in OECD countries. In particular, low-income households face high marginal effective tax rates that discourage their labour market participation and hours worked, and increases structural wage pressures.

**Actions taken:** Measures have been taken to make work pay, including an additional reduction in individual social security contributions targeted at low-income workers and a reduction in personal income taxes.

**Recommendations:** All wage subsidies and reductions of social security contributions should be targeted to low-wage earners to avoid substitution effects between different support schemes. In particular, other reductions of social security contributions for other types of workers, such as for shift workers, should be phased out.

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

The regulation of zoning and shop opening hours continues to be stringent. Licensing requirements are very restrictive, hampering the entry of new shops, and employment and productivity advances in the sector.

**Actions taken:** No action taken since the reforms in 2006.

**Recommendations:** Reduce licensing requirements and facilitate the entry of large shops by making zoning laws more flexible. Relax restrictions on shop opening hours outside of designated tourist areas.

### Other key priorities

- **Wage bargaining:** To reduce the large and persistent geographical mismatches in the labour market, the scope for individual companies to opt out from sectoral agreements should be increased. To make wage determination more flexible, wage indexation should be abolished.
- **Unemployment benefits:** To fully benefit from the increased focus on activation policies, the level of unemployment benefits should be reduced with unemployment duration to raise incentives for job seekers to search for employment.

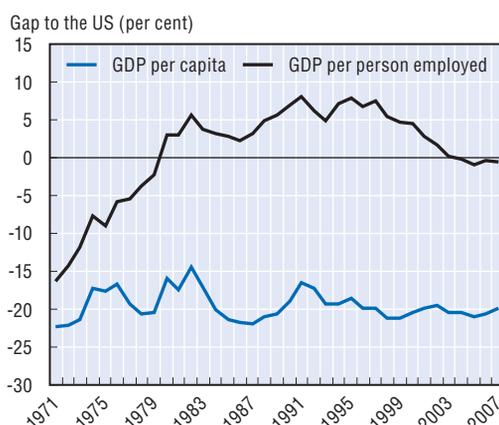
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## Structural indicators

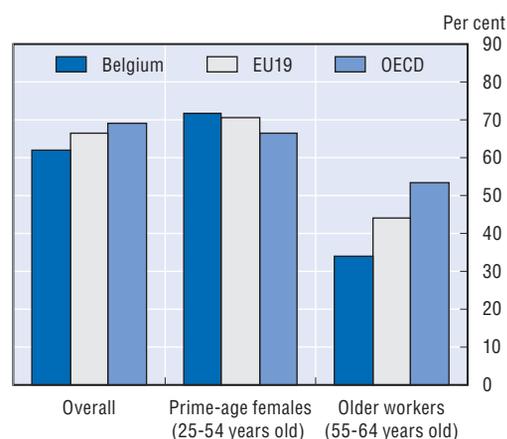
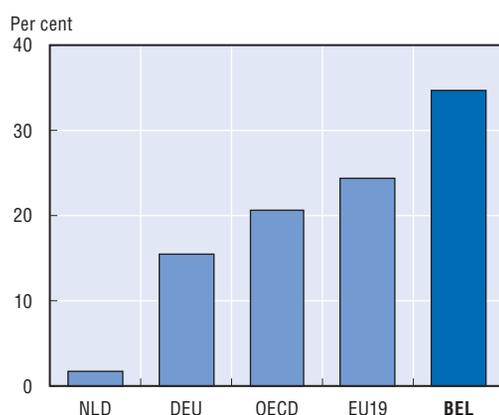
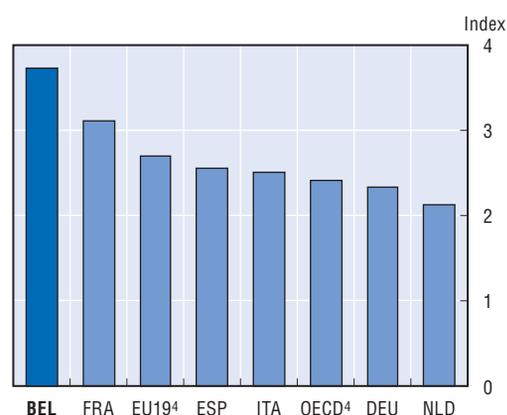
Average annual trend growth rates, per cent

	1997-2007	1997-2002	2002-2007
GDP per capita	1.7	1.9	1.6
Labour utilisation	0.4	0.4	0.4
of which: Employment rate	0.4	0.4	0.4
Average hours	0.0	0.0	0.0
Labour productivity	1.3	1.4	1.2
of which: Capital intensity	0.5	0.6	0.5
Multifactor productivity	0.8	0.9	0.7

Source: Estimates based on OECD Economic Outlook, No. 84, Vol. 2008/2.

A. The gap in GDP per capita is persistent<sup>1</sup>

B. The employment rate of older workers is low, 2007

C. The implicit tax on continued work at older ages is among the highest in the OECD, 2007<sup>2</sup>D. Regulations in the retail sector are restrictive, 2008<sup>3</sup>

1. Percentage gap with respect to US GDP per capita and per person employed (in constant 2000 PPPs).
2. Implicit tax on continued work embedded in the regular old-age pension scheme for 60-year-olds.
3. Index scale of 0-6 from least to most restrictive.
4. Excluding Greece, Ireland and the Slovak Republic.

Source: Chart A: OECD, *National Accounts Database*; Chart B: OECD, *Labour Force Statistics Database*; Chart C: 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 D: OECD, *Product Market Regulation Database*.

StatLink  <http://dx.doi.org/10.1787/533853331362>