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GDP per capita, adjusted for cross-border workers, continues to increase from a level that is already one of the highest in the OECD. However, labour force participation of some groups remains low. Recent measures have aimed at facilitating younger people's entry into the labour market, but more broad-based measures are needed, particularly in the areas below.

Priorities supported by indicators

Reduce disincentives for the unemployed

Unemployment benefit replacement rates are high by OECD standards and benefits are accessible without an employment record. Moreover, generous social assistance (RMG) further raises incentives to remain inactive.

Actions taken: Younger people with difficulties in entering the labour market are now receiving early activation. Moreover, the modification of the indexation mechanisms has led to a decrease in social assistance replacement rates.

Recommendations: Decouple RMG and complementary benefits from minimum wage increases. Tighten access conditions to unemployment benefits for the young.

Improve achievement in primary and secondary education

Educational achievement (controlled for the socio-economic background of students) tends to be similar across schools, but the level is low. Moreover, the language-rich curriculum does not fully reflect labour market needs.

Actions taken: A series of reforms aiming at improving language education and reducing class repetition have been enacted but are not yet fully implemented.

Recommendations: School autonomy should increase to allow headmasters and teachers to adjust their school programme in line with student needs. In addition, language education should be rebalanced in order to make school education better reflect labour market requirements.

Reduce the implicit tax on continued work at older ages

Generous pre-pension and early retirement schemes, a high rate of imputed years of contributions and high net replacement rates for old age pensions have contributed to an internationally low employment rate for 55 to 64-year-olds.

Actions taken: No action taken.

Recommendations: Phase out existing pre-pension and early retirement schemes. Reduce the high net replacement rates that can reach more than 100% of the last wage for low-income earners, preferably by adjusting the pension indexation mechanism.

Other key priorities

- **Professional services.** Barriers for entry into professional services remain high. Licensing and education requirements should be lowered and language requirements limited to only one of the official languages.
- **Regulation of labour.** Employment protection legislation is one of the strictest among the OECD countries. In particular, the regulation of collective dismissals should be made more flexible as it currently acts as a barrier to firm growth.

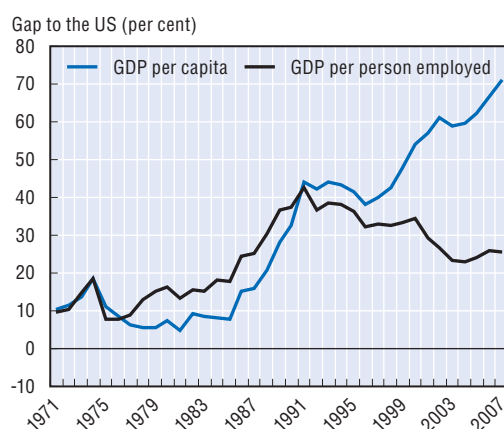
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Structural indicators

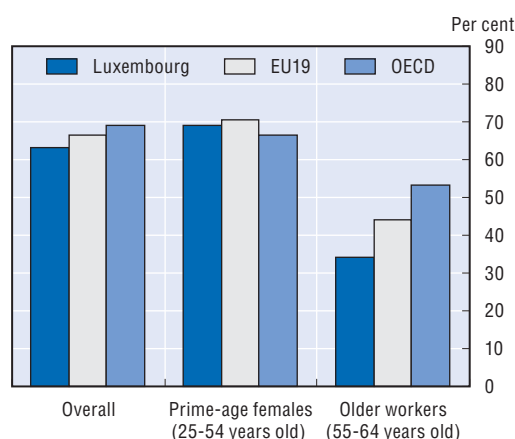
Average annual trend growth rates, per cent

	1997-2007	1997-2002	2002-2007
GDP per capita	3.3	3.7	3.0
Labour utilisation	1.6	1.9	1.2
of which: Employment rate	2.4	2.7	2.1
Average hours	-0.8	-0.7	-0.9
Labour productivity	1.7	1.7	1.8
of which: Capital intensity
Multifactor productivity

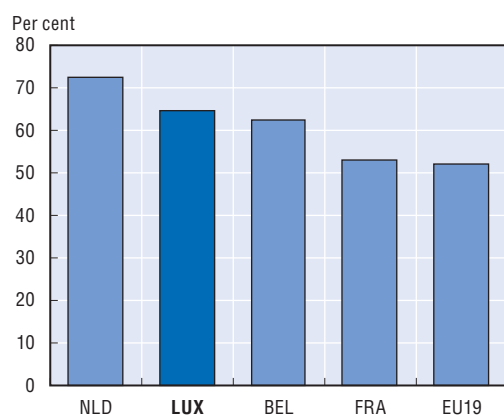
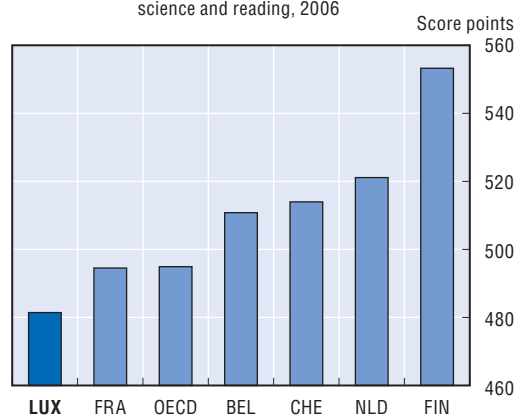
Source: Estimates based on OECD Economic Outlook, No. 84, Vol. 2008/2.

A. The positive productivity gap has declined¹

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




C. Net replacement rates for the long-term unemployed are very high, 2006

D. Education performance is poor at the compulsory level
Average mean PISA scores in mathematics, science and reading, 2006

1. Percentage gap with respect to US GDP per capita and per person employed (in constant 2000 PPPs).

Source: Chart A: OECD, National Accounts Database; Chart B: OECD, Labour Force Statistics Database; Chart C: OECD, Benefits and Wages Database; Chart D: OECD, PISA 2006 Database.

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