

PREPARE A FUTURE-READY WORKFORCE TO DRIVE BELGIUM'S PRODUCTIVITY GROWTH

- **Prioritize STEM education across all education levels, and promote career awareness.**
- **Advocate dialogue between schools, academia and industry, ensuring competency alignment.**
- **Create frameworks for continuous learning, reducing administrative burdens.**
- **Make upskilling incentives integrated and transparent at all policy levels.**

Belgium's thriving international sectors are increasingly reliant on cutting-edge technologies like digital, generative AI and, in the future, quantum computing. Investing in these innovations holds immense potential to drive Belgium's productivity growth. To fully tap into this strength, proactive efforts are needed to invest in future-ready STEM skills. The Chamber also emphasizes the importance of promoting digital literacy and inclusion, ensuring all citizens have equal access to the benefits of the digital age. The economic success of Belgium relies on strategic investments in skills, education, and technology. Proactive policies and incentives serve as the linchpin for realizing this transformative vision.

- **Prioritize STEM education across all education levels, and promote career awareness.** Ensuring the readiness of Belgium's graduates for future job demands is contingent upon a strategic focus on prioritizing STEM education. Immediate and decisive actions are imperative to invest in future-ready skills at every level of education. Commencing with primary and secondary education, it is essential to integrate STEM skills into learning outcomes and fortify digital infrastructure. Recognizing the pivotal role of teachers in shaping students' capabilities, substantial investment in their professional development is warranted. Extending efforts to universities and colleges involves not only encouraging students to pursue STEM education but also providing comprehensive information about career opportunities within these disciplines.
- **Advocate dialogue between schools, academia and industry.** Fostering stronger partnerships becomes a focal point, with ambitious and innovative projects taking center stage. AmCham Belgium strongly advocates for enhanced collaboration between universities, schools, and industries. Emphasizing the critical role of dialogue, the Chamber underscores the need to ensure that students possess the latest competencies sought by various industries. The Chamber supports dual teaching involving industry experts in course instruction, company internships of at least eight months, talent exchanges, and mentoring programs as integral components of the solution. Highlighting the necessity for short-term talent exchanges between academia and industry, there is a call for a clear legal and administrative framework. Such a framework ensures transparency, fairness, and efficiency, fostering a collaborative environment where academia and industry engage in mutually beneficial partnerships without unnecessary obstacles.
- **Create frameworks for continuous learning and upskilling for professionals.** This encompasses stimulating learning while concurrently reducing administrative burdens, fostering a seamless process for skill development. The ultimate goal is to ensure that Belgium's workforce remains adaptable and excels amidst rapid changes in the professional landscape.
- **Make upskilling incentives integrated and transparent at all policy levels.** Recommending the integration of upskilling and reskilling incentives at federal and regional levels is crucial. This integration ensures transparency, administrative simplicity, and easy implementation for all stakeholders involved. The goal is to create a policy environment where upskilling incentives are seamlessly integrated into the broader framework, aligning with the needs of both businesses and individual professionals.

- **Set a coordinated vision for digital inclusion with only one politically responsible minister per policy level and an interministerial consultative committee.**
- **Break down the walls of the digital inclusion landscape by fostering increased collaboration between public and academic entities and the business sector.**
- **Embrace the understanding that digitalization contributes to higher productivity.**
- **Allow companies to stagger digital upskilling costs over multiple years.**
- **Support target group-oriented organizations.**

Even if technology and our workforce are evolving, this does not mean that everyone is digitally on board. Of all Belgians, 46% between 16 and 74 years old are considered to be digitally vulnerable and 39% of Belgians have weak digital skills. These numbers illustrate that Belgium is doing worse than the EU average of 34%. Various studies have shown that digitization is one of the main levers for substantive changes in jobs. Even beyond that, digital inclusion will benefit our citizens, as well as also our companies and our economy.

Digital inclusion increases employment opportunities for people with diverse backgrounds and skill levels. Stimulating digital inclusion will positively impact labor participation, both for the citizens that are currently inactive and for those that are already actively participating. It is important to not forget that people with low basic digital skills often have jobs that can be automated more easily. As technology and society are changing rapidly, lifelong learning, upskilling and reskilling should therefore become top of mind for every citizen.

In addition to the impact on digitally vulnerable people, there is also an important impact on our companies. The digital divide is not without consequences for our economy. Our country currently has 22,000 vacancies for digital experts (source: Agoria). These vacancies have a significant impact on our competitiveness, but also on our innovation potential. Our companies achieve growth through digitization, so digital inclusion offers new opportunities for employment, entrepreneurship and freelance work, contributing to a more inclusive labor market and economy.

Furthermore, bridging the digital divide will have an impact on the Belgian economy and budget. To achieve the 80% employment target, around 570,000 additional jobs will need to be created between today and 2030. Digital (basic) skills will be needed for almost every one of those jobs.

AmCham Belgium is therefore convinced that major steps are to be taken:

- **Set a coordinated vision for digital inclusion** in Belgium with only one politically responsible minister or state secretary per policy level and an interministerial consultative committee. Relevant stakeholders should be involved in shaping this vision.
- **Break down the walls of the digital inclusion landscape** by fostering increased collaboration between public and academic entities and the business sector. Recognizing digital inclusion as a societal challenge, we emphasize the collective responsibility to address and overcome it.
- **Embrace the understanding that digitalization contributes to higher productivity.** No longer by working harder but by working smarter and improving working comfort. Tasks become less repetitive, less arduous, and less dangerous. This is to the benefit of the companies and of the employees' wellbeing.
- **Allow companies to stagger digital upskilling costs over multiple years.** Estimates show that to be able to support upskilling in the context of digitalization and the sustainability movement, we need to significantly increase our training efforts to around €3.5 billion per year. Companies should be stimulated to upskill and reskill their employees. Investing in people and their skills should be treated the same way as investing in material. Therefore, we propose that companies should be able to spread the investment cost over several years, having a lesser impact on their profit & loss figures.
- **Support target group-oriented organizations.** Support should not only go to training providers and companies that make clear training efforts themselves. The operation of target group-oriented organizations must also be supported. They often have the necessary proximity and take appropriate initiatives that guide hard-to-reach talents with a distance to the labor market in the development of key digital competences. Their successful initiatives deserve massive upscaling to be able to hand the best cards to many more people.

ESTABLISH FAST-TRACKS TO WIN THE WAR FOR INTERNATIONAL TALENT

- **Shorten processing times and implement fast track procedures to obtain work permits.**
- **Develop a more attractive expatriate regime, and evaluate it annually.**
- **Set more favorable thresholds to attract young international talent.**
- **Improve supplementary benefits.**
- **Create regional networks of relocation centers.**

The battle for a future-ready workforce is not confined to the local arena; it extends to the global stage. To prevail in the global talent competition, AmCham Belgium urges actions for proactive initiatives to convert brain drain into brain gain.

- **Shorten processing times and implement fast track procedures to obtain work permits.** In the context of the so-called Single Permit, it is important to underline the urgency of shorter processing times and the need for fast-track procedures. Reducing bureaucracy and integrating a swift visa issuance process into the Single Permit procedure are crucial steps.
- **Develop a more attractive in-patriate (expat) tax regime and evaluate it annually.** In today's increasingly international society, qualified talents frequently have the choice in where they would like to live and work. To be recognized as an appealing investment destination, it is imperative to be open to the idea of having certain high-level strategic and decision-making positions filled by individuals with an international background. Attracting and retaining such key roles in Belgium provides a strategic advantage when advocating for additional investments. The strong voice these executives possess can indeed influence headquarters' decisions, leading to increased investment, business expansion, and ultimately, the continued growth of the company's presence in Belgium. This approach has, for instance, been instrumental in Switzerland attracting increased investments in recent years. Today our high labor cost (uncapped employer social security contributions (25% on top of the gross salary)), in combination with the high personal income tax rates (50% as of a taxable income of €46,440 (for income year 2023)) remain an important obstacle to attract senior profiles for head office roles. AmCham supports the establishment of an in-patriate tax regime in Belgium that is appealing, transparent, and competitive. This framework aims to ensure that globally operating corporations can efficiently deploy (intra-group) their talents to Belgium. It also seeks to enable all companies to present competitive job offers for positions that are open in the local labor market. Despite Belgium's adoption of a new in-patriate tax regime in 2022, there is a recognition that certain adjustments are necessary. One such adjustment involves raising the cap for the tax-free allowances. We would also recommend to set a more favorable thresholds to attract young talent from abroad. Lowering the €75,000 salary threshold for the qualification as 'non-researchers', especially for young international talents, is needed. This threshold is very high compared to other countries. In the Netherlands, this threshold is set in general at €41,954 and €31.891 (for 2023) for employees younger than 30 years old (with master degree). Moreover, a broader and clear definition of 'researcher' and the possibility of conducting a preliminary ruling would be welcomed. Furthermore, international talent that has lived and worked in an innovation center within 150 kilometers of the Belgian border during the last five years before entering into service, cannot be attracted without an impact on his/her expat status. Therefore the Chamber advocates for a systematic annual review of the regime to sustain its attractiveness relative to neighboring countries.

- **Improve supplementary benefits.** In addition to the expatriate tax regime, maintaining a stable tax environment concerning supplementary benefits like long term incentive plans (LTIs) and second pillar pension plans would enhance the ability to attract and retain talent. These LTIs hold particular significance for international companies, given their widespread implementation globally. In this context, preserving the stock

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- **Reform alternative remunerations alongside capping patronage contributions for transparency.**

option law of March 26, 1999, is crucial and should be upheld. Furthermore, the stability of existing tax treatments, such as those associated with supplementary pension plans provided by employers to their staff, is paramount. This stability is not only essential for the well-being of employees but also for employers, who must have the assurance to continue offering these benefits. This ensures the establishment of financially and socially sustainable pensions for employees in the future.

- **Create regional networks of relocation centers.** We call for the creation of regional networks of relocation centers, acting as one-stop shops to serve as the main point of contact for newcomers in Belgium, simplifying the process and alleviating the need to navigate various services.

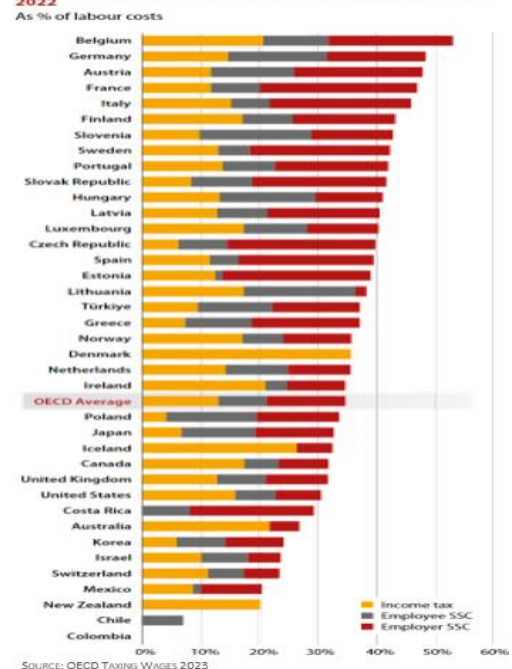
IMPLEMENT STRATEGIC EMPLOYMENT COST REFORMS TO CLOSE THE GAP WITH OUR NEIGHBORS

For large international companies, it is almost impossible to estimate quickly and transparently what the exact labor cost will be in Belgium. As a result, recruitments are regularly not made in Belgium, but in other European countries. However, attracting highly skilled workers and realizing investments in decision-making centers is crucial to building and/or maintaining a healthy employment network in our country. Therefore, it seems appropriate to AmCham Belgium to **reopen the discussion on capping employer social security contributions**. It remains undeniably evident that a certain degree of solidarity remains in the system.

It cannot and must not be the intention that the viability of the social security system in Belgium would be compromised and that the weakest in society would suffer because of the capping of contributions. When only the cost of capping employer security contributions is considered, the absolute cost of such capping seems insurmountably high. Especially when the capping would be done on a relatively modest salary (read an annual salary lower than e.g., €80,000). However, the cost is obviously strongly related to the height of the ceiling set. Such ceiling should be set at a multiple time of the ceiling used to calculate the allowances.

As a consequence, each individual and corporation would then ‘sponsor’ up to x unfortunate individuals. The pursuit of a competitive investment landscape is impossible without addressing employment costs. This includes organizing a ready-to-use, well-educated workforce and efficient international worker mobility at a cost competitive to neighboring countries. Additionally, factors like benefits, holiday calculations, and extended sick leave substantially influence the equation. It's essential to introduce enticing tax structures for supplementary benefits, such as stock options and pensions, while aligning personal taxation with European norms. Bridging the employment cost gap is a critical step in bolstering Belgium's investment appeal.

FIGURE 1. INCOME TAX PLUS EMPLOYEE AND EMPLOYER SOCIAL SECURITY CONTRIBUTIONS, OECD COUNTRIES, 2022



The government's decision in the 1980s to stop putting a cap on social security contributions, has caused Belgium to consistently be at the top of the league in terms of employer costs on earned income. This decision has also, at least indirectly, caused several (unexpected) outcomes, which today have a major impact on wage taxation. In reaction companies are incentivized to provide numerous alternative forms of remuneration (company cars, meal vouchers, etc.). In addition, we see a strong increase in the number of self-employed and many special regimes for the deduction of social security contributions have been created.

As a basis for determining the ceiling, a capping could be applied which could be in reasonable proportion to the capping we have for the self-employed. On that basis, a ceiling could be put at an annual salary of €200,000. The ceiling could also be formulated as a maximum amount of the employer's contributions. For example, a maximum equal to the maximum contribution paid by the self-employed (approximately €20,000) or a coefficient applied to it (e.g., twice the maximum contribution for the self-employed).

Reform alternative remunerations alongside capping patronage contributions for transparency. Additional alternative forms of remuneration should also be examined on the side of this measure in order to make Belgian labor cost easier to estimate. In fact, we believe it is only possible to reform these alternative remunerations, provided that the capping of patronage contributions is included in the equation. The same goes for the many exception regimes on patronage contributions that currently exist. Nevertheless, these can only be re-examined in the bigger picture, which includes capping contributions.