What is at stake in the 2019 elections?

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What is at stake in the 2019 elections?

At the announcement of the July mid-term budget decisions, federal or regional governments qualified their decisions as "*historic*". The reaction from civil society, media and the public was sceptical. It was suggested that decisions lacked vision and courage, and were insufficient to redress the impression that our various governments stalled in the last year, after a more ambitious start in 2014.

The divergence of opinion between politicians and popular media may be rather usual, but they indicate that opinions are based on different metrics; the suggestion is that democratic majorities tend to rely on vanity metrics when measuring their performance.

Itinera strives for better governance by Belgian authorities. Itinera's *modus operandi* is to analyse policies and their outcomes with scientific rigour, and to put the *facts and figures* first. This allows Itinera to formulate policy recommendations based on scientific insights, and to promote best practices from comparable countries.

Itinera decided to highlight the international indexes that are published by institutions such as the World Bank, the World Economic Forum or the OECD, ranking the performance of countries in various fields. They quantify the performance of governments on an evidence-based basis. As from today, you can find 30 of these indexes on the Itinera website; we will update these regularly.

Belgium leads one of these indexes, the 2018 KOF Globalisation Index, published by the KOF Swiss Economic Institute of ETH-Zurich. Clearly, one of the consequences of our "open economy" is that the way heads of state and international business executives regard Belgium, is a crucial factor for the sustainability of our prosperity. Vanity metrics won't be helpful.

The main lesson of these indexes is that Belgium is not catalogued as a top notch-country. In indexes that aggregate a broad number of indicators, we find ourselves lagging behind in comparison with neighbouring countries. We hold the 20th place in the WEF-Competitiveness Index, with the Netherlands and Germany in place 4 and 5, and we are stuck in the 52nd place in the Ease of doing business Index of the World Bank, in the neighbourhood of countries such as Hungary, the Russian Federation and Bulgaria that surprisingly precede Belgium.

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

A saying in management sciences is that "the biggest room in a country is very often the room for improvement". If Belgium wants to guarantee the current level of prosperity to its children and grandchildren, this should be the *mantra* of our leaders, and the result would be truly ... historic. That is what is at stake in the next federal and regional elections.

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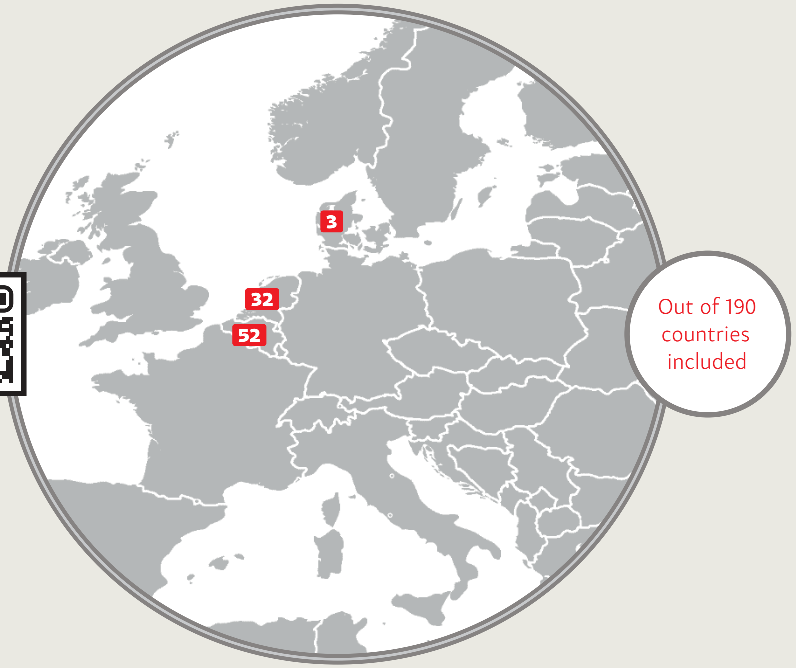
Ease of Doing Business
World Bank



Belgium

As 52nd we find ourselves far from our neighbouring countries, and nowhere near the European leader, Denmark. We clearly do not live up to our potential and are the fifth worse scoring high-income OECD-country. We even dropped 10 places compared to last year.

The main culprits for this abysmal result are the electricity supply (103), acquiring credit (105) and property rights (138). We redeem ourselves by heading the ranking concerning international trade, and with excellent results for establishing a new business (16) and bankruptcy proceedings (11).

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.

World Bank, red., Doing Business 2018 Reforming to Create Jobs, Doing Business, 15th edition 2018 (Washington, DC, USA: World Bank Group, 2018).

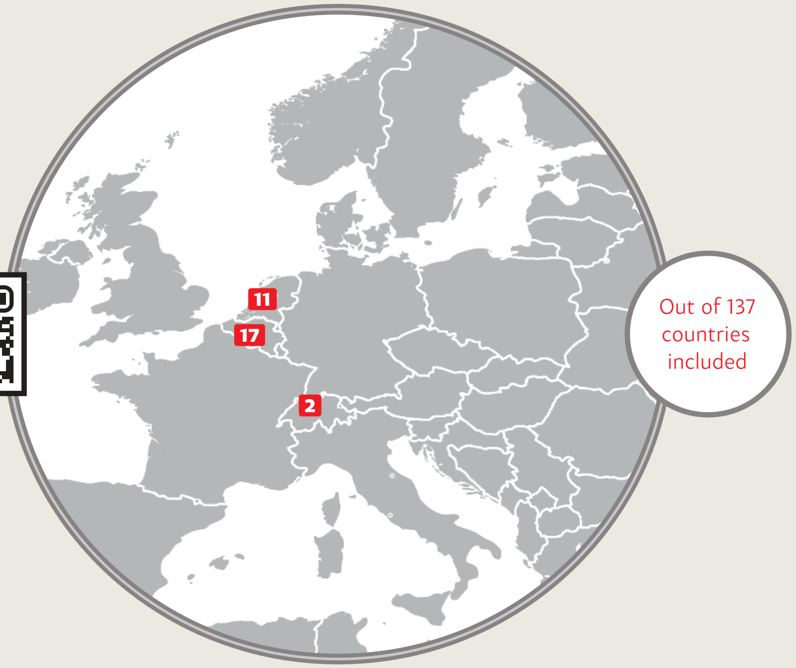
Priorities

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.

Global Entrepreneurship Index

Global Entrepreneurship and Development Institute



What

The *Global Entrepreneurship Index* aims to quantify entrepreneurship and the entrepreneurial ecosystem in a country. They measure 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.

Zoltan Acs, László Szerb, en Erkko Autio, The Global Entrepreneurship Index (Cham: Springer International Publishing, 2017).

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

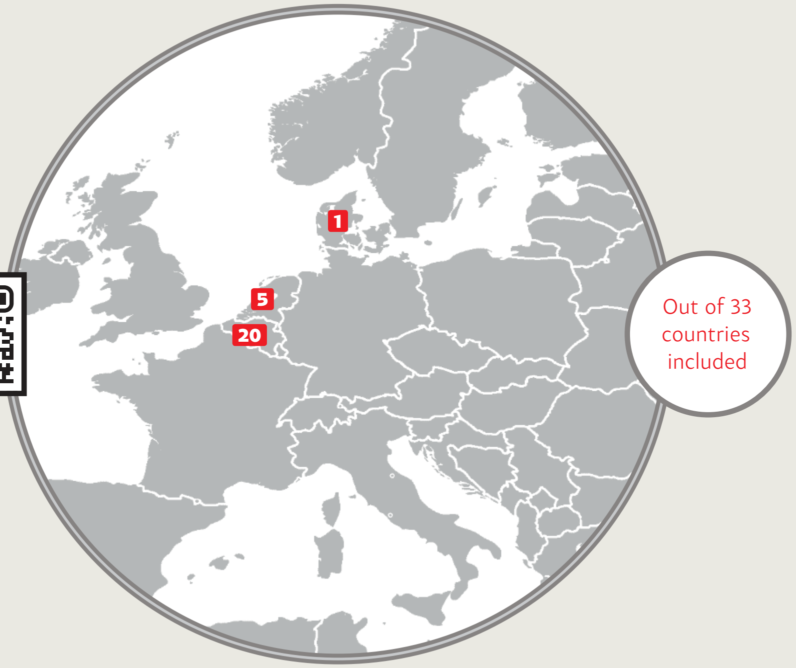
Belgium needs initiatives to actively promote entrepreneurship and the public's perception of entrepreneurs and enterprises.

In general, Belgian entrepreneurs need to become better networkers. Starters seem to be motivated more by opportunity than necessity, and governance 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. But our 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



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 (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 2015.

Filippo Pusterla, "How Active Are Youth? The Interplay between Education, Youth Unemployment, and Inactivity", KOF Swiss Economic Institute, KOF Studies, 2017.

Belgium

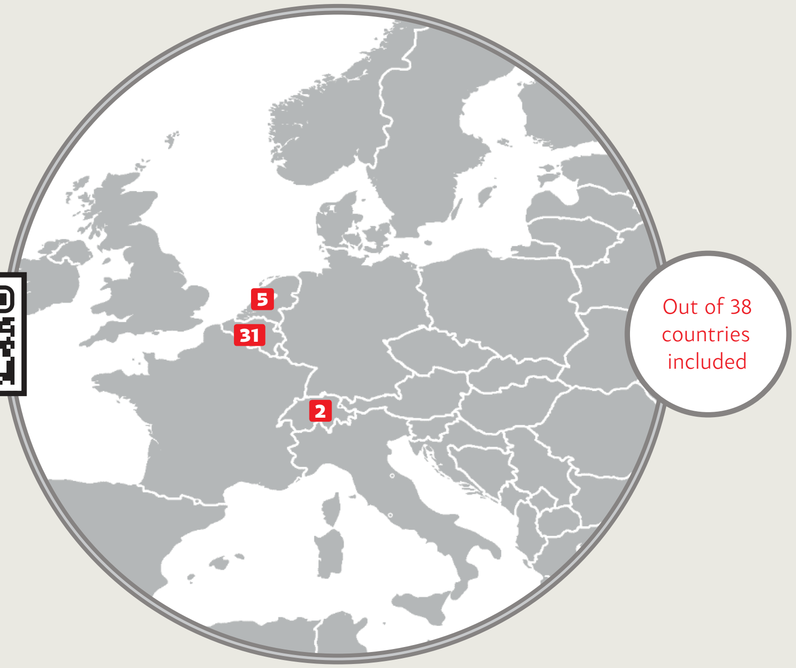
We owe our disappointing results to our fluctuating performance. Belgium protects its younger workers against atypical working hours and in-work poverty, even better than the Netherlands (5) or pack leader Denmark (1). However, in virtually every other regard our education and labour market policies fall short and even fail our youth. Especially (long-time) youth unemployment, NEET-rate and temporary contracts explain our 20th 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) 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



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.

OECD, "Employment Rate (Indicator)" (OECD, 2018).

Belgium

It's widely known that 1 out of 3 Belgians of working age does not work. In fact, with an employment rate of 63.1%, 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.

Although Iceland distances itself from the pack at 86.1%, its economic and geopolitical circumstances are quite unique. Switzerland is the best performing comparable European country with an employment rate of 79.8 %. An employment rate of 75.9% snatches a fifth place for the Netherlands.

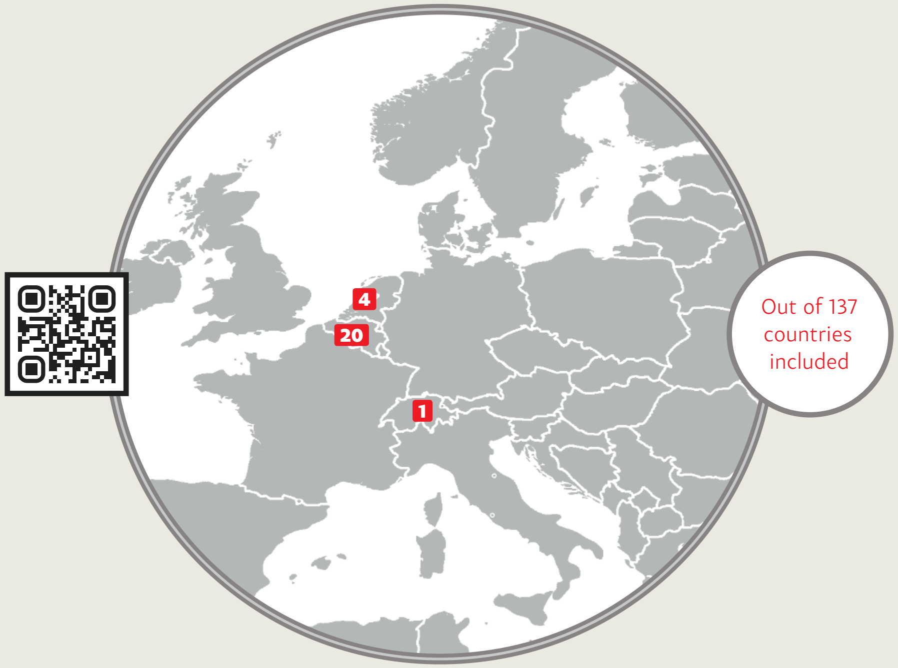
Priorities

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 baanzekerheid naar Werkzekerheid / 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) and *2014-2019: Naar een betere arbeidsmarkt / 2014-2019: tout faire pour améliorer le taux d'emploi* (M. De Vos, 2014).

The Global Competitiveness Index
World Economic Forum



What

The World Economic Forum's *Global Competitiveness Index* measures the performance of 137 countries on 12 pillars of competitiveness. They approximate competitiveness as those factors and institutions that facilitate improvements in productivity, thus enabling long-term growth and prosperity.

These pillars are divided into 3 subindexes with varying weights and compositions: basic requirements, efficiency enhancers, and innovation & sophistication factors.

Klaus Schwab, "The Global Competitiveness Report", Insight Report (Geneva: World Economic Forum, 2017).

Belgium

Our 20th rank places us notably below most of our neighbours and main trade partners, only France (22) ranks worse. The main malefactors are government debt (as the next item will show), budgetary deficits, a rigid labour market (rank 108!), low levels of trust in our financial institutions, and a shortage of scientists & engineers. On the other hand, our education system, capacity for innovation, and business sophistication shine amongst the global elite.

The Netherlands perform admirably well with a fourth place, showcasing excellent results throughout the different metrics. Out of the 12 subindexes their lowest score is a 28th slot for development of financial markets, the only category where we narrowly beat our northern neighbours with a 26th place.

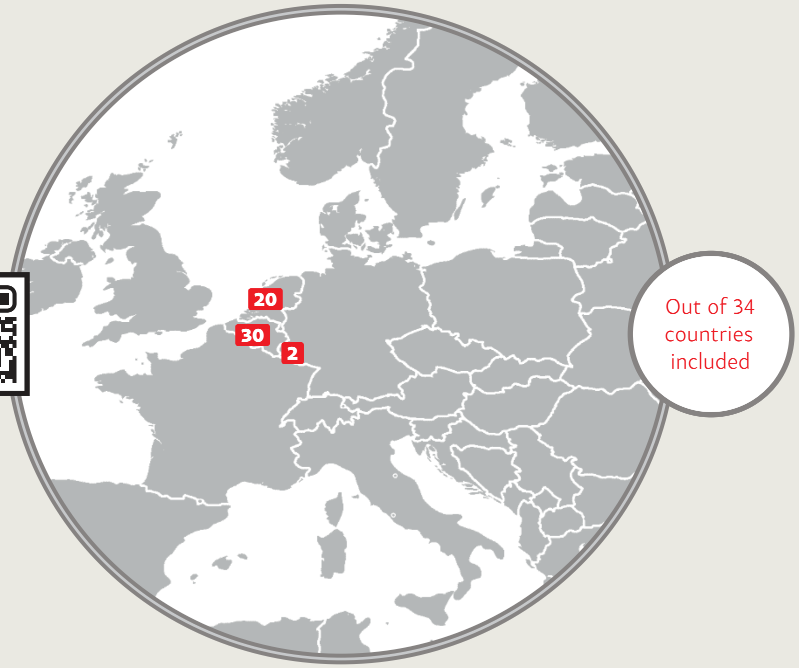
Priorities

Belgium needs better growth rates that restore its competitiveness, and that can create the resources needed for the sustainability of its welfare programs. The generational divide is worrying, and must be addressed, whilst governments must tackle the issue of sovereign debt in a serious manner.

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)

General Government Gross Debt

OECD



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 2016 as almost half of the countries concerned have yet to publicise data for 2017. In the preliminary results for 2017 Belgium and the US switch places, the rest of the rankings are preserved.

OECD, "General Government Debt (Indicator)" (Paris: OECD, 2018).

Belgium

To say that there is room for improvement is an understatement. At 128% of GDP, we have the highest government debt of Northern and Western Europe. In the OECD, only Portugal (146%), Italy (156%), Greece (188%) and Japan (235%) 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 128% of GDP (122% in 2017) 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 Luxemburg has today (28%).

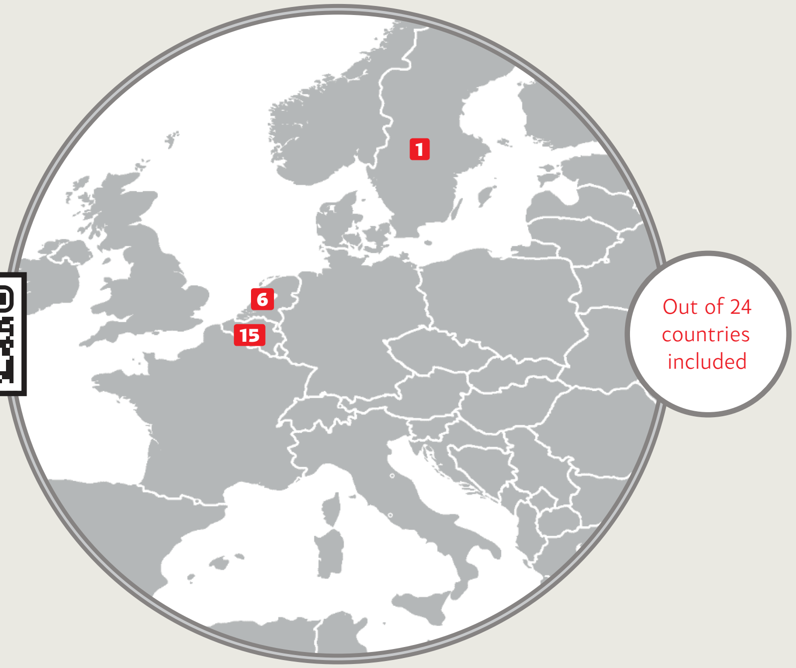
Priorities

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. Policies 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



Belgium

The rankings show a Scandinavian top 3 with Sweden (1), Denmark (2) and Finland (3), followed by Switzerland (4), Norway (5) and the Netherlands (6). Switzerland aside, not quite countries known for lean governments. Norway, Finland, Denmark and Sweden are the countries with respectively the highest, third, fourth and sixth highest government revenues. The Netherlands tax slightly below the EU average.

Our fifth highest government revenue could be used more effectively: in terms of value-for-money we score 15th, right between France and Portugal. This is mainly due to poor macro-economic fundamentals and labour market policy, respectively second and third worst of all European OECD-countries.

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 2017.

Stijn Decock, "Te weinig waar voor ons geld", Voka groeipapers (Brussel: VOKA, 2016); Stijn Decock, "Waar-voor-geld 2017" (Brussel: VOKA, 2017).

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. Next 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) and *Tax Shift* (I. Van De Cloot & K. Volckaert, 2016).

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