OECD Pensions at a Glance 2023

HOW DOES BELGIUM COMPARE?

Pensions are well protected against inflation in Belgium

The Belgian system of price-indexation of pensions in payment is a good practice to uphold pensioners' purchasing power. By increasing pensions by 2% every time the price index increases by 2% compared to its level at the previous indexation, pensions have retained their real value throughout the inflation surge. The combination of energy cheques and price indexation of pensions, as well as fixed-price energy contracts not being accounted for in the index, may even have resulted in pensioners having been over-compensated for price increases.

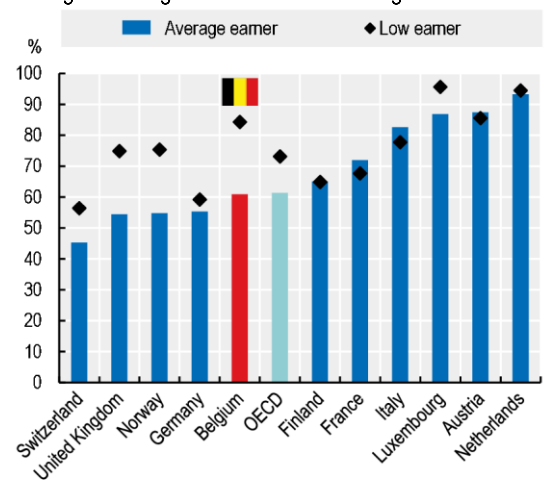
Net replacement rates are high for low earners

Over the last two years, Belgium has made some small incremental increases in both the minimum pension and the wage ceiling, as well as in social-assistance benefits for older people. While the future gross replacement rate for an average earner in Belgium is below the OECD average, the lower taxation of pensions compared to earnings results in a net replacement rate at the OECD average of 61%, although well below the EU-27 average of 68%. At 84%, the Belgian net replacement rate for a person making half of average earnings is well above the OECD and EU-27 averages of 73% and 76%, respectively, due to strongly redistributive instruments.

Despite this, the disposable income of people aged 66+ is 78% of that of the total population in Belgium, compared to 88% in the OECD on average. This could be the consequence of older Belgians having few other sources of income than public transfers: 86% of the disposable income of older people in Belgium comes from public transfers, mainly pensions, the highest rate in the OECD.

Belgium has average future net replacement rates

Net replacement rates for persons earning 100% and 50% of average wage entering the labour market at age 22 in 2022



Source: Table 4.4.

Self-employed: similar pensions despite lower contributions

After a full career with a taxable income at the average wage (before taxes), a self-employed person will receive a pension roughly similar to that of an employee with the same taxable income in Belgium – despite paying significantly lower contributions. Previously, the 'correction coefficient' reduced pensions of the self-employed to 69% of those of employees with the same taxable income to reflect the lower contribution rate paid by the self-employed. In 2021, the coefficient was removed for years worked as of 2022, which will significantly increase future pensions of the self-employed without raising their contributions.

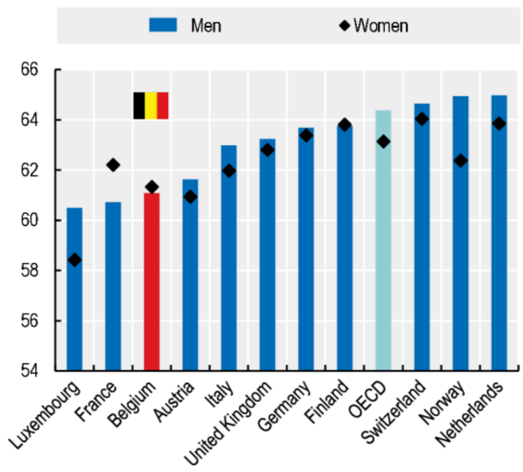
Delaying labour market exit would limit pension spending

Men and women leave the labour market at a very early age in Belgium, around age 61, compared to OECD averages of respectively 64.4 and 63.1 years. Men leave the labour market earlier only in France and Luxembourg, women in Austria, Hungary, Luxembourg, Poland and Türkiye. With public expenditure on pensions set to increase from 12.2% of GDP to 15.2% over the next 30 years, which would be the third highest in the OECD, raising the average age of labour-market exit would mitigate this increase.

Linking the statutory retirement age to life expectancy once it reaches 67 can contribute to improving the financial situation of the pension system without reducing pension benefits. Increasing the statutory retirement age by two-thirds of life-expectancy gains roughly keeps the share of adult life that people can expect to spend in retirement constant across cohorts. One in four OECD countries now link retirement ages to life expectancy. In addition, increasing employment rates of older workers, among others, is vital to improve pension finances.

Very low effective age of labour market exit

Average effective age of labour-market exit, 2022



Source: Figure 6.13.

Poor targeting of schemes for hazardous or arduous work

Belgium is one of only six OECD countries that have special pension provisions for hazardous or arduous work for a wide range of occupations without a clear link to specific job characteristics. This is illustrated by the substantial difference between jobs considered hazardous or arduous in the public or private sector: whereas private-sector regulations are available for miners, marine workers, journalists and the flying staff of civil aviation in the Belgian private sector, public-sector workers accrue entitlements to early retirement for working "exposed to weather conditions, fatigues and dangers to which civil servants with a sedentary job are not exposed" – known as 'active service'. The large majority of OECD countries do have special schemes for specific occupations considered arduous or hazardous, in particular for miners, firefighters, police officers and military, for whom

Contact: Wouter De Tavernier (+33 1 45 24 96 10; wouter.detavernier@oecd.org)

working at older ages generates health and safety risks. In contrast, 11 countries, including Luxembourg and the Netherlands, do not have any such schemes.

Some special schemes for hazardous or arduous occupations already allow people to retire at age 55 in Belgium, 8 years earlier than the minimum retirement age for all workers. This gap is wider in only seven OECD countries, including in France. Some countries where pension penalties apply in case of early retirement do not allow workers in hazardous or arduous jobs to retire earlier than others, but instead exempt these workers from the early-retirement penalties applying to others.

Incapacity to work in a *specific job* until the minimum retirement age applying to all workers is not enough to justify granting special *old-age pension* provisions for hazardous or arduous work. Hazardousness and arduousness should primarily be addressed by a set of policies that are beyond the realm of pensions. This includes regulations and prevention measures, communicating health risks to workers and jobseekers, lifelong learning to retrain affected workers and sickness and disability insurance to cover immediate health consequences. While developing these policies, some special pension rules could temporarily be retained for jobs with solid evidence of hazardousness or arduousness, although doing so might defer indefinitely the development of the alternative set of policies. Subsidising harmful work through publicly financed special pension provisions for hazardous or arduous work limits incentives to improve working conditions and may lead to higher demand for labour in harmful jobs.