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Priorities supported by indicators

► **Further reduce implicit taxes on continued work at older ages (2005, 2007, 2009)**

Recommendations: Phase out early retirement schemes.

Actions taken: Job-search requirements up to age 58 have been progressively tightened. During the mid-2000s, the minimum age for eligibility to an early retirement pension was raised to age 60 and the standard retirement age for women was aligned with that of men (65 years). A number of paths to early retirement have been closed or made less attractive and the working life requirement for a full pension has been increased. Financial incentives to work longer, in the form of in-work benefits for the older unemployed and a pension bonus have been introduced.

Further reduce the tax wedge on low-income workers (2005, 2007, 2009)

Recommendations: Target all wage subsidies and reductions of social security contributions to low-wage earners. Finance cuts in tax wedges by lowering government spending and tax expenditures.

Actions taken: The government gradually reduced social security charges and personal income taxes for low income workers and introduced a tax credit. In 2009, wage subsidies were increased for all workers, including some higher-wage workers (shift, night and R&D workers).

► **Ease regulation in the retail sector (2007, 2009)**

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

Actions taken: Opening hour restrictions have been slightly relaxed. No further action has been taken.

Ease the regulatory burden on business operations (2005)

Recommendations: Systematically evaluate alternatives before adopting a new regulation. Continue to eliminate across the board anti-competitive sectoral regulation and reduce administrative burdens, as well as review laws and regulations governing the liberal professions.

Actions taken: Administrative burdens have been reduced somewhat through simplification and greater use of e-government. Licences and permits for at least eleven trades were abolished in 2005.

Other key priorities

Increase the flexibility of wage bargaining and determination (2007, 2009)

Recommendations: Increase the scope for individual companies to opt-out from sector-wide agreements. Abolish wage indexation.

Actions taken: No action taken.

Strengthen the efficiency of active labour market policies (2005, 2007)

Recommendations: Improve enforcement of job-search requirements for unemployed and co-ordination between regional placement agencies. Redirect ALMP funds from subsidised employment to compulsory training.

Actions taken: In 2007, the regional placement agencies created an inter-regional association to exchange job offers and to co-operate on training.

Reform the unemployment benefits system (2009)

Recommendations: Reduce the level of unemployment benefits with the unemployment duration to fully benefit from activation policies.

Actions taken: No action taken to reduce benefits. In 2009, unemployment benefits were raised for the initial period of unemployment, implying some reductions in benefits over the early parts of the unemployment period.

Improve the labour market performance of ethnic minorities (2005)

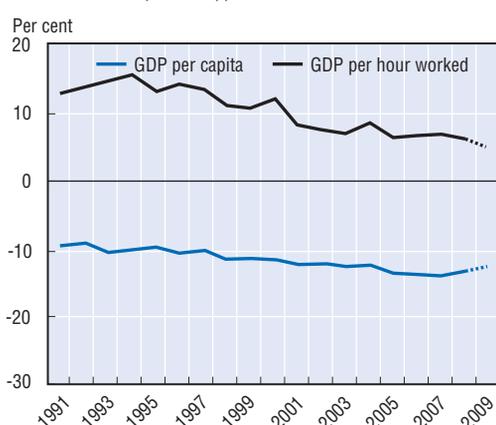
Recommendations: Improve education outcomes of students from ethnic minority backgrounds and strengthen the enforcement of anti-discrimination laws to enhance this group's labour-market performance.

Actions taken: No action taken.

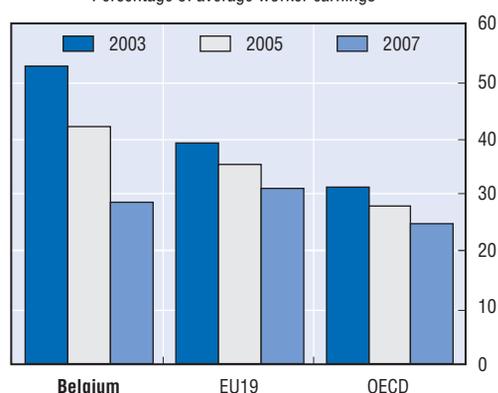
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- GDP per capita has declined relative to the upper half of OECD countries, reflecting mainly lower employment rates, in particular of older workers.
- In key priority areas, reforms have recently raised participation of older workers, albeit from a low level. The tax wedge has been reduced somewhat, but remains among the highest in the OECD. Regulation of the retail sector remains restrictive, hindering competition, and there has been no progress on increasing wage flexibility. The exchange of information between regional employment agencies has improved and unemployment benefits now decline faster with duration, although their duration remains unlimited. Labour activation policies have been reformed, particularly across regions, to enhance search activity among the unemployed.
- Outside of key priority areas, the framework for competition policies has been enhanced by reforming the competition authority.

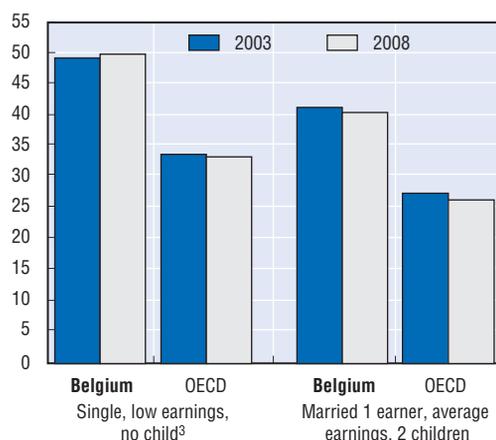
A. The gap in GDP per capita remains wide
Gap to the upper half of OECD countries¹



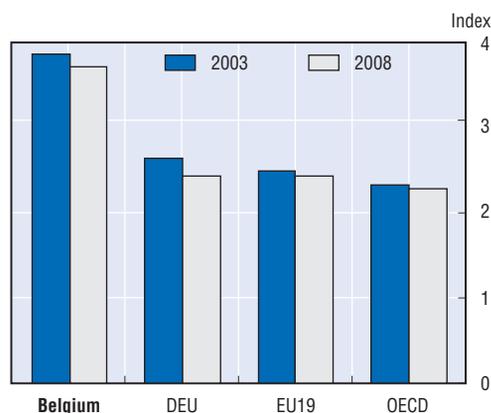
B. Implicit taxes on continued work have declined significantly²
Percentage of average worker earnings



C. Tax wedges on labour income are still high
Percentage of total labour compensation



D. Regulations in the retail sector remain restrictive⁴



1. Percentage gap with respect to the simple average of the upper half of OECD countries in terms of GDP per capita and GDP per hour worked (in constant 2005 PPPs). The gaps for 2009 are OECD estimates, based on the OECD *Economic Outlook*, No. 86.
2. Implicit tax on continued work in early retirement route, average for 55 and 60-year-old workers.
3. Low earnings refer to two-thirds of average earnings.
4. Index scale of 0-6 from least to most restrictive.

Source: Chart A: OECD, *National Accounts and Economic Outlook 86 Databases*; Chart B: 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 C: OECD, *Taxing Wages Database*; Chart D: OECD, *Product Market Regulation Database*.

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