

LABOR COSTS

1. Access to Highly Trained and Productive Labor Force

The qualifications of the Belgian labor force and its productivity in relation to its costs remain one of the most competitive features of the Belgian economy.

⇒ **Productivity**

- Belgian workforce ranked 6th worldwide for productivity/hour (Belgian GDP per person= 100.2, USA=100) (World Competitiveness Yearbook 2005-IMD)

⇒ **Language Skills and Education**

- 16 university centers and an extensive community of scientific institutes employ about 50,000 full-time researchers

Belgian Rankings, World Competitiveness Yearbook 2005

| | |
|---------------------------------------------|-----|
| Quality of math and science education | 3rd |
| Quality of management schools | 7th |
| Language skills of workforce | 9th |
| Quality of scientific research institutions | 9th |

2. Salaries in Belgium

⇒ **Gross salaries are negotiated between representatives of employers and employees at three different levels:**

- The **National Labor Council** determines the National Average Gross Minimum Monthly Salary (currently €1234,20)
- Almost every **sector** has its own Joint Labor Committee in which collective bargaining agreements (CBA), including salary levels, are determined. CBA's are made mandatory by the government.
- In **companies** with a union representative (mostly mid-size or large companies) salaries are negotiated between unions and employers.
- Salaries can **not** be lower than the minimum specified by the National Labor Council and/or agreed to at the sector level

3. Belgian Social Security

⇒ **Solidarity principle: employers and employees provide the capital for funds covering certain risks**

- Employer pays employee and employer contributions (payroll taxes) to National Office for Social Security (RSZ/ONSS)
- RSZ/ONSS distributes contributions over various government bodies that grant social benefits

Coverage

- healthcare (all general and specialized health care, short and long term disability, dental, vision, treatment and stay in hospital, all prescription medicines)
- unemployment, pension, child benefit, paid vacation (manual workers), work-related illnesses and accidents

Additional overhead costs

- insurance against accidents at work, end-of year bonus, part of transportation costs
- Optional in-kind-advantages: luncheon vouchers, a company car, stock options, additional health insurances, private pension funds,...

Maximum Social Security Contributions (in % of employee's gross salary)

| Size of Company | Blue-Collar Employee | White-Collar Employee |
|-----------------|----------------------|-----------------------|
| 1-9 employees | 39.03% | 33.08% |
| 10-19 employees | 40.72% | 35.07% |
| 20 or more | 40.75% | 35.12% |

4. Labor Incentives

- ⇒ **Since 2004 the Federal Government has streamlined incentives at the federal level to reduce social security contributions and to improve job creation.**
- ⇒ Reductions of social security contributions have been enacted:
- **General** reduction of contributions for employees: fixed amount depending on type of employee, salary, hours worked.
 - **Additional** targeted reductions in contributions for certain employees: long-term unemployed, low qualified unemployed, older unemployed, young employees (18-19), first recruits in new businesses, employees in agreement for labor time reduction (e.g. 4-day work week), employees in restructuring companies.
- ⇒ Regions in Belgium have enacted their own measures for labor cost reduction to complement federal regulations.

5. Special Tax Regime for Expatriates

- ⇒ **Foreign executives assigned temporarily to Belgium within an international group of companies may qualify for a special 'expat' taxation regime.**
- Regime applies to executives who are seconded to Belgium on a *temporary* basis and who do not have their permanent fiscal domicile or the center of their economic interests in Belgium.
 - Mainly the regime applies to managers, researchers, and highly specialized personnel.
 - The expatriate will be treated for tax purposes as a non-resident, subject to taxation in Belgium only on income related to activities in Belgium and other Belgian source income. Days spent outside Belgium will not be taxed in Belgium ('travel exclusion').
 - Non-taxable allowances apply, such as allowances or reimbursements made to cover the extra expenses caused by the assignment in Belgium.

6. Belgium-U.S. Social Security Agreement

- Non-EU nationals employed in Belgium are in principle subject to the Belgian social security system.
- U.S. nationals seconded to Belgium for periods up to 5 years may elect to be excluded from the Belgian social security system on condition that they continue to participate in the U.S. FICA system during that time.
- U.S. expatriates may not be on the payroll of the Belgian entity where they work.
- The U.S. Social Security Administration will have to provide a certificate of coverage.

7. Measures to Boost Employment in R&D

- An employer's grant of an **innovation premium** to creative employees is exempt from tax and social security contributions.
- Belgian companies that recruit additional R&D personnel benefit from a **tax exemption** (reduction of pre-tax profit).
- Institutes of higher education, research institutions and private companies working on projects with these institutions benefit from significant reduction (up to 65%) of payroll tax on researchers' wages.

Further Information

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