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PRESS RELEASE

How to stimulate entrepreneurship in Belgium?

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It is generally acknowledged that entrepreneurship is very important for a country's economic growth. It is also often said that Belgium's performance in that respect is very mediocre. However, few studies provide convincing evidence of that, let alone investigate the reasons for it. The article aims to provide a brief overview of entrepreneurship in Belgium. It also examines the factors that encourage or inhibit entrepreneurship and considers Belgium's position in relation to other countries. By identifying the main weaknesses, it is possible to ascertain precisely where an additional effort may be required.

Entrepreneurship can be defined and measured in various ways. Possible criteria include the creation of businesses and the proportion of self-employed workers in the population of working age. In 2013, new start-ups in Belgium accounted for 3.6% of the total number of businesses. This means that Belgium has the lowest gross start-up ratio of all EU15 countries: the EU15 average was more than twice as high, at 8.9%. This inferior start-up rate holds true for all major sectors. These findings apply since 2008, the first year for which the data are available. The relative number of business closures is also very low in European terms. The Belgian business population is therefore not very dynamic and the process of "creative destruction" – whereby new businesses are constantly being set up and the least productive firms close down, optimising the allocation of the available production factors and boosting potential growth – is quite underdeveloped in Belgium.

In 2014, 8.6 % of the population aged between 15 and 74 years pursued a self-employed activity, putting Belgium in a middle position among the EU15 Member States - where the average came to 9.1% - and among the neighbouring countries. The Belgian figures are driven up slightly by a large number of self-employed workers who are nationals of one of the new EU Member States. In comparison with other European countries, Belgium has fewer self-employed workers in the 45+ age group. While a marked rise has been recorded elsewhere in Europe since 2000, Belgium has seen hardly any increase.

The meagre rise in the number of self-employed workers in Belgium is due partly to divergences between the Regions. Both the data on business start-ups and those on the percentage of self-employed workers indicate that Flanders and Brussels are the principal drivers of entrepreneurship in Belgium, while Wallonia is lagging behind in relative terms.

Entrepreneurship may take various forms, with a varying impact on economic growth. Necessity- or opportunity-driven entrepreneurs, starting a business in order to secure an adequate income or to earn more, generate less economic activity than growth-driven entrepreneurs, developing an economic project that can create wealth and employment. Innovation is one of the routes whereby growth- driven entrepreneurship can influence economic activity. That is therefore the form of enterprise which must be stimulated the most. In the period 2009-2015, roughly 28 % of young Belgian firms belonged to this last category, a figure slightly below the EU15 average (33 %).

Entrepreneurship has many dimensions, and is therefore influenced by numerous factors. It is not only financial or economic factors that operate here: more sociological aspects such as attitudes towards entrepreneurship and risk-taking are also highly important. The article identifies five main groups of determinants. To describe the different aspects of each group, various indicators are combined. The "principal component" analysis makes it possible to calculate for each of the five groups of determinants a composite indicator which ranks all the EU15 Member States.

The analysis shows that Belgium does relatively well among the EU15 as regards market conditions, and has an average score for the regulatory framework, access to finance and entrepreneurial capabilities. Conversely, as regards the entrepreneurship culture, Belgium ranked lowest among the EU15 between 2009 and 2015.

There is scope for improvement in all the groups of determinants. In recent years, the various governments have introduced a number of measures concerning various aspects, such as a tax shelter for start-ups and a reduction in some of the administrative burdens. It is good that an effort is being made to improve various determinants of entrepreneurship. However, two comments are called for. First, the measures concerning such a broad range of determinants need to be mutually complementary, and the measures adopted at the various levels of government must be properly coordinated.

It is also necessary to establish the right priorities. Since the very weak entrepreneurship culture in Belgium appears to be a major impediment to the creation of businesses, it is vital to promote a positive image of 'becoming an entrepreneur', reducing the fear of failure and the associated stigma, and encouraging creativity and risk-taking so that starting a business is seen as a very attractive and worthwhile choice of occupation. However, that is undoubtedly the determinant over which the government has least control; moreover, changing the culture is a long-term process. Stimulating entrepreneurship therefore requires a determined approach via various channels, including the media and the schools. Such a change of culture can do much to safeguard and enhance the future prosperity of Belgium.