

SPRING 2014 REFORM BAROMETER - BELGIUM

		Q1: the recommendation is:	Q2: implementation effort is:	Detailed comments
CSR 1	<p>Adopt additional measures to achieve the structural adjustment effort specified in the Council Decision to give notice to correct the excessive deficit by 2013 and to enhance the sustainability and credibility of the consolidation. A durable correction of the fiscal imbalances requires the credible implementation of ambitious structural reforms which would increase the adjustment capacity and boost potential growth. After the correction of the excessive deficit, pursue the structural adjustment at an appropriate pace so as to reach the medium-term objective by 2016 and ensure that the high debt ratio is put on a firm downward path. To this end, present growth-friendly structural measures for 2014 by 15 October 2013 which ensure a sustainable correction of the excessive deficit and sufficient progress towards its medium-term objective. Ensure that the adjustment path is balanced over time or even front-loaded. Adopt explicit coordination arrangements to ensure that budgetary targets are binding at federal level and sub-federal levels within a medium-term planning perspective including through the prompt adoption of a rule on the general government budget balance/surplus that complies with the requirements of the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union and to increase the transparency of burden sharing and accountability across government layers.</p>	Extremely important	Mixed	<p>The Belgian government should put more emphasis on reducing expenditures (e.g. through more efficient government spending (establishing a global (including all government levels) efficiency pact)). A large part of the fiscal consolidation effort was realized through increasing taxes, in particular on enterprises (e.g. increased corporate tax base) and capital (e.g. raised taxes on dividends). Of all taxes, raising taxes on enterprises is proven to be most growth unfriendly.</p>
CSR 2	<p>Step up efforts to close the gap between the effective and statutory retirement age, including by pursuing the on-going reforms to reduce the early-exit possibilities. Underpin reforms of the old-age social security systems with employment-support measures and labour-market reforms conducive to active ageing. Increase the effective retirement age by aligning retirement age or pension benefits to changes in life expectancy. Continue to improve the cost-efficiency of public spending on long term institutional care.</p>	Extremely important	Mixed	<p>The Belgian government took some measures to raise the effective retirement age. Access conditions including age and career have been tightened. But there are still many exemptions (at sector level and for certain groups of workers). Additional measures have to be taken to ensure the financial sustainability of pensions.</p>

CSR 3	To restore competitiveness, pursue the on-going efforts to reform the wage setting system, including wage indexation; in particular, by taking structural measures, in consultation with the social partners and in accordance with national practice, to ensure that wage setting is responsive to productivity developments, reflects sub regional and local differences in productivity and labour market conditions, and provides automatic corrections when wage evolution undermines cost-competitiveness.	Extremely important	Mixed	Pact on competitiveness is a first step, but this is not the demanded competitiveness shock. A reform of the wage indexation system (strengthening of the Law of 96) is needed such that wage growth is in line with productivity growth.
CSR 4	Present concrete and time-specific structural measures to improve competition in the services sector, by removing barriers in retail and excessive restrictions in professional services and improve the provision of mobile broadband. Continue to improve the functioning of the energy sector by reducing distribution costs and monitoring retail prices, strengthen the independence of the regulators in the energy, telecoms and the transport sectors (railway, airport). Remove remaining regulatory barriers in the postal sector.	Important	Mixed	The Belgian government has raised a new institution to improve the competition in the service sectors. The merits of this new institution should be evaluated after a period of time. Regarding energy, Belgium still lacks a clear vision on energy. For business, security of supply at a competitive price must be key elements in this vision.
CSR 5	Establish concrete and time-specific proposals for shifting taxes from labour to less growth-distortive tax bases, notably by exploring the potential of environmental taxes, for example on diesel, heating fuels and the taxation of the private use of company cars. Simplify the tax system by reducing tax expenditures in income taxation, increasing VAT efficiency and improving tax compliance by closing existing loopholes.	Important	Unsatisfactory	Belgium still has the highest taxes on labour in Europe. However taxes are also high on consumption on capital. First of all, efficiency gains should therefore make it possible to lower the overall tax burden. Secondly, a tax shift may not hamper economic growth and should therefore be accompanied by simplification and more fiscal certainty.
CSR 6	Further reduce disincentives to work by ensuring effective enforcement of job-search requirements and personalised job search assistance for all unemployed. Take measures to increase interregional labour mobility. Simplify and reinforce coherence between employment incentives, activation policies, labour matching, education, lifelong learning and vocational training policies for older people and youth. Develop comprehensive social-inclusion and labour market strategies for people with a migrant background.	Extremely important	Unsatisfactory	Some disincentives to work have been reduced, especially for youngsters getting on the labour market. Supervision and monitoring of unemployed people became a bit more severe. However, as long as unemployment allowances stay unlimited in time, unemployment traps remain too important. Regarding activation policies, the new statute on blue and white collar workers, provides for outplacement, when workers are dismissed with a notice period of 30 weeks or more. Furthermore, More preventive work has to be done to tackle the real causes of non-inclusion of certain population groups (e.g. migrants). Regarding 50+, incentives to use older workers have been put in place, but effect is poor as long as early retirement schemes continue to exist. Regarding Life Long learning, , there is a tendency to impose linear training obligations without verifying the link with real needs.
CSR 7	Take concrete measures and agree a clear division of efforts between the federal and regional authorities to ensure progress towards reaching the targets for reducing greenhouse gas emissions from non-ETS activities, in particular from transport and buildings.	Important	Unsatisfactory	More effort is needed for better coordination between public authorities in charge of mobility and environment.