



# Belgium's room for improvement is big

## A call for immediate action

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International institutions such as the World Bank, the EU or the OECD, and international opinion leaders such as IMD publish indexes that rank the performance of countries in various fields. They quantify the outcome of governments in an evidence-based manner. Since 2018, Itinera publishes a selection of 30 of these indexes on its website; they are regularly updated and can be consulted by scanning the QR code on the next page.

The overview of international indexes underpins opinions about the quality of policy decisions in our country with objective facts and figures.

Overwhelming evidence shows that democratic majorities, that have to take difficult and courageous decisions in modern welfare states, tend to rely on vanity metrics when evaluating their performance. Moreover, election campaigns are not known for their factual accuracy... rather on the contrary.

Facts and figures, however, are resilient, and they will confront the post-election political generation with the real width and depth of the issues of the country. That is why Itinera's focus is based on in-depth scientific analysis that puts the facts and figures first. This modus operandi allows Itinera to formulate policy recommendations based on scientific insights, and to highlight best practices from comparable countries – in our effort to promote good governance.

International indexes are a reliable source for information for heads of state and international business executives, and how they look at our country. For Belgium's open economy, this information is a crucial factor for the sustainability of our prosperity.

The inconvenient truth is that Belgium is not catalogued as a top notch-country: we are performing well below our potential. In indexes that aggregate a broad number of indicators, we find ourselves lagging behind in comparison with neighbouring countries. We hold the 26th place in the IMD-Competitiveness Index, with the Netherlands, Switzerland and Denmark ranking 4th, 5th and 6th. We must be mindful of the fact that the competitiveness measure provides a framework that allows to recognize the factors that facilitate prosperity in our economy. The poor qualification of Belgium is unacceptable: there is no objective reason why Belgium would not be able to find a place near Switzerland, the Netherlands or Denmark.

The second inference is that Belgium is sliding down while other countries are actively reforming and improving. Belgium has now to move ahead robustly in order to prevent that Belgium tumbles down further.

Belgium must formulate the ambition to guarantee the level of prosperity of its post-war-generation to its children and grandchildren. It is the responsibility of the leaders that we elected in May 2019, to define a plan on the basis of that objective.



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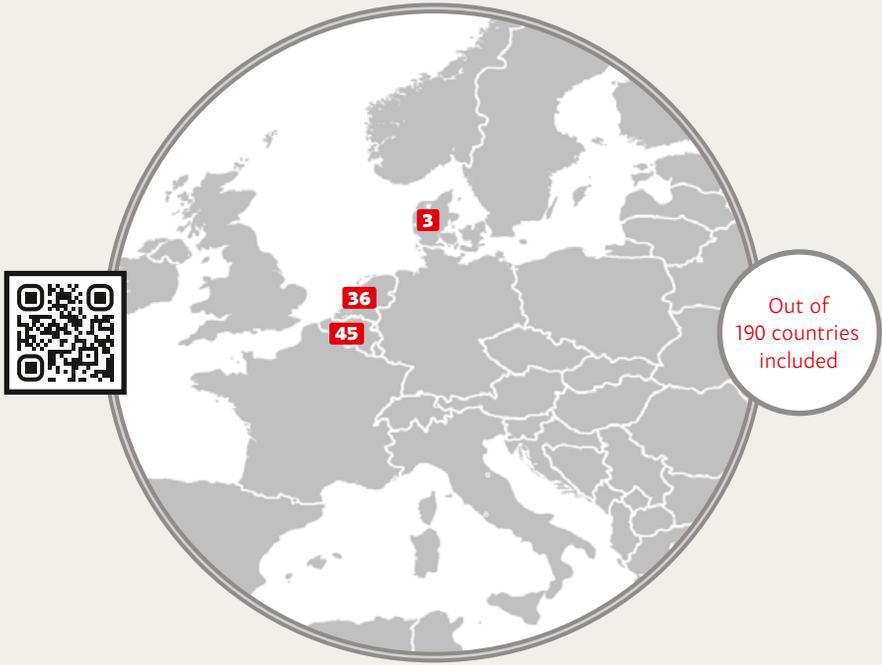
Prof dr Leo Neels  
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# Ease of Doing Business

## World Bank<sup>1</sup>



### What

The Ease of Doing Business index by the World Bank measures to what extent the regulatory framework stifles entrepreneurship, or allows it to thrive. It includes regulation, red tape, administrative duties and various taxes concerning starting an enterprise, acquiring building permits, electricity supply, property rights, acquiring credit, minority shareholder protection, taxation, international trade, rule of law, and bankruptcy proceedings. Labour regulation is included in the rapport but isn't used to calculate the index.

<sup>1</sup> World Bank, *Doing Business 2019 Training for Reform*, Doing Business (Washington, DC, USA: The World Bank, 2019)

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## Belgium

As 45th we find ourselves far from our neighbouring countries, and nowhere near the European leader, Denmark. Even though we moved up seven places in comparison with last year, we clearly do not live up to our potential and are the seventh worst scoring high-income OECD-country.

The main culprits for this abysmal result are the electricity supply (112), acquiring credit (60) and property rights (143). We redeem ourselves by heading the ranking concerning international trade, and with excellent results for establishing a new business (33) and bankruptcy proceedings (8).

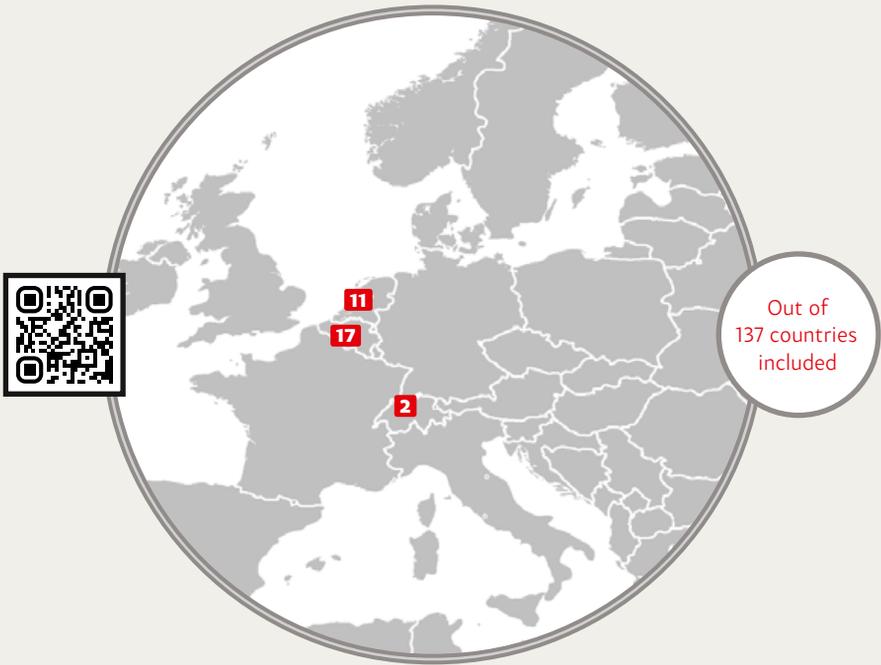
## Priorities

It is easy to set up a new company in Belgium, but not to get started for SME's. Amongst others, starters have problems with the red tape for energy supply, the long time it takes to register property and the complexity of regulations in general. Belgium needs streamlined regulations and competent regulatory practices that facilitate private sector development rather than creating unnecessary bureaucratic obstacles.

See Itinera publications: J. Albrecht, *Energietrilemma*, 2018; P. Becue, *Falen*, 2018; Itinera, *Een Plan voor het Land/ Un Projet pour la Belgique*, 2019.

# Global Entrepreneurship Index

Global Entrepreneurship and Development Institute<sup>2</sup>



## What

The Global Entrepreneurship Index aims to quantify entrepreneurship and the entrepreneurial ecosystem in a country. It measures the extent to which (potential) entrepreneurs see an opportunity, are able and dare to seize it, can accomplish their goal, network amongst each other, innovate, compete, want to and are able to grow, handle technological change and surpass national borders. Other indicators include the access to venture capital, and esteem held for (potential) entrepreneurs.

<sup>2</sup> Zoltan Acs, László Szerb, en Erkko Autio, *The Global Entrepreneurship Index 2018* (Washington, D.C: Springer International Publishing, 2018).

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## Belgium

We often see Belgium as an open knowledge-based economy, the results confirm this. We excel in terms of process- and product innovation, competition, (highly) technological firms, and highly qualified workers. Our entrepreneurial networks are somewhat below the European average, and entrepreneurs are held in mediocre or even low esteem. This might account for the fact that the average Belgian won't spot a business idea, capitalise on this idea or grow the idea from a start-up to a scale-up.

Belgium suffers from a negative perception bias towards entrepreneurs; their essential role in the creation of value is underestimated. In the West-European region and Scandinavia, Belgium has a poor ranking, with the 12th place – behind our neighbouring countries.

## Priorities

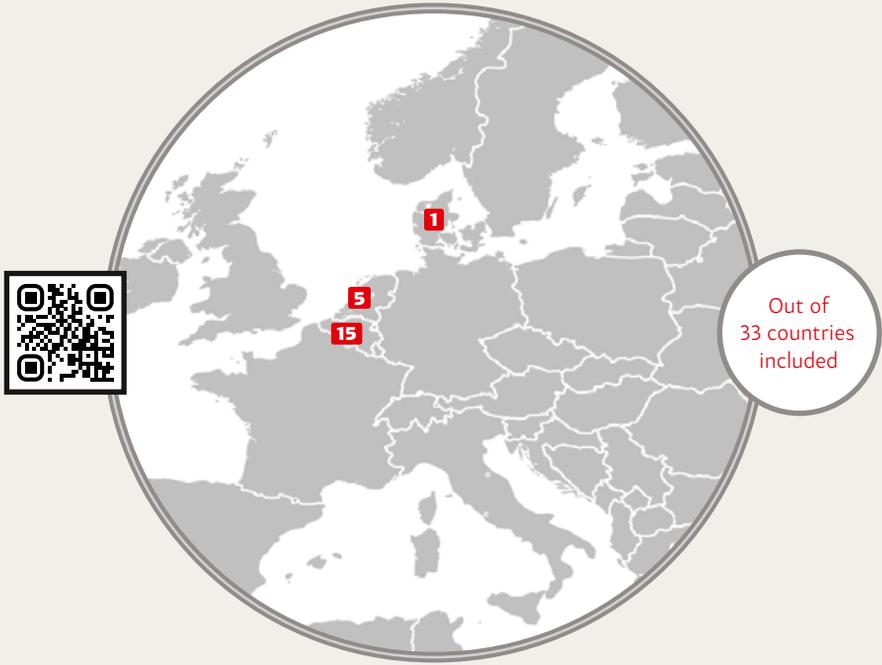
Belgium needs initiatives to actively promote entrepreneurship and the public's perception of entrepreneurs and enterprises.

In general, Belgian entrepreneurs need to become better networkers. Starters seem to be motivated more by opportunity than necessity, and regulation does not make the choice to be an entrepreneur easy. The administrative burden is too high. Individuals should become less risk-averse and more willing to start a business. Unstable institutions and low trust levels in authorities add additional risk to starting a business.

Itinera published on the importance of entrepreneurship: *Belang en beleid van ondernemerschap / Importance et politique de l'esprit d'entreprise* (I. Van De Cloot, 2017) and *Comment le déficit de culture entrepreneuriale freine les jeunes entrepreneurs belges* (I. Van De Cloot & T. Ejzyn, 2016).

# KOF Youth Labour Market Index

## KOF Swiss Economic Institute<sup>3</sup>



### What

The KOF Youth Labour Market Index is quite self-explanatory. It measures the activity, working conditions, education, and transition to the labour market in a country based on the (long-term) youth employment, NEET-rate (youngsters Not in Employment, Education or Training), temporary contracts, involuntary part-time workers, atypical working hours, in work at risk of poverty rate, vulnerable employment rate, formal education and training, skills mismatch, and relative unemployment rate. Most recent figures are for 2016.

<sup>3</sup> Filippo Pusterla, "How Active Are Youth? The Interplay between Education, Youth Unemployment, and Inactivity", *KOF Swiss Economic Institute*, KOF Studies, 2017.

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## Belgium

We owe our disappointing results to our fluctuating performance. Belgium protects its younger workers against atypical working hours and in-work poverty, even better than the Netherlands (4) or pack leader Denmark (1). However, in virtually every other regard our education and labour market policies fall short and even fail our youth. Especially (long-time) youth unemployment, NEET-rate and temporary contracts explain our 15th rank.

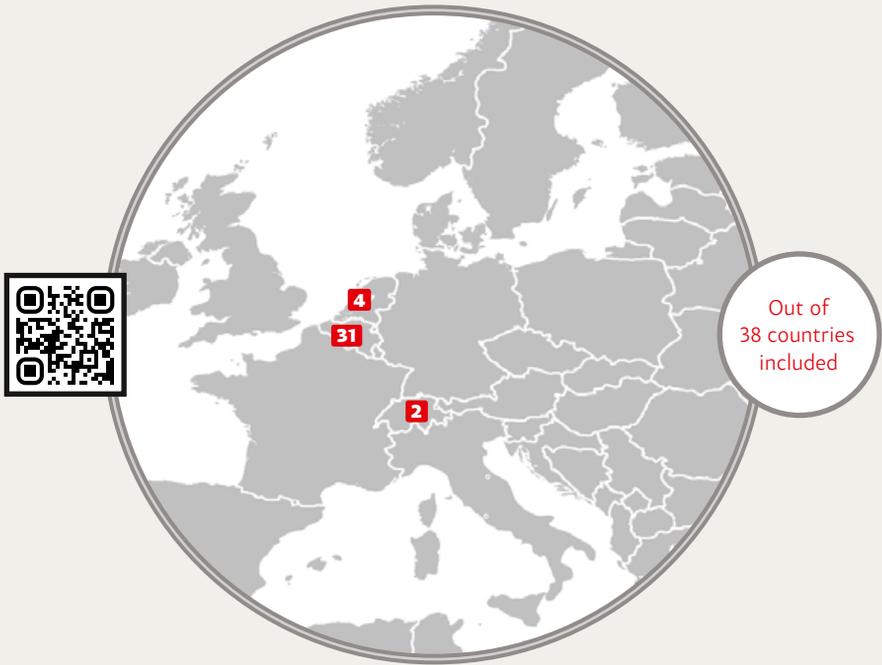
## Priorities

Belgium should correct its bifurcated labour market: employees are well protected, yet youngsters and the unemployed struggle to enter the labour market. There is a need for more lenient starting positions for young people: their labour market ladder is missing the bottom rungs. Too many youngsters leave secondary education before they graduate, and they are under-skilled for the labour market that requires good formation and/or experience. Policy should focus on those that are involuntary inactive, and those that are stuck in the “unemployment trap”.

See Itinera's publications on the labour market such as: *Van baanzekerheid naar Werkzekerheid / D'une sécurité de l'emploi vers une sécurité du travail* (M. De Vos & J. Konings, 2007), *Een Nieuwe agenda voor het arbeidsmarktbeleid/ Un nouvel agenda pour la politique du marché du travail* (M. De Vos, 2018) and on education e.g. *De Geslaagde School / École de la réussite* (J. Hindriks & K. Dewitte, 2017) or *De hervormende school/L'école du renouveau* (J. Hindriks & K. Dewitte, 2018).

# Employment rate

## OECD<sup>4</sup>



### What

The employment rate indicates how many of the working age population (15 to 64 years) are actually employed. Rather than looking at headline figures of unemployment, this shows us to what extent the labour resources are being utilised. It is also less susceptible to policy makers decreasing the number of unemployed by redefining part of them as retired, disabled, sick or ineligible for unemployment benefits.

<sup>4</sup> OECD, "Employment Rate (Indicator)" (OECD, 2019).

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## Belgium

It's widely known that 1 out of 3 Belgians of working age does not work. In fact, with an employment rate of 65.0%, it's even slightly more than that. This places us in the tail-end of the ranking, near countries such as Mexico, Greece, Spain and Italy. In fact, we are the worst performing country of Northern and Western Europe, and a full 10% below any in the top-10. The latest regional data for the second quarter of 2018 put Flanders well ahead of Brussels and Wallonia, but still only barely at the European average and nowhere near top performers.

Although Iceland distances itself from the pack at 85.5%, its economic and geopolitical circumstances are quite unique. Switzerland is the best performing comparable European country with an employment rate of 80.3 %. An employment rate of 77.8% snatches a fourth place for the Netherlands.

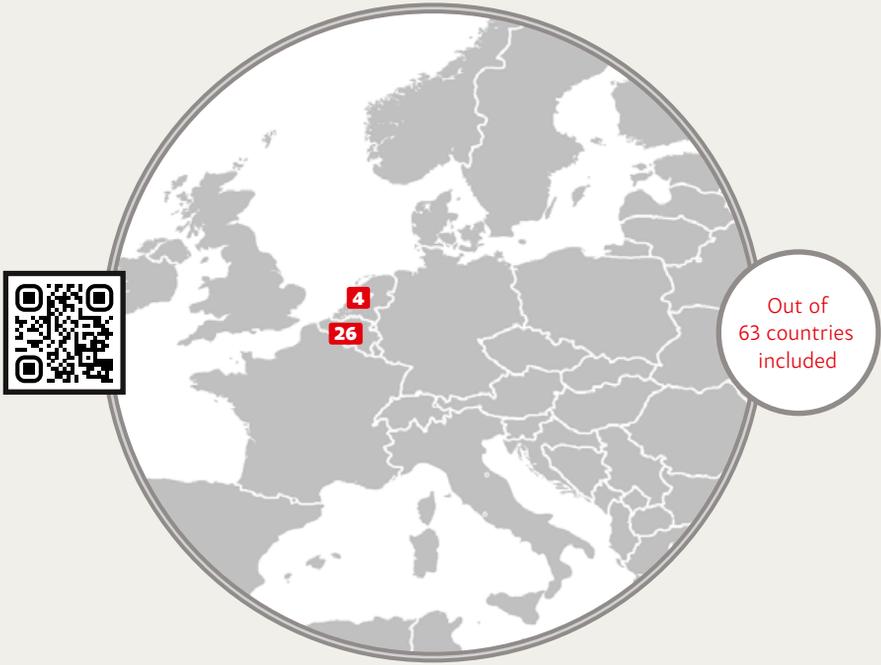
## Priorities

Belgian labour law is rigid and it delivers a very solid protection for people at work, but it disadvantages youngsters with low qualifications or skills, and unemployed people for which the incentive to seek a job and leave unemployment benefits behind is lacking. Belgium urgently needs to review labour law in order to solve a situation that is dramatic for individuals, families and even regions.

Itinera has a well-vested tradition of publications in this field, a.o. its very first book, published in 2007 and many reports: *Van baanzeekerheid naar Werkzeekerheid / D'une sécurité de l'emploi vers une sécurité du travail* (M. De Vos & J. Konings, 2007), *Flexicurity in bedrijf: het beste van twee werelden?* (T. Wilthagen, 2014), 2014-2019: *Naar een betere arbeidsmarkt / 2014-2019: tout faire pour améliorer le taux d'emploi* (M. De Vos, 2014), *Een Nieuwe agenda voor het arbeidsmarktbeleid / Un nouvel agenda pour la politique du marché du travail* (M. De Vos, 2018), *Activering 2.0* (S. Baert, 2019) and *Krachtlijnen voor meer werk én minder armoede: sociale bescherming in tijden van arbeidsdiversiteit* (I. Marx, 2019)

# IMD World Competitiveness Ranking

IMD<sup>5</sup>



## What

The top-ranked Lausanne-based business school IMD has calculated the World Competitiveness Index since 1989 on the basis of 258 indicators. These range from trade and employment figures to surveys about corruption, the environment and the quality of life. They look at economic performance, good governance, efficiency in the business world and 'infrastructure'. The latter also includes matters such as education and healthcare. 'Hard' quantitative & objective data is weighted twice as heavy as 'soft' subjective and qualitative data, such as questionnaires.

<sup>5</sup> IMD, "IMD World Competitiveness Yearbook 2018" (Lausanne: IMD, 2018).

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## Belgium

Belgium scores badly on the IMD-competitiveness index, and, once again, only France scores lower in North and Western Europe. The causes for this are recognisable: fiscal (penultimate place), budgetary and labour market policy scores poorly, as does basic infrastructure (including the road and rail network); international trade, productivity of companies and education help save face. The poor score for international investment (place 57 out of 63) and the excellent social fabric (place 7) are remarkable.

Here also, the Netherlands (4) follow a balanced path, with places in the top 10 for three out of four main categories. While Belgium falls 3 places, the Netherlands have managed to increase one place, with Switzerland now behind them.

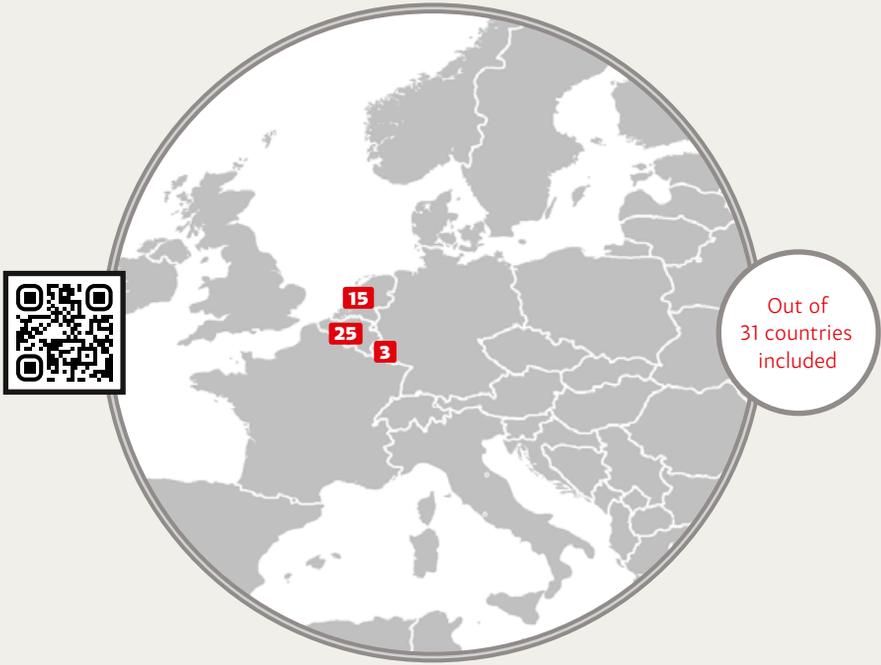
## Priorities

The challenges aren't new. Our labour market is sclerotic, with a shortage of the right skills, a low participation rate and high labour costs. Governments need to improve their efficacy: red tape complicates their own functioning and impedes economic growth. Lastly, our public infrastructure is in dire straits, from school buildings to roads and courts, but legal woes defy logic and block large and much needed investments.

Itinera has published regularly on these issues: *Competitiviteitsaanbevelingen voor België / 2014-2019: Vers une meilleure politique de compétitivité* (J. Albrecht, 2014), *De maakindustrie van de toekomst in België / L'industrie manufacturière de l'avenir en Belgique* (S. Ronsse & I. Van De Cloot, 2017) and *Tax Shift* (I. Van De Cloot & K. Volckaert, 2016) and most recently *Plan voor het Land/Un Projet pour la Belgique* (Itinera, 2019).

# General government gross debt

## OECD<sup>6</sup>



### What

The General Government Gross Debt indicates the total government debt scaled to a country's GDP. General Government includes federal or central, regional and local governments, as well as the social security system. We ranked them from lowest to highest: the first place has the lowest government debt in relation to the size of their economy. Rankings are for 2017 as almost half of the countries concerned have yet to publicise data for 2018.

<sup>6</sup> OECD, "General Government Debt (Indicator)" (Paris: OECD, 2018).

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## Belgium

To say that there is room for improvement is an understatement. At 120% of GDP, we have the second highest government debt of North and Western Europe. In the OECD, only France (124%), the US (138%), Portugal (145%), Italy (152%), Greece (189%) and Japan (234%) perform worse.

One could argue that some government debt isn't necessarily a bad thing, depending on macro-economic circumstances and what the funds were used for. However, a government debt of 120% of GDP means that if everything produced in the whole of Belgium in a whole year would be put towards repaying our debt, we would have about as much debt as Luxembourg has today (31%).

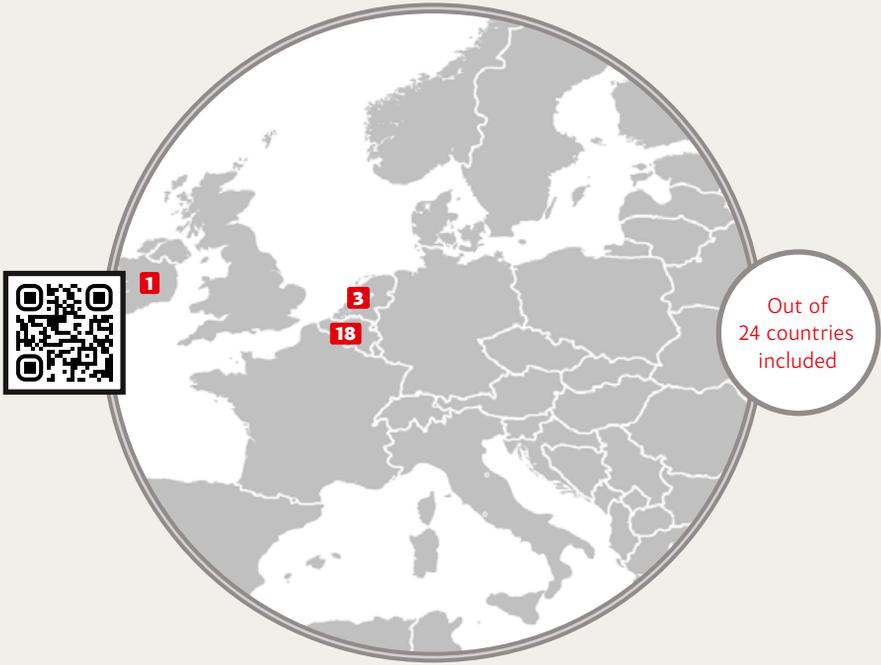
## Priorities

Other countries have proven that their policies can be executed in a more cost-effective manner. Belgium neglected to reduce its sovereign debt in times of low interest rates and is now confronted with the urgent need to correct state debt in a significant manner. Policy decisions should be more prudent with regard to favouring vested interests at the expense of youngsters and future generations.

Itinera has published on the themes of pension and tax shift: *De rekening moet kloppen* (I. Van De Cloot, 2014), *Tax Shift* (I. Van De Cloot & K. Volckaert, 2016) and *Quel avenir pour nos pensions ?* (J. Hindriks, 2015).

# Value-for-money Index

## VOKA<sup>7</sup>



### What

The Value-For-Money index by Flemish employers' organisation VOKA compares the government input with its output. High taxes and other government revenues can be justified to finance a well-functioning government with excellent public services. VOKA benchmarks the 24 European OECD-countries on 46 metrics spanning the economy, healthcare, rule of law, education, the environment, and more. Although the latest report dates from 2016, VOKA graciously provided us with their calculations for 2018.

<sup>7</sup> Stijn Decock, *"Te weinig waar voor ons geld"*, Voka groeipapers (Brussel: VOKA, 2016);  
Bart Van Craeynest, *"Waar voor je geld ranking 2018"* (VOKA, 2019).

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## Belgium

Sweden has fallen from the throne, dropping from the first to the fifth place. Ireland, previously 11th, shoots to the top. The top three is completed with Switzerland, rising from 4th to 2nd, and the Netherlands, rising from 6th to 3rd. The Scandinavian countries have fallen, but remain competitive within the top 10.

Our high government revenue could be used more effectively: in terms of value-for-money we score 18th, down from 15th. This places us between Spain and Slovakia, and is mainly due to poor macro-economic fundamentals and a rigid labour market policy.

## Priorities

Belgium – all federal and regional authorities taken together – must reinvent efficacy, and review the proliferation of policy levels, mandates and administrations in a significant manner. The de facto-double structures of “vzw/asbl” and intercommunal entities must be reviewed for efficacy’s sake. New governments must strive for significant shocks in the direction of sound modern management of public services, in a cost-effective manner.

See Itinera’s publications, a.o.: *Op zoek naar goed bestuur* (J. Hindriks, 2015), *Tax Shift* (I. Van De Cloot & K. Volckaert, 2016), *Gestion publique de Bruxelles* (J. Hindriks & J. Van Cauter, 2019), *Een Plan voor het Land, Un Projet pour la Belgique*, (Itinera) 2019.

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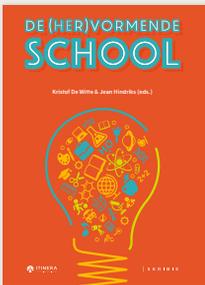
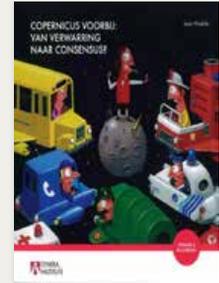
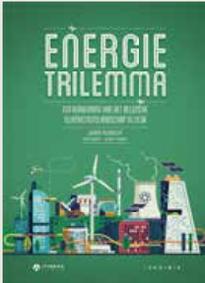
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