



A dynamic and inclusive economy

6. A dynamic and inclusive economy

6.1 Belgium: a changing economy

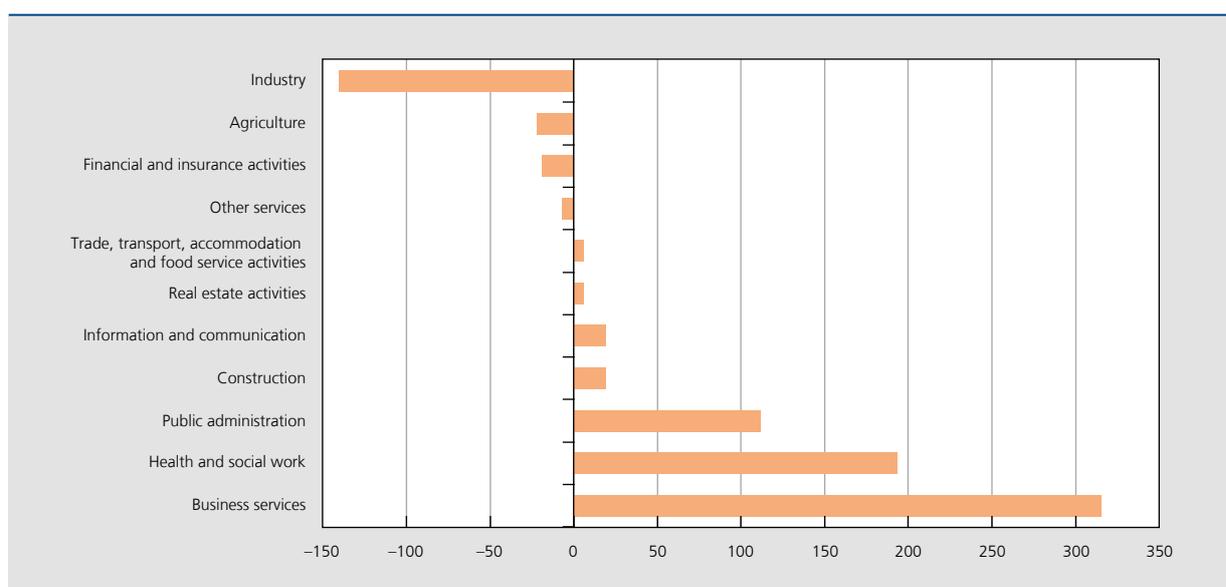
Globalisation and new technologies are fundamentally altering the structure of the advanced economies...

The global economy has undergone far-reaching changes in recent decades. As well as reducing transport costs and dismantling barriers to data exchange, technological progress has transformed modes of distribution and value creation, and even customer relationships. This has been accompanied by fundamental restructuring of production

systems, both locally, through the increased use of outsourcing, and worldwide, via the reorganisation of global value chains.

These changes clearly present economic growth opportunities for the advanced economies by creating new needs and through increased demand from the emerging nations. At the same time, however, they are driving a fundamental reorganisation of economic structures: entire segments of activity have been shifted worldwide – not only within industrial production chains, but to a large extent in the services sector too.

CHART 72 SHARP FALL IN EMPLOYMENT SINCE 2000 IN INDUSTRY, AGRICULTURE AND FINANCIAL SERVICES AND MARKED INCREASE IN NET EMPLOYMENT CREATION IN BUSINESS SERVICES, HEALTH CARE AND GOVERNMENT
(changes in thousands of people between 2000 and 2015)



Source: NAI.

... resulting in a substantial reallocation of employment between sectors and businesses

In Belgium, these changes have translated over recent decades into considerable job destruction in a range of sectors, including industry, agriculture, and financial and insurance activities. On balance, just over 140 000 jobs were lost between 2000 and 2015 in industry and 22 000 in agriculture. In industry, this continued a trend that began in the mid-1970s, while the process had been under way for much longer in agriculture. Some 19 000 jobs were lost in financial and insurance activities in the same period.

These changes are brought home to the population by the corporate restructuring that accompanies them. There were numerous examples in 2016 of the impact such restructuring can have on employment. Throughout 2016, 125 businesses embarked on collective redundancy procedures, affecting over 12 000 employees; the loss of 5 500 jobs in this way was announced in September alone, more than in the whole of 2015.

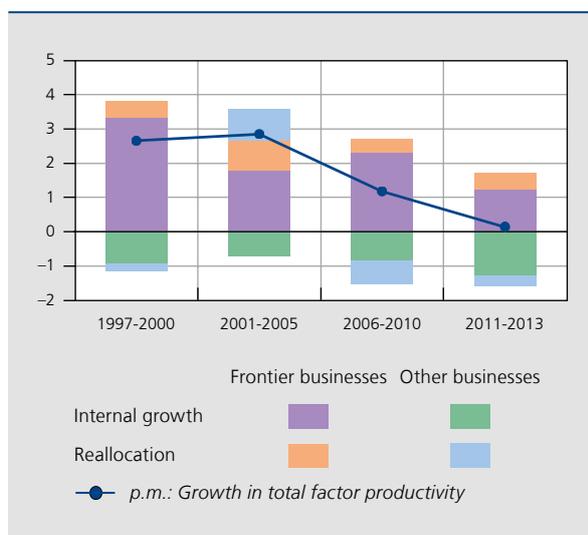
Reallocation of resources promotes economic growth

These developments took place, however, against the backdrop of an employment market in which half a million net jobs were added between 2000 and 2015. A further 59 000 new jobs were created in 2016. This pattern is in keeping with an effectively functioning employment market, in which jobs are destroyed and created all the time. According to DynaM, statistics drawn up on the basis of NSSO data, just over 205 000 jobs were created in 2014 alone, with 180 000 being lost.

Viewed more generally, the reallocation of resources within an economy is a reflection of economic dynamism: the transfer of employment and capital from waning sectors and businesses to ones that are growing delivers productivity gains, the only source of sustainable growth.

Other than during the economic and financial crisis, the reallocation of resources from the least efficient to the most efficient businesses – especially those closest to the frontiers of technological efficiency – has been shown to raise aggregate productivity in Belgium. But this source of growth has remained very limited since 2010. The influence of a relatively small number of businesses on the pattern of aggregate productivity is decisive: the primary source of growth comprises productivity gains recorded by businesses close to the frontier of efficiency, defined as the 5 % most productive businesses. By contrast, other firms that to some degree lag behind technologically

CHART 73 GROWTH IN TOTAL FACTOR PRODUCTIVITY AND REALLOCATION OF RESOURCES
(averages per sub-period, in percentage points)



Source : NBB.
Based on individual data for businesses with at least one employee, registered with the Central Balance Sheet Office between 1996 and 2013. A frontier business is among the 5 % most productive enterprises in its sector.

contribute negatively to productivity gains, which means their handicap is generally getting worse.

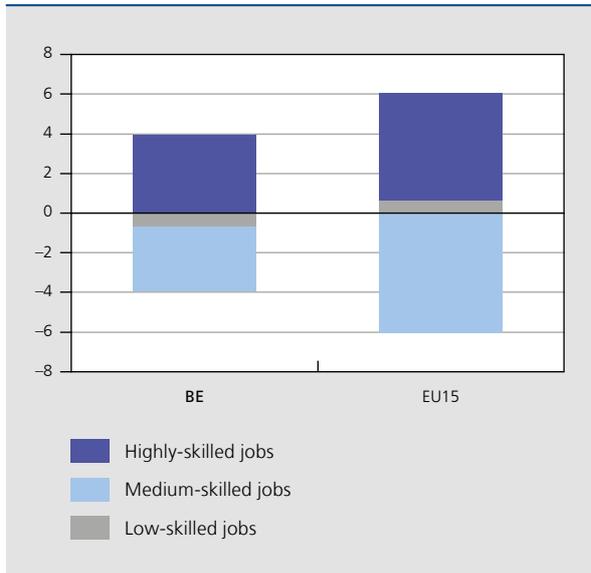
The internal component of productivity growth is exceptionally important in manufacturing industry, telecommunications and IT services sectors. The reallocation of resources to the best businesses makes the biggest contribution to strengthening economic results in trade and other market services.

Public increasingly concerned

Changes to the economic fabric and the organisation of production have an impact on the entire population, although not everyone is affected in the same way.

Globalisation and technological developments, for instance, are bringing about major changes in the demand for employment in Belgium, as in other advanced economies. Demand for highly-skilled employees has grown at the expense of that for medium-skilled positions. Low-skilled occupations have, in turn, been less severely affected: the kind of work performed in this category is difficult to transfer, since it frequently displays a strongly relational content and is associated with geographical proximity. There is a gender difference here: the percentage of low-skilled jobs has increased among women, while it has fallen among men. Employment demand has become more strongly polarised as a result. A partial shift to flexible employment

CHART 74 TREND IN EMPLOYMENT BY QUALIFICATION REQUIREMENT IN THE 2000-2013 PERIOD
(share of total, changes in percentage points)



Source: EC (LFS).

contracts (fixed-term and interim) at the expense of permanent contracts has also been observed.

Since all change is a source of uncertainty, the latter may have been intensified by the less than rosy economic environment and the perception that the benefits of

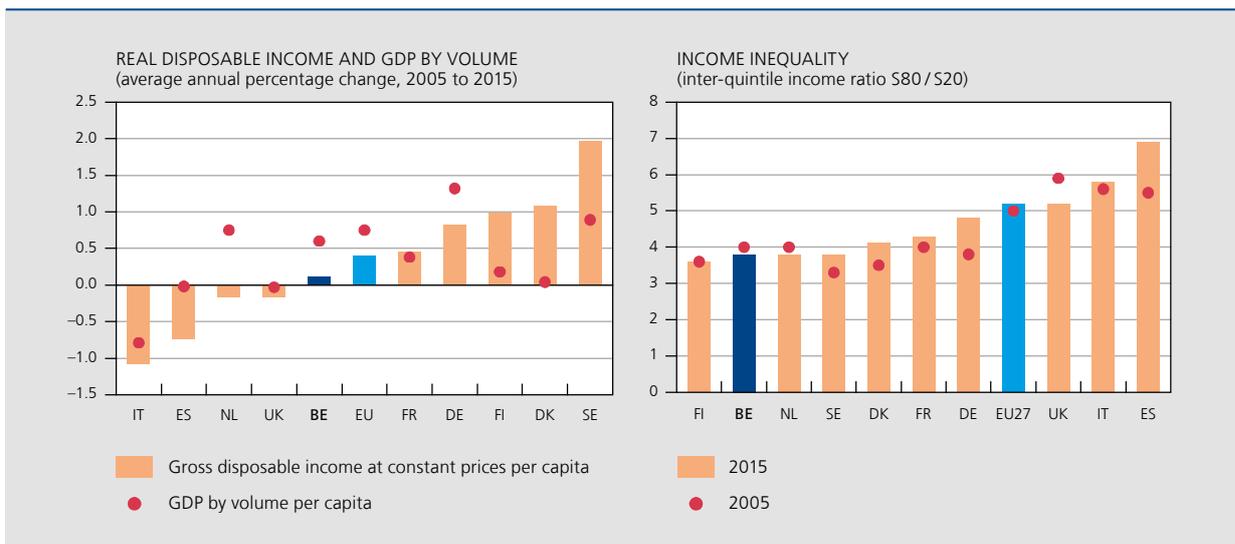
prosperity are not being shared equally. This appears to have led to questioning of the social contract on which our society is based, especially by people most vulnerable to these developments.

Average per capita purchasing power in Belgium rose by 0.1 % between 2005 and 2015 – years that saw the great recession and the euro area crisis, but also part of the preceding phase of rapid expansion and the subsequent period of weak growth. This figure was 0.5 of a percentage point less than per capita GDP growth. This difference results from a transfer of income from Belgium to the rest of the world due to deteriorating terms of trade, combined with a contraction in the proportion of net income from investment flowing to private individuals. The share of wages in GDP, by contrast, returned to its early-2005 level in 2015. It had risen during the crisis, but contracted in 2014 and 2015 due to wage moderation. The share accounted for by social benefits rose.

The income spread in Belgium narrowed slightly during this period, in contrast with many other countries, where it widened. Inequality is measured as the ratio of the total disposable income of the 20 % of people with the highest income to that of the 20 % with the lowest. The figures are adjusted to take into account the composition of the household to which an individual belongs.

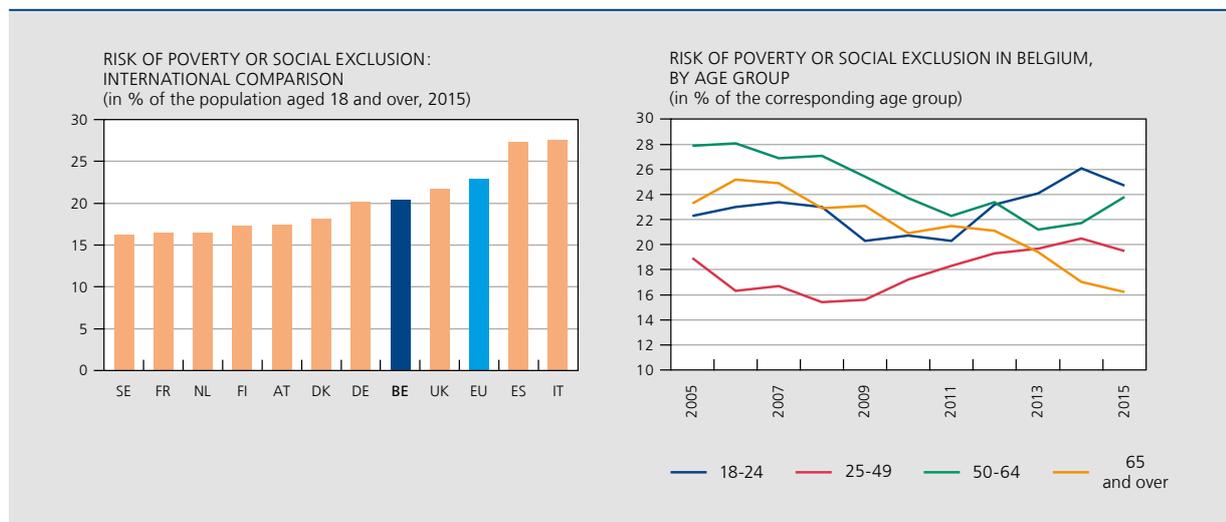
The European poverty indicator used for the Europe 2020 strategy shows the percentage of people exposed to

CHART 75 AVERAGE PURCHASING POWER AND INCOME DISTRIBUTION STABLE IN BELGIUM IN THE PAST TEN YEARS



Source: EC.

CHART 76 RISK OF POVERTY OR SOCIAL EXCLUSION IN BELGIUM BELOW EUROPEAN AVERAGE, BUT HIGHER THAN IN NEIGHBOURING AND NORDIC COUNTRIES



Source: EC.

at least one of the following risks: monetary poverty, material deprivation and low work intensity. One adult in five in Belgium faces poverty or social exclusion. The proportion in Sweden, France and the Netherlands is significantly lower. Belgium's position in the middle of the ranking chiefly reflects the less favourable situation of unemployed people and the latter's heavier weighting among the population aged 18 and above.

Broken down by age group, young people are at greatest risk of poverty or social exclusion, and that percentage is steadily rising. This group has been adversely affected by the financial crisis, whereas for people aged 65 and over the risk of poverty or social exclusion has reduced since 2013.

In response to these various changes, there are signs of a growing temptation of reverting to protectionism in the advanced nations. But protectionism does not offer a long-term solution. An economy running at full potential is essential to the ability to absorb fundamental changes in the economic fabric. This requires a variety of instruments that allow rapid and efficient reallocation of productive resources, and above all more inclusive growth. These instruments must help create the appropriate conditions for rapid entry into the labour market, especially for young people, but also for the development of economic activity and employment. This calls for measures aimed at promoting innovation and business creation, while limiting factors that stand in the way of adaptation – all with a view to stimulating total factor productivity.

6.2 Raising the economy's development potential by facilitating reallocation of resources

Heterogeneous businesses and low entrepreneurial dynamism

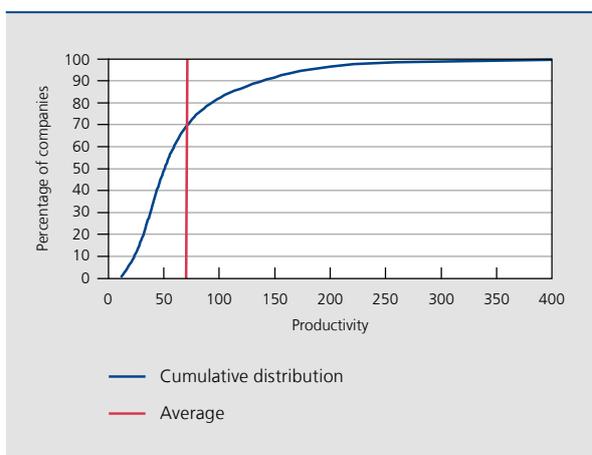
As is the case in most other advanced economies, business productivity in Belgium varies sharply. While Belgian companies are, on average, among the most productive in Europe, the level of apparent labour productivity works out below this average at almost 70 % of businesses.

The productivity league table is generally topped by large corporations that are directly involved in global value chains, whether as exporters, importers or multinationals. This handful of companies contribute substantially to the creation of added value and employment in Belgium. They also account for a very large proportion of capital spending, both tangible, in buildings and equipment, and above all intangible, in such areas as R&D. In 2014, for instance, the 2 % of Belgian businesses that belong to international groups generated 47 % of the private sector's added value and 38 % of its employment. They were also responsible for 42 % of tangible and 74 % of intangible investment. In other words, these businesses, which already boast a substantial technological lead, invest the most in improving their efficiency.

Less efficient companies chiefly include firms that take no part whatsoever in the process of globalisation. These businesses, of which 85 % are active solely in the domestic

CHART 77 DISTRIBUTION OF APPARENT LABOUR PRODUCTIVITY IN BELGIUM⁽¹⁾

(in € thousands per FTE, 2014)



Source: NBB.

(1) Sample of businesses with at least 20 employees.

OECD research⁽¹⁾ suggests that a growing proportion of businesses are managing to survive in the market even though their results are such that they ought to cease their activities, because their added value or earnings are negative, for instance, or because their revenues are not sufficient to cover their financial costs over a given period. Zombie firms like this are said to account for almost 10% of businesses active in Belgium, compared to a much lower proportion in other countries (just under 2% in France, 4% in the United Kingdom and 5% in Italy). Research shows that, by continuing to operate, businesses of this kind laid claim to almost 15% of jobs and capital stock in Belgium in 2013. This phenomenon reveals the less-than-optimum operation of the country's goods and services markets.

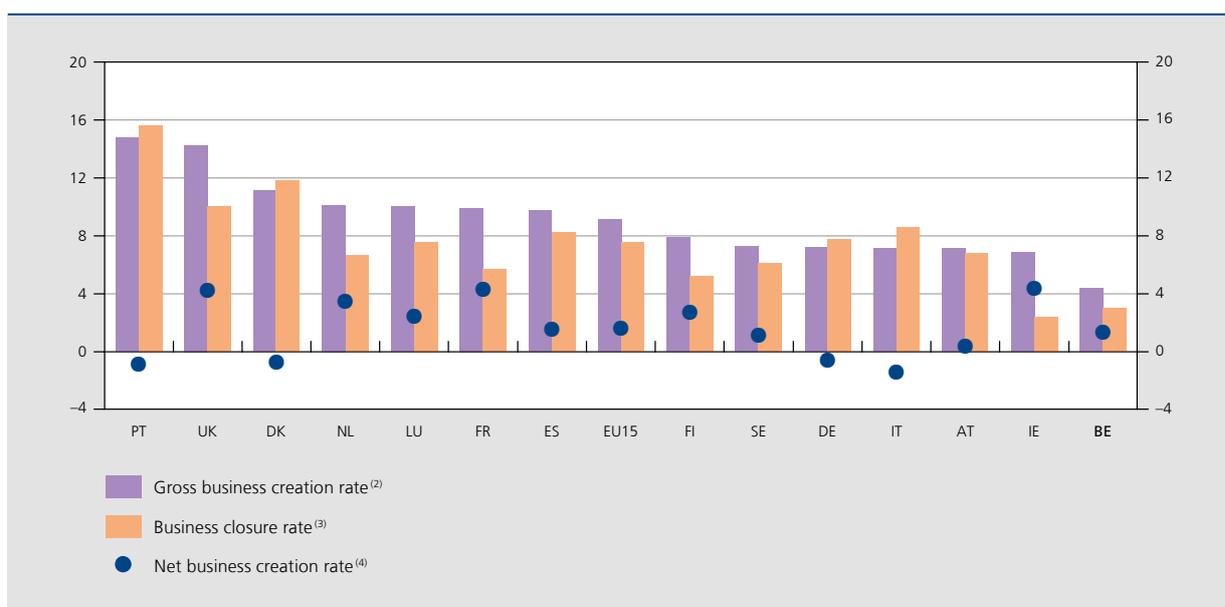
The closure of the poorest-performing businesses combined with the growth of the best performers or the creation of new businesses contributes to the ongoing reallocation of inputs. Eurostat data show that business creation and closure rates have both been very low in

economy, deliver just 30 to 35% of added value and employment, 40% of tangible investment and barely 11% of intangible investment. They are liable to fall further behind technologically and to see their financial results stagnate.

(1) See Adalet McGowan M., D. Andrews and V. Millot (2017), *The Walking Dead? Zombie Firms and Productivity Performance in OECD Countries*, OECD Economics Department WP 1372.

CHART 78 GROSS BUSINESS CREATION IN BELGIUM REMAINS LOWEST AMONG EU15⁽¹⁾

(in %, 2014)



Source: EC.

(1) EU15, excluding Greece.

(2) Businesses created in *t* divided by active businesses in *t*.

(3) Business closures in *t* divided by active businesses in *t*.

(4) Difference between gross business creation in *t* and business closures in *t*.

Belgium for a very long time, compared with neighbouring countries as well as the average for the EU15. This, combined with the greater prevalence of zombie firms, indicates a structural lack of dynamism in the reallocation of resources. The number of new businesses – both large and small – needs to be raised and the resources taken up by the poorest-performing firms need to be released if the many job-seekers made redundant by restructuring are to be redeployed in the employment market and sustainable economic development is to be supported. More recent data, although only for Belgium, nevertheless suggest that business creation accelerated in 2016.

One way for individuals to return to the employment market is to set up their own businesses. At the macro-economic level, business creation based on innovative projects is another source of high-quality job creation. Analysis of data from the Global Entrepreneurship Monitor suggests that despite the low rate of business creation, entrepreneurship in Belgium is more strongly growth-oriented, thanks to factors such as the development of new products and the internationalisation of activities.

Creating the conditions for a more robust economy and more efficient allocation of resources

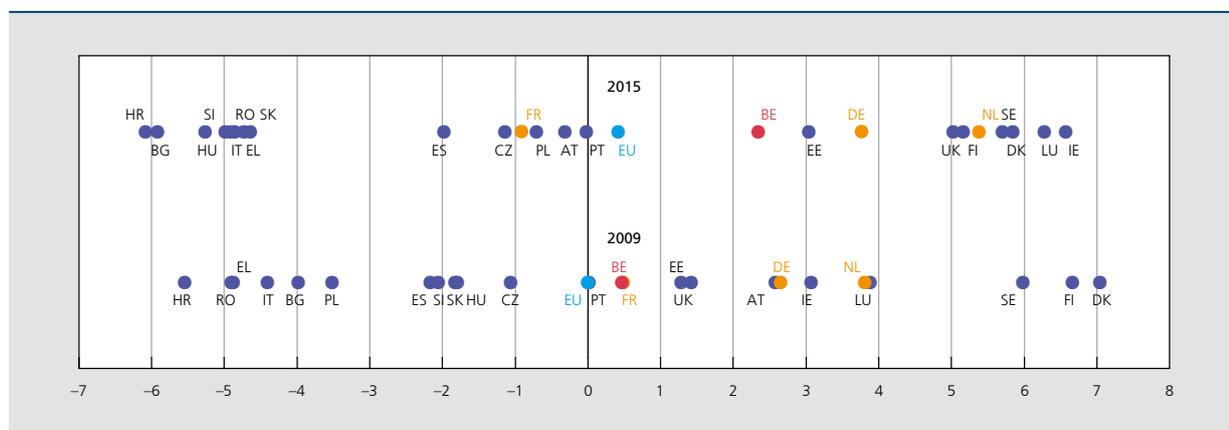
Strengthening the different aspects of non-cost competitiveness is essential when an economy is in transition to raise its growth potential and allocate resources more efficiently. For example, the innovative character of an economy can only be bolstered when its environment is favourable. Given the many factors that play a role here, particular attention must be paid to the way these factors complement each other.

Aligning regulations with current and future needs

The regulatory framework is crucial to the optimum operation of the wider economy, as it determines the general environment in which businesses and individuals can develop and adapt. An overly strict framework is thought to hinder the optimum allocation of resources by unduly shielding inefficient businesses from potential competition from newcomers. Where existing companies are less subject to competition, it is argued that they also have less incentive to innovate and hence to catch up technologically where necessary. The optimum level of regulation is, of course, open to discussion: a balance must be found between essential protection for consumers, employees and businesses, and the degree of flexibility needed for markets to function smoothly. A clear regulatory framework must also prevent the creation or persistence of a climate of uncertainty that deters investment and hence potential growth, while also correcting flaws in the market and avoiding certain types of detrimental behaviour.

The various aspects and patterns of regulation can be assessed from an international perspective using a range of indicators. Generally speaking, the regulatory framework in Belgium seems to have developed positively since 2009. Belgium performed better than the EU average and France in 2015, but less well than Germany, the Netherlands and the Nordic countries, which topped the international rankings. This improvement occurred against the backdrop of far-reaching institutional changes, with a whole series of powers recently transferred to the federated entities in the wake of the sixth State reform.

CHART 79 RELATIVELY FAVOURABLE DEVELOPMENT OF REGULATORY FRAMEWORK SINCE 2009...
(synthetic index for regulation; higher values reflect a situation more conducive to economic activity; EU average⁽¹⁾ in 2009 = 0)



Sources: IMD, WEF, NBB calculations.
(1) EU, excluding Cyprus, Malta, Latvia and Lithuania.

The Regions have taken various initiatives to align the regulatory framework with the new needs of the economy. The Brussels-Capital Region's 2025 strategic plan, for instance, provides for the gradual introduction of various measures such as the Small Business Act and reducing the administrative burden for businesses, especially SMEs, in areas such as the transfer of business ownership. A plan to cut red tape has also been introduced in Wallonia, focusing on initiatives such as developing a range of online services for businesses. In Flanders, lastly, the government aims to ensure that all administrative transactions with businesses are offered digitally by 2020. A number of existing Decrees will also be combined in a single Administrative Decree.

This positive general trend has the effect, however, of disguising contrary developments in several elements of Belgium's regulatory framework.

WEF and IMD surveys of business leaders reveal, for instance, that Belgian regulation is still viewed as more binding than elsewhere, especially in terms of administrative obligations. What is more, the legislative and regulatory framework is generally seen as not adequately stimulating the creation of commercial activities and as disadvantageous to business competitiveness. Lastly, government policy is often viewed as insufficiently adaptable in response to significant changes in the economy.

These real or perceived limitations can adversely affect the adaptability of the economic agents in the current environment. Measures are therefore needed to align the legal and regulatory framework with new developments in the economy, especially in innovative sectors with substantial growth potential.

Various reforms have also been approved recently at federal level. In this regard, administrative simplification is a key element of the federal government's SME plan. Another objective is the introduction of a more favourable framework for the development of e-commerce, by amending regulations on night work and the sharing economy and setting out an appropriate fiscal framework.

In other respects, the situation in Belgium is more favourable than elsewhere. Belgian regulation is such, for instance, that the economy has been extremely open to international trade for many years. It has also proved highly conducive to investment and the location of multinationals, both of which are crucial to the local dissemination of technology.

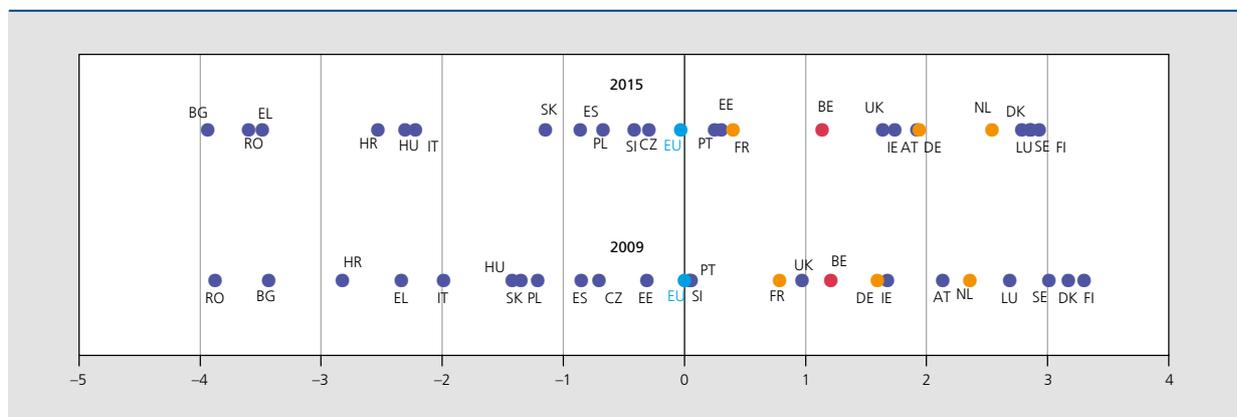
Improving public governance

In addition to an appropriate regulatory framework, efficient government and effectively performing institutions contribute to an environment favourable to sustainable and robust economic development. The World Bank's governance analysis focuses on five dimensions: government effectiveness⁽¹⁾, political stability, rule of law, control of corruption, and voice and accountability⁽²⁾.

- (1) Government effectiveness measures perception of the quality of government departments, the quality of the civil service and its degree of independence from political pressure, the implementation of policy, and the credibility of government commitment.
- (2) Voice and accountability relate to the degree to which the citizens of a country can choose their government, and to freedom of expression, association and the press.

CHART 80 ... BUT NO IMPROVEMENT IN GOVERNANCE RESULTS

(synthetic index for governance; higher values reflect a situation more conducive to economic activity; EU average⁽¹⁾ in 2009 = 0)



Sources: World Bank, NBB calculations.

(1) EU, excluding Cyprus, Malta, Latvia and Lithuania.

The indicator aggregating these five aspects has not changed much for Belgium since 2009, and is above the EU average. Belgium scores lower than two of its neighbours, Germany and the Netherlands, but also lower than the Scandinavian countries, which record the highest ratings. Analysis of the individual components shows that the scope for improvement is greatest in the rule of law, possibly due to Belgium's cumbersome legal procedures. It is also in this regard that Belgium deviates most sharply from its neighbours.

High-quality infrastructure to support economic activity

The presence of high-quality transport and communication infrastructure goes a long way towards determining a country's economic attractiveness. It also enhances productivity. Infrastructure investment benefits labour mobility, the physical flow of goods and the exchange of data, making it important to the smooth and efficient adaptation of the economy and, more generally, to an optimum allocation of resources.

Although Belgium boasts a very good harbour and airport infrastructure, enabling it to play a central role in European value chains, and scores above the European average for infrastructure quality, certain transport network links have deteriorated in recent years, especially compared with its three neighbouring countries. This is particularly the case for the railway and road network, which regularly reaches saturation point – especially around the country's major cities – and has grown worse in recent years.

Certain parts of the infrastructure have reached their operational limits and a solution needs to be found. In doing so, the emphasis must be on the essential complementarity of any investment made. Past policies – especially

taxation – must be adjusted to make public transport more attractive, reduce traffic congestion and protect the environment. New technologies can also be deployed to make more effective use of existing infrastructure. Mobility issues do not end at administrative boundaries, so initiatives in this area must also be coordinated to some degree to maximise their impact.

The authorities, meanwhile, need to create a stable regulatory framework that will enable the relevant parties to invest as required in an infrastructure that is aligned with developments in the energy markets and is delivered on an adequate scale and within the required time-frames. Examples include converting Belgium's low-calorific gas network (L gas) into a high-calorific network (H gas) by 2030. This will mean physically converting some 1.5 million connections, while also ensuring that low-calorific Dutch gas is replaced by gas of a different origin, to guarantee continuity of supply for affected customers.

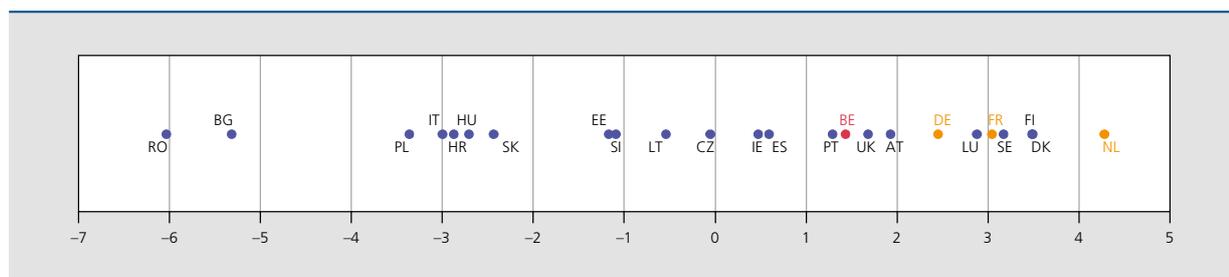
Turning to the electricity market, the ambition is for Belgium to become a low-carbon economy, thanks to higher renewable energy production and more efficient demand, for instance. This will require investment in the electricity market to adapt the infrastructure via wider digitalisation to achieve a more decentralised and responsive distribution network. Greater effort must also be made to adjust networks at cross-border level, to secure the supply of electricity within the European market.

Lack of entrepreneurship culture chief obstacle to reallocation of resources via creation of new businesses

A flexible and efficient regulatory framework, adequate governance and good-quality infrastructure are necessary, though not sufficient, conditions for the optimum

CHART 81 INFRASTRUCTURE RESULTS CONTINUE TO LAG BEHIND NEIGHBOURING COUNTRIES

(synthetic infrastructure indicator; higher values reflect a situation more conducive to economic activity, averages 2012-2015, EU average = 0)



Sources: EC, IMD, WEF, NBB calculations.

allocation of resources. Entrepreneurs have a part to play in this too, although they are relatively thin on the ground in Belgium.

Entrepreneurial dynamism is clearly influenced by a great many factors, over and above the innovative nature of the economy. These factors can be broken down into five categories: the regulatory framework, market conditions, access to finance, entrepreneurial skills and entrepreneurship culture. A recent study⁽¹⁾ set out to ascertain how Belgium performs in these five categories compared with the EU15 countries. Analysis of the results shows that, between 2009 and 2015, Belgium scored lowest among the EU15 on entrepreneurship culture.

Belgium rated above the European average for the other four determinants. Its best relative performance was in market conditions, for which Belgium came fourth out of 15, after the Netherlands, the United Kingdom and Ireland. The country performed slightly better than average in terms of regulatory framework and entrepreneurial skills.

There is scope for improvement in each determinant, and so in 2015 and 2016 the government approved a series of measures to promote entrepreneurial dynamism. These include the introduction of a tax shelter for start-ups and the simplification of various administrative burdens as part of the federal SME plan. Progress has been made, moreover, on harmonising employee and self-employed status. The country's three Regions are also pursuing various strategies to stimulate business creation. These include encouraging synergies between the different bodies that support business start-ups.

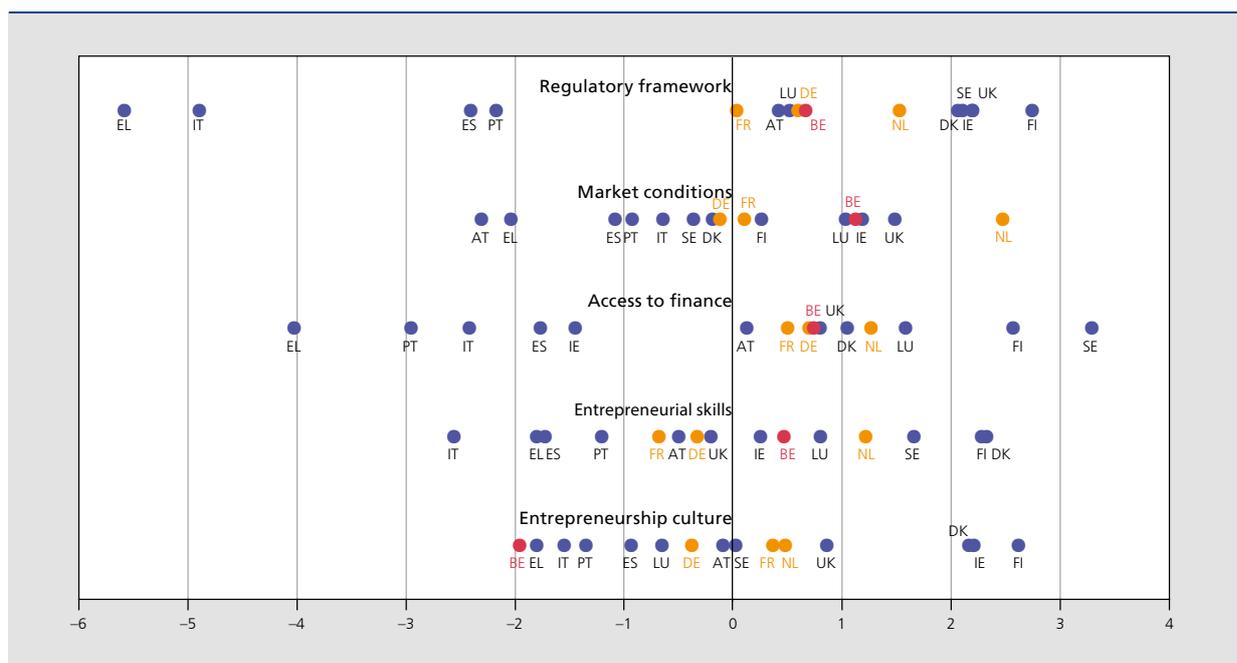
Given the large number of factors that weigh in here, however, it is important to ensure that stimulation measures complement each other and that actions in the different policy areas are aligned.

Since the weakness of the country's entrepreneurship culture appears to be the principal obstacle to entrepreneurship in Belgium, it is essential to present "being an entrepreneur" in a positive light. This should reduce the fear and stigmatisation of failure, foster creativity and risk-taking, and ensure that starting up a business is viewed as an exceptionally attractive and useful choice of occupation, for individuals and for society at large. Kindling an entrepreneurship culture requires a determined approach via a range of channels, including

(1) See De Mulder J. and H. Godefroid (2016), "How to stimulate entrepreneurship in Belgium?", NBB, *Economic Review*, September, pp. 65-83.

CHART 82 THE WEAKEST ENTREPRENEURSHIP CULTURE IN EUROPE BETWEEN 2009 AND 2015

(Belgium's position and that of the EU15 countries in the five categories of entrepreneurship determinants: higher values reflect a situation more conducive to economic activity, averages 2009-2015; EU15 average = 0)



Sources: EC, ECB, GEM, IMD, IMF, OECD, WEF, World Bank, NBB calculations.

schools and the media. Regional action plans have also been developed recently with the goal of introducing secondary school students to entrepreneurship. The introduction of “student-entrepreneur” status is a step in this direction.

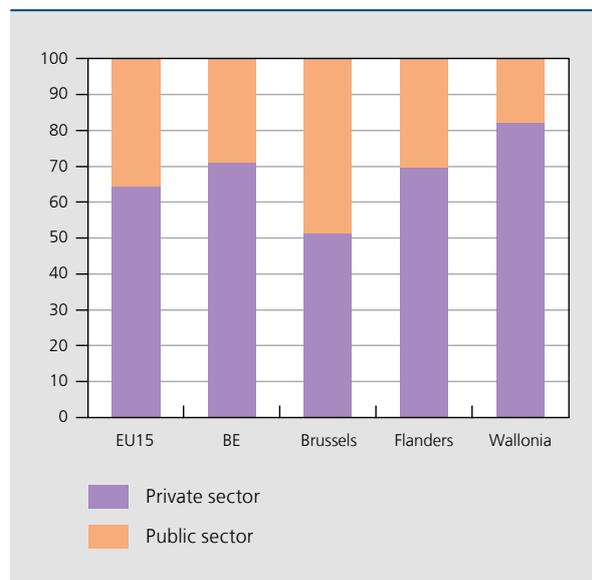
On top of R&D spending, the innovation ecosystem needs to be encouraged

If the positive dynamism generated by the creation of new businesses is to be maintained and strengthened, a variety of conditions must also be met to ensure its subsequent development through innovation. Innovation enables new businesses and, more generally, established companies to distinguish themselves and move closer to the frontiers of technology.

Innovation contributes to more efficient production processes, is likely to bring down production costs and enhances the quality of the goods and services offered. It also helps to create new products and hence to respond to new needs in new markets. Investment in intangible assets and especially spending on R&D are among the key driving forces behind this process.

The upward trend in Belgian R&D spending that began some years ago has persisted, reaching about 2.5 % of GDP in 2014. This is above the EU15 average for R&D investment, and is also higher than in neighbouring countries, with the exception of Germany. However, the

CHART 84 ... BUT R&D SPENDING BY THE PUBLIC SECTOR REMAINS RELATIVELY LOW...
(R&D spending per sector in % of total spending, 2013)

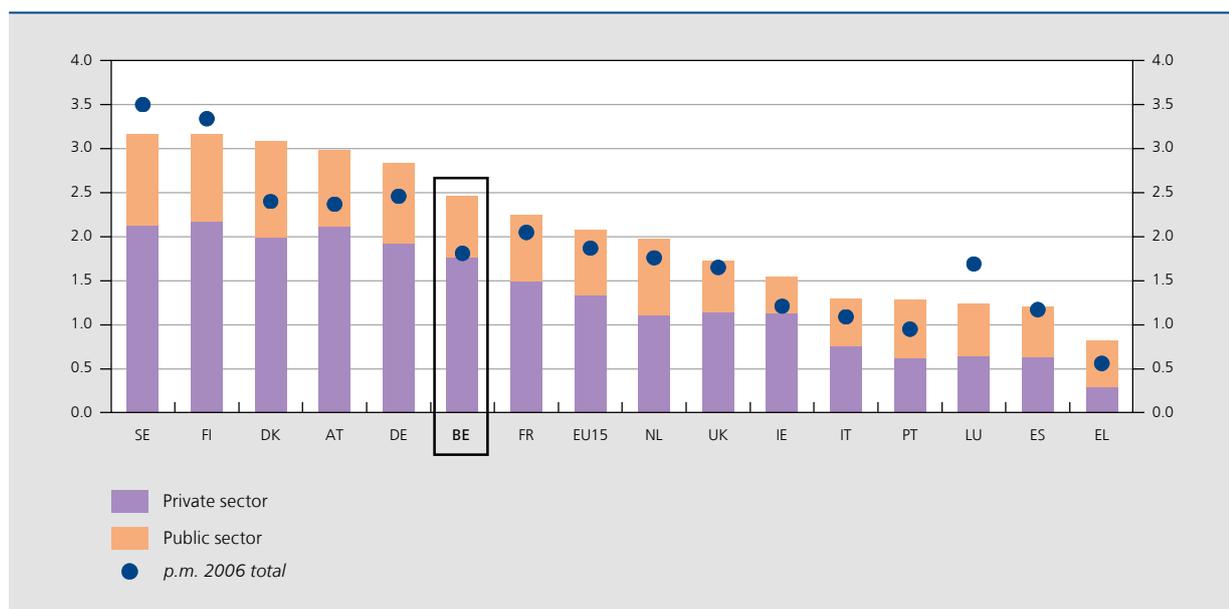


Source : EC.

figure still falls short of the 3% of GDP set out in the Europe 2020 strategy.

The proportion of R&D spending accounted for by the public sector is smaller in Belgium (28.5%) than

CHART 83 BELGIAN R&D SPENDING ABOVE THE EU15 AVERAGE...
(R&D spending in % of GDP; 2014, unless otherwise stated)

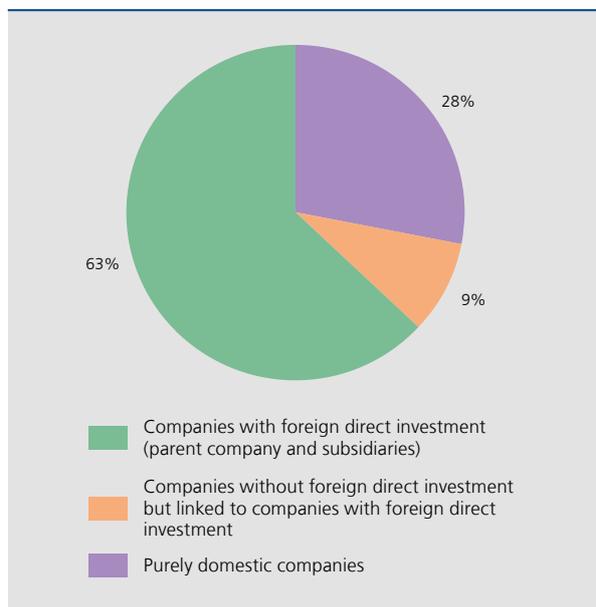


Source : EC.

CHART 85

... AND INVESTMENT IN INTANGIBLE ASSETS STILL COMES CHIEFLY FROM LARGE CORPORATIONS, OFTEN MULTINATIONALS

(in % of total investment in intangible assets, averages 2008-2014)



Source: NBB.

the EU15 average (35.7%) and, moreover, conceals a sharp divergence between the country's three Regions, since the public sector share of R&D investment is lower in the Walloon Region.

Aside from these two findings, the performance of Belgian businesses in the areas of innovation and R&D

is relatively heterogeneous. This reflects the fact that R&D spending is chiefly carried out by large corporations, including subsidiaries of multinationals, and is concentrated in two specific sectors: pharmaceuticals and chemicals.

This investment is stimulated by measures including an attractive tax framework. While the aggregate level is encouraging, more businesses, especially purely domestic firms, ought to be encouraged to invest in R&D and in intangible assets generally. Efforts in R&D in particular should be expanded, with a specific focus on SMEs. The way that research efforts are currently concentrated means that the majority of Belgian businesses do not profit directly from the positive effects of an innovative behaviour; they only benefit through their relationships with corporations that do innovate. This concentration dissipates the spillover impact of innovation.

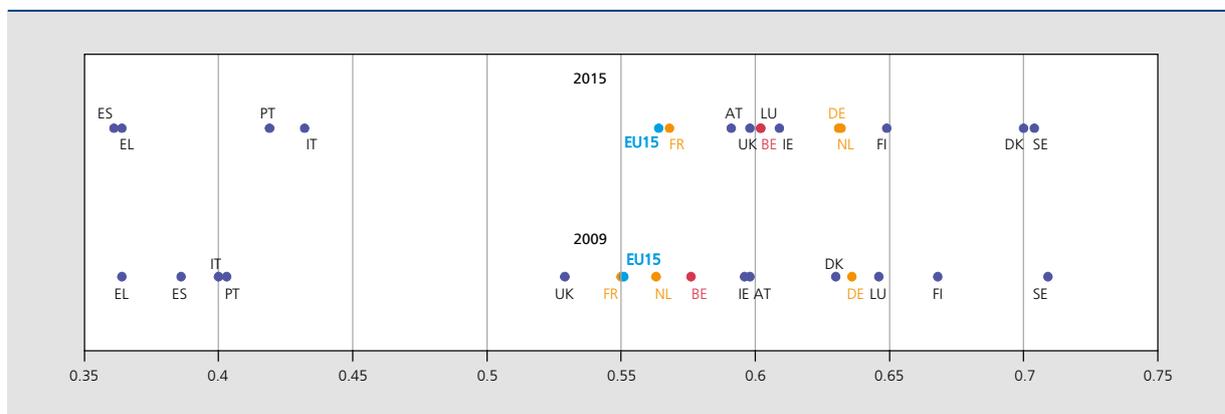
R&D spending is important but does not in itself paint a full picture of the innovation ecosystem. The European Innovation Scoreboard published by the EC annually assesses the aggregate results of Member States using a synthetic indicator made up of eight fields: human resources, research systems, finance and support, firm investments, linkages and entrepreneurship, intellectual assets, innovators, and the economic effects of innovation.

The synthetic indicator shows that Belgium's position strengthened overall between 2009 and 2015, and that the innovation ecosystem is more strongly developed in this country than for the EU15 average. The scoreboard shows Belgium to have been a "strong innovator"

CHART 86

BELGIAN INNOVATION RESULTS OUTPACE THE EU15

(innovation index, scale from 0 = weakly innovative to 1 = strongly innovative)



Source: EC (European Innovation Scoreboard dataset).

in 2015, although its results fell short of those of “innovation leaders” such as Sweden, Denmark, Finland and two of our neighbours (Germany and the Netherlands). The Netherlands overtook Belgium between 2009 and 2015. It is therefore essential to maintain and foster the improvement currently detected in the Belgian innovation ecosystem.

Various conclusions may be drawn from the pattern of the different groups of determinants since 2009 for Belgium, its immediate neighbours, the EU average and the countries that were most advanced in terms of innovation in 2015.

Belgium’s results have improved since 2009 in the human resources, research systems and linkages categories and also for firm investments, which are estimated based on data such as private sector R&D spending. Although the economic impact of innovation also increased somewhat, Belgium scores poorly in this category compared with the other determinants. All the same, it is crucially important to turn an innovative attitude into new products and production processes, so that the wider economy stands to gain.

Finance and support, measured by factors including the share of R&D accounted for by the government sector, is the determinant for which Belgium’s score deteriorated

most sharply between 2009 and 2015. “Intellectual assets” – a yardstick for a series of aspects relating to the development of patents – and “innovators” – the estimated percentage of corporations that achieve innovations in terms of products, processes, marketing or organisation – also showed an unfavourable trend.

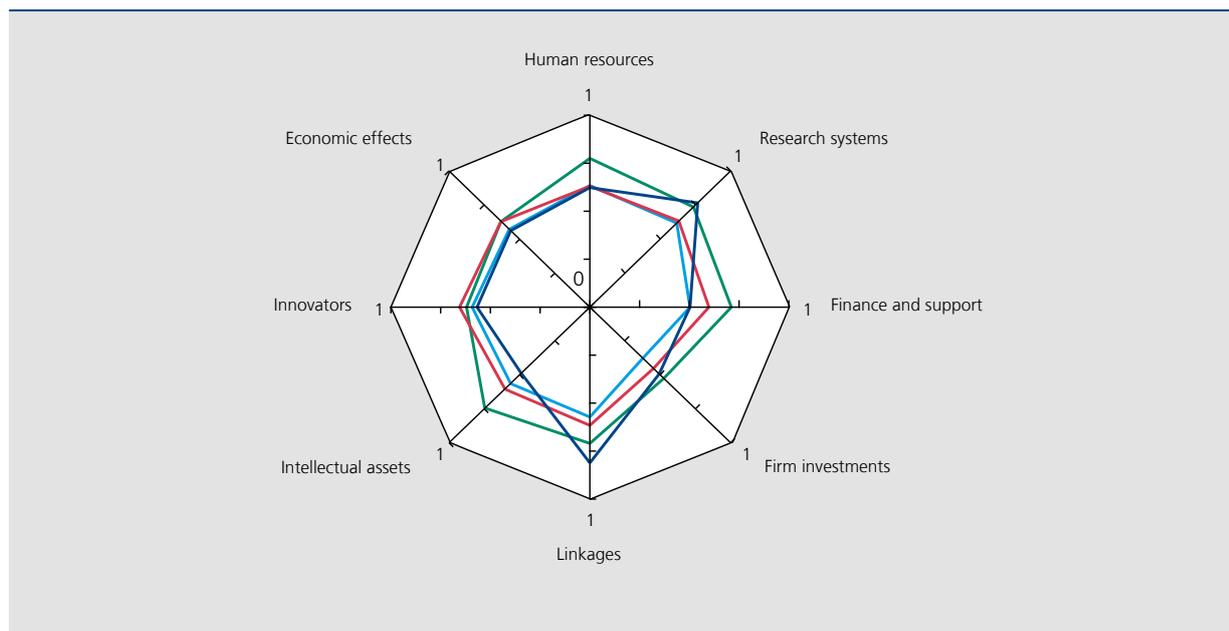
This scoreboard can be used to draw a general picture of Belgium’s strengths in the area of innovation. Belgium outperforms the EU15 and its neighbours on human capital and research systems, but also in terms of collaboration. The latter relates to collaboration between innovative SMEs, for instance, and to public-private research partnerships. The greatest scope for improvement, by contrast, is found in the economic effects of innovation, patents and finance.

Like Belgium as a whole, the country’s three Regions are rated as “strong innovators”. Although the data are not available in full for all the determinants of innovation, a variety of different developments have been identified.

More specifically, the overall result for the Brussels-Capital Region declined by 11% between 2013 and 2015. The Innovation Scoreboard shows that the Region nevertheless scores well for collaboration between SMEs, human capital and the export of

CHART 87 DETERMINANTS OF INNOVATION

(scale from 0 = uncondusive to 1 = highly conducive to the development of innovation, 2015)



Source: EC (European Innovation Scoreboard dataset).

medium- and high-tech products. There is still scope for progress, however, for R&D spending by both the public and private sectors. The aggregate result for innovation also dropped by 11 % in Wallonia in the same period. Private R&D expenditure and the export of average- and high-quality goods were higher than the EU average, but organisational and marketing innovations tended to be less well developed – which was also the case for government R&D spending. Flanders, by contrast, kept up its 2013 results. Innovation in products and production processes was rated particularly well there, as was collaboration between SMEs. Nevertheless, government R&D spending ought to be greater, as in Wallonia, along with innovation in the areas of marketing and organisation.

While both R&D expenditure and the synthetic indicator are higher in Belgium than the EU15 average, this does not diminish the fact that progress on innovation is still possible. With the exception of certain fiscal aspects, most powers in this respect have been transferred to the country's three Regions, which therefore need to take fresh measures to promote R&D spending and spread innovation more evenly across the wider economy. An innovative economy is, after all, better able to reap the benefits of change and better placed to deploy the largest possible number of employees in the labour market.

Seizing growth opportunities in foreign markets

Globalisation ought to be viewed not only as a threat, but also as an opportunity. For a small, open economy like Belgium, taking greater advantage of increased dynamism in certain foreign markets – especially those in the emerging countries – is an important lever for adapting and expanding the country's economy.

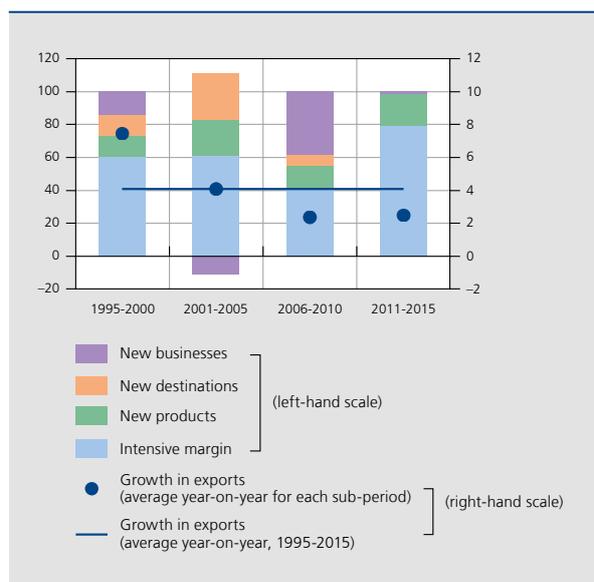
The development of these markets provides an opportunity for Belgian exporters, whether they are active in them directly or benefit from them indirectly through their integration in global value chains. Globalisation thus offers Belgian exporters a growth opportunity that is both extensive, if able to enter new markets, and intensive, through higher exports to their traditional markets.

Analysis of microeconomic data allows us to break export growth down into these different margins. Three sources of extensive growth are identified: the appearance of new exporters, entering new destinations, and exporting new products to existing markets.

The intensive margin has played the most important part in Belgian export trends since 1995, delivering 60 % of export growth between 1995 and 2015. This share has actually risen as high as almost 80 % in recent years. In other words, products already sold on foreign markets have accounted for the majority of growth in Belgian exports. New products accounted for the largest share of the extensive margins from 2011 to 2015. The figure for the contribution of companies exporting for the first time was barely positive in this period.

CHART 88 INTENSIVE MARGINS DELIVER LARGEST CONTRIBUTION TO BELGIAN EXPORTS

(growth in exports and contribution of the intensive and extensive margins – goods by value, cumulative contribution to growth, unless otherwise stated)



Sources: NAI, NBB.

6.3 Smoother and faster transition into work for a more inclusive labour market

Job insecurity, income inequality and risk of poverty limited in Belgium for workers...

The breakdown of poverty risks highlights the importance of long-term labour market participation, accompanied by high-quality jobs and good pay.

Working people in Belgium are at very low risk of poverty, where poverty is defined as an income below the poverty level. In 2015, 4.5 % were categorised as poor. The only EU country with an even lower percentage was Finland, at 3.5 %. The threat of poverty is much greater for job-seekers (40.4 %) and inactive individuals (31.5 %). Despite the great recession, the relevant indicator has been fairly

stable in Belgium over the past ten years. Only among the unemployed has the risk of poverty increased since the beginning of the current decade, due to factors including the financial crisis, more stringent follow-up of job-seeking behaviour and reforms to unemployment insurance.

Elements generally factored into any assessment of the quality of a job include not only the pay received, but also the perceived pay levels of other workers. Belgium scores well in this respect too, as incomes from labour are high in this country – gross median hourly pay in the private sector was € 17 in 2014 – and the range is limited. The ratio of hourly pay between the ninth and first deciles stood at 2.4 in 2014, which is comparable with the figures for the Nordic countries and slightly lower than those in neighbouring countries.

The proportion of low-paid employees – those whose pay is less than two-thirds of the national median gross hourly wage – is, incidentally, one of the lowest in Europe at less than 4%. This figure is virtually identical for men and women, whereas the EU average shows a wider gap to the disadvantage of women. The sharp decline in that share which occurred in Belgium between 2006 and 2014 reflects the abolition of the degressive minimum wage for employees under 21, who are overrepresented in the low-paid group. The government considered reintroducing the degressive element in 2016.

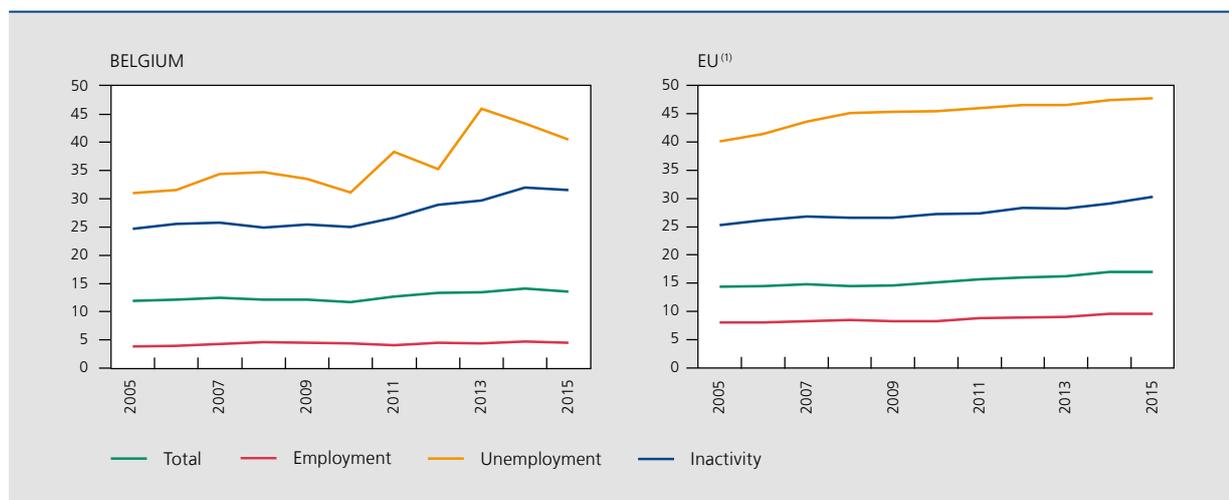
Moreover, labour market insecurity – which the OECD estimates based on a combination of the risk of unemployment,

the anticipated duration of unemployment and the replacement rate of unemployment benefits relative to the previous wage – is low in Belgium, at 3.6%. This partly reflects the relatively limited loss of income in the event of unemployment, other than for highly-skilled people. Job insecurity is much greater, however, for young people, men and the low-skilled. Education and training therefore help not only smoother but also longer-term entry into the labour market.

... but traditional organisation and functioning of the labour market have been altered by growing need for flexibility

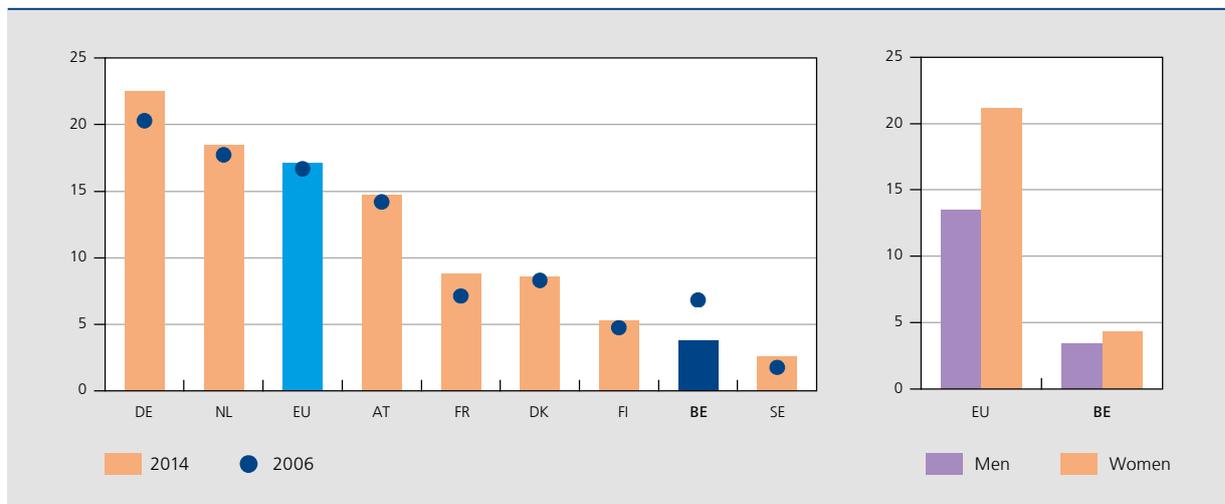
The organisation of labour, however, seems to be becoming more flexible, due inter alia to the development of new technologies. The financial crisis and the associated difficulty of entering the traditional labour market, along with the unemployment insurance reforms, have also contributed to this increased flexibility. This flexibility is supported for workers through, for example, permission to combine earned income and pension, and also through the opportunities offered by “self-employed in secondary occupation” status. Workers’ need to balance their professional and private lives is another contributory factor here, as is the feminisation of the labour market, given that women are more likely to work part-time. Although traditional, salaried employment – defined as a full-time job with a permanent contract – remains the most common pattern, an increasing number of new forms of employment are emerging. These either follow on from each

CHART 89 MUCH LOWER RISK OF POVERTY FOR BELGIAN WORKERS
(in % of the population aged 18 to 64)



Source: EC
(1) Excluding Croatia.

CHART 90 PROPORTION OF LOW-PAID EMPLOYEES AMONG LOWEST IN EU
(employees earning less than two-thirds of the national median gross hourly wage, in %, 2014)

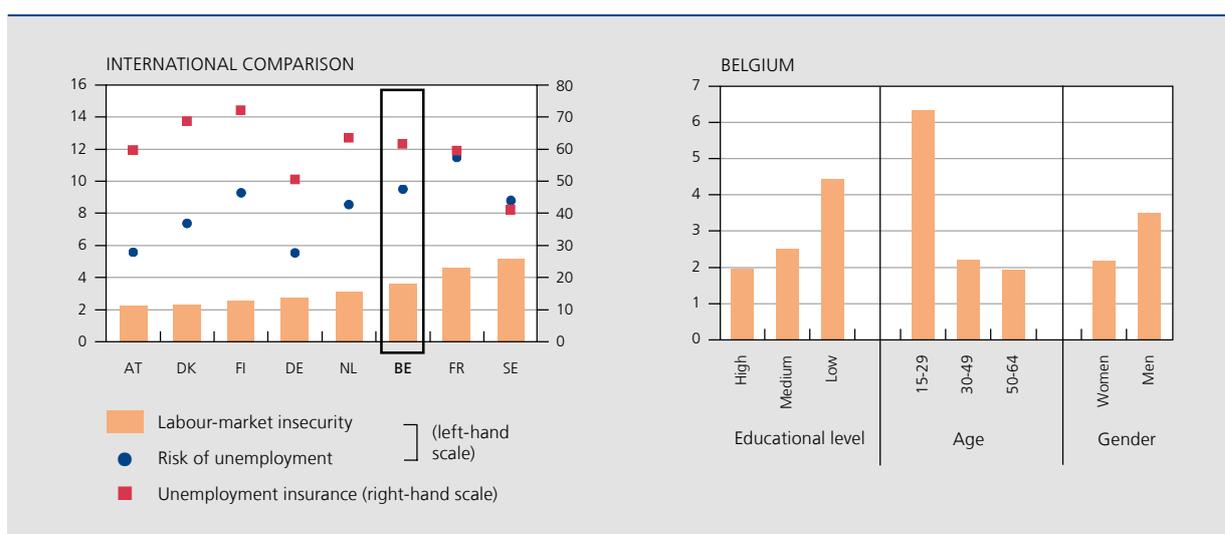


Source: EC

other during a person's career or are actually combined. More and more people are combining different activities in this way, possibly with different statuses: employee with a temporary employment contract, full-time or part-time temporary worker, student, student-entrepreneur, or self-employed in a primary or secondary occupation.

According to figures from the National Institute for the Social Security of the Self-employed (NISSE), the number of self-employed in a primary occupation rose 11 % between 2005 and 2015. The number of self-employed in a secondary occupation rose 39 % and 55 % more people remained active after retirement.

CHART 91 LABOUR MARKET INSECURITY⁽¹⁾ IS LOW IN BELGIUM AND DECLINES AS EDUCATIONAL LEVEL AND AGE INCREASE
(in %, 2013)



Source: OECD.

- (1) Defined as anticipated loss of income in the event of unemployment. This loss depends on the risk of unemployment and the generosity of the unemployment benefit.
- (2) Defined as the risk of becoming unemployed and the anticipated duration of unemployment.
- (3) Defined based on the replacement and coverage ratios, namely the percentage of unemployed job-seekers entitled to unemployment benefit.

CHART 92 GROWING SUCCESS OF SELF-EMPLOYED STATUS
(in thousands of people)



Source: NISSE.

Some workers who have difficulty securing permanent employment – young people and those of foreign origin, for instance – can access the labour market more readily through contracts of this kind. Others opt for them because of the high degree of flexibility and autonomy they offer. They entail greater risk, however, than permanent salaried employment. Self-employed in secondary occupation status can mitigate that risk, which undoubtedly helps explain its success.

Although the proportion of temporary employment contracts remained fairly stable (an average of 8.5 % of salaried employment between 2000 and 2015), that of short-term employment contracts (less than one year) rose from 75 % of the total number of temporary contracts in 2005 to 82 % in 2015. The proportion of very short-term contracts (three months or less) rose in turn from 31 % to 36 %. Temporary employment is more common among young people: in 2015, the figure for 15-24-year-olds was 37 % of salaried employment, compared to 9 % for 15-64-year-olds. These numbers back up the data for labour market uncertainty, which is much greater for young people.

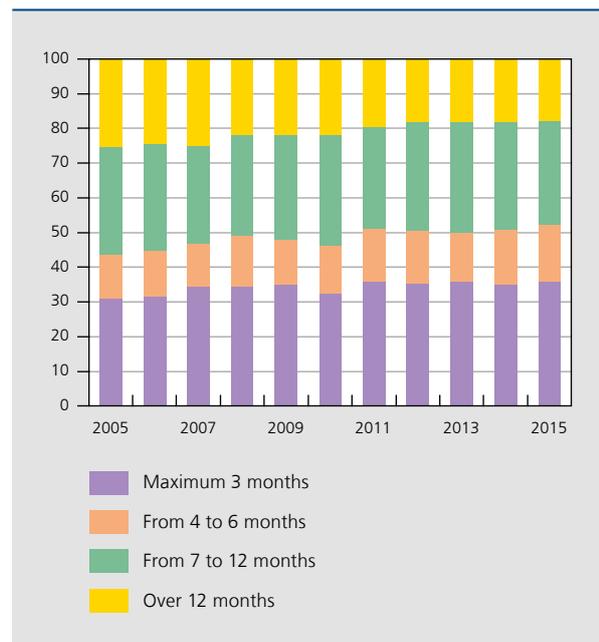
These types of employment contract, along with self-employed status, can offer smoother access to the labour market than traditional salaried employment, where competition with experienced employees is more intense. All the same, the growth in temporary employment

contracts chiefly affects the low-skilled, complicating their working careers and limiting their social protection rights. Households with modest or irregular incomes are also exposed to a greater credit risk. Various government schemes provide easier access to finance, particularly for the purchase of a home.

The sense of job security depends on numerous factors. The risk of losing one's job, the time needed to find another and the future terms of employment all need to be factored in. Belgium scores well in terms of both employment stability and employment conditions, but the likelihood of re-entering the labour market is lower than in other countries.

A feature of the Belgian unemployment insurance system is that it is not time-limited, unless the unemployed person receives a sanction. Long-term unemployment (over 36 months) is proportionately higher in Belgium on a structural basis than in other countries where separate rules apply to the long-term unemployed. Since the rate of transition among the long-term unemployed is lower, international comparison is unfavourable for Belgium, as no account can be taken of the duration of unemployment based on the harmonised data. All the same, transition into work must be facilitated using the various levers

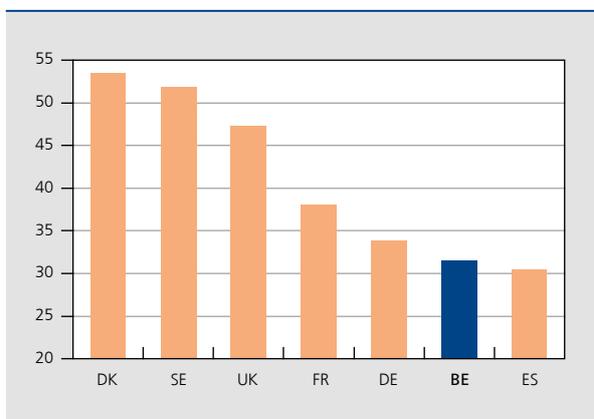
CHART 93 GROWING NUMBER OF TEMPORARY EMPLOYMENT CONTRACTS OF SHORT OR VERY SHORT DURATION
(in % of the total number of temporary employment contracts)



Source: EC.

CHART 94 TRANSITION FROM UNEMPLOYMENT TO WORK: INTERNATIONAL COMPARISON⁽¹⁾

(in % of the number of people who were unemployed one year earlier, 2014)



Source: EC.

(1) Estimated transition rate for a single man aged 35-39 of average education.

Initial training: the cornerstone of young people's entry into the labour market

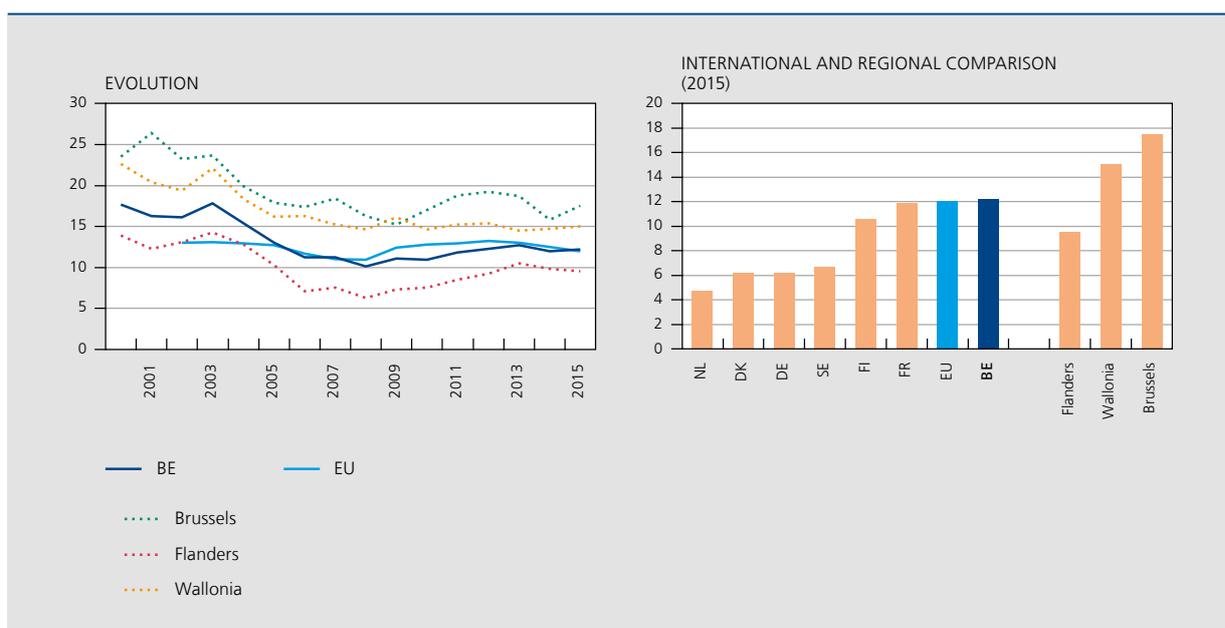
Entry into the labour market for young people who do not yet have any professional experience depends primarily on their basic training. Some 12 % of 15-24-year-olds in Belgium are not in employment, education or training, a higher percentage than in neighbouring countries. The Netherlands, Denmark, Germany and Sweden are the best performers in this respect, with rates half as low. Substantial differences exist between the Regions: Flanders, with a figure of less than 10 %, is doing better than the two other Regions (15 % in Wallonia and 17.5 % in Brussels). Part of the clear progress that was achieved between 2000 and 2008 has since been lost. These young people do not have sufficient wherewithal to enter the labour market on a sustainable basis. They experience greater difficulty during economic slowdowns, when they must compete more than in normal times with other, better qualified young people or with experienced employees. This situation entails high individual and social costs in the short term and, as working careers become longer, above all in the long term.

– initial and lifelong learning, guidance for job-seekers and creating opportunities for them thanks to new job openings in firms, which will go hand in hand with sustainable economic growth.

Certain groups are over-represented among young people at risk of being excluded from the employment

CHART 95 12 % OF YOUNG PEOPLE IN BELGIUM ARE NOT IN EDUCATION, EMPLOYMENT OR TRAINING⁽¹⁾

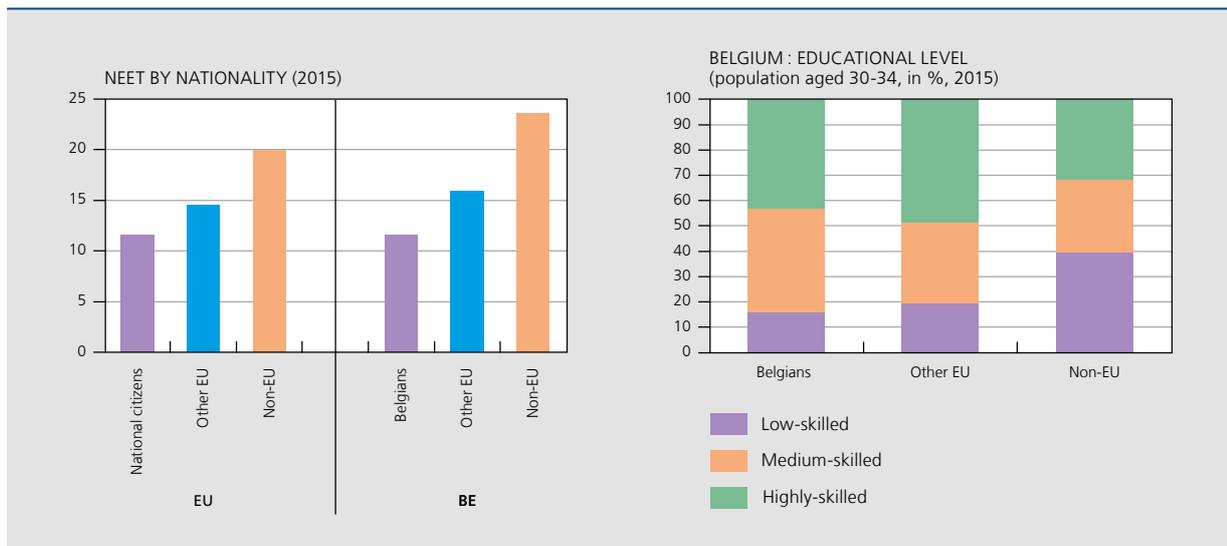
(in % of the population aged 15 to 24)



Source: EC.

(1) NEET.

CHART 96 NON-EU CITIZENS NOT SUFFICIENTLY IN EDUCATION



Source : EC.

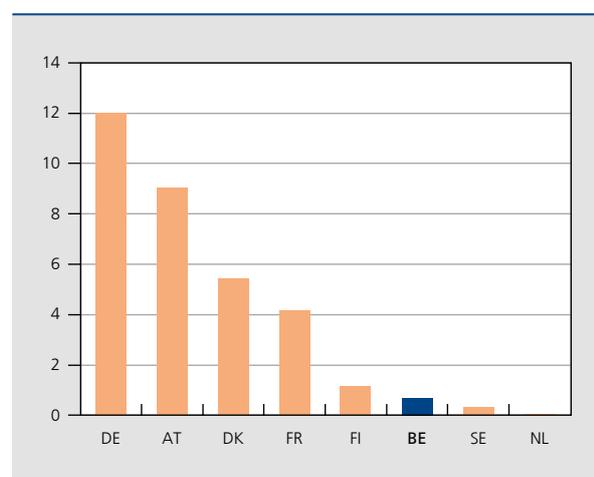
market, particularly non-European foreigners. This is not a typically Belgian phenomenon, but it is especially pronounced in this country. Young non-EU citizens are less likely to have followed nursery education, their school results are subsequently less good and their educational level remains lower on average than that of Belgians, even if they were born in Belgium. These differences are attributable to factors such as language barriers and cultural obstacles, as well as the fact that teachers are not adequately trained to deal with an increasingly diverse population.

Generally speaking, Belgium's education system tends to perpetuate socio-economic inequalities. Despite its low tuition fees and the availability of student grants for low-income households, segmentation exists among educational institutions. The most disadvantaged schools have too few resources to attract and retain experienced teachers. What is more, students are channelled at an early stage to schools for general, technical or vocational education. In view of these challenges, the Communities recently began to encourage participation in nursery education – especially for the under-represented groups – to improve the social and cultural mix in schools, to postpone streaming and to provide better guidance at that point, and to limit the number of students retaking a secondary school year.

Technical and vocational education are also being increasingly valued and supported by government and business. These shorter streams allow faster entry into the labour market. They can also respond more effectively to the

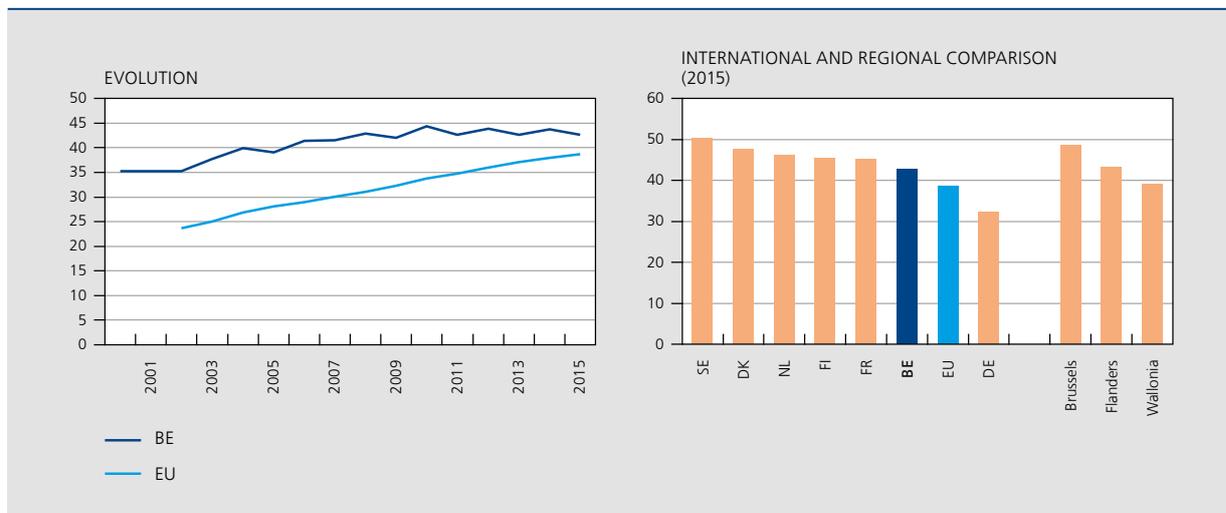
constantly changing needs of businesses. Apprenticeships, for instance, offer considerable career opportunities. This form of education seems, moreover, to be spreading to all industries and levels of education. Apprenticeship contracts have yet to establish themselves in Belgium as firmly as in countries such as Germany, Austria or Denmark, where the formula has proved very successful. Vocationally oriented studies are still often a second choice in Belgium.

CHART 97 APPRENTICESHIPS POORLY ESTABLISHED IN BELGIUM
(in % of the population aged 15 to 29, 2014)



Source : EC.

CHART 98 BELGIUM'S GROWING NUMBER OF YOUNG PEOPLE WITH HIGHER EDUCATION QUALIFICATION
(in % of the population aged 30 to 34)



Source: EC.

At the same time, more and more young people are taking up higher education. In 2015, almost 43 % of the population aged 30 to 34 held a higher education qualification, 8 percentage points higher than in 2000. Among the most recent cohorts, more women than men hold a diploma of this kind: for every two male graduates there are now three female ones. Consequently, their career prospects are better too. Sufficient available and affordable childcare and personal services also contribute to a balanced distribution of employment prospects by gender.

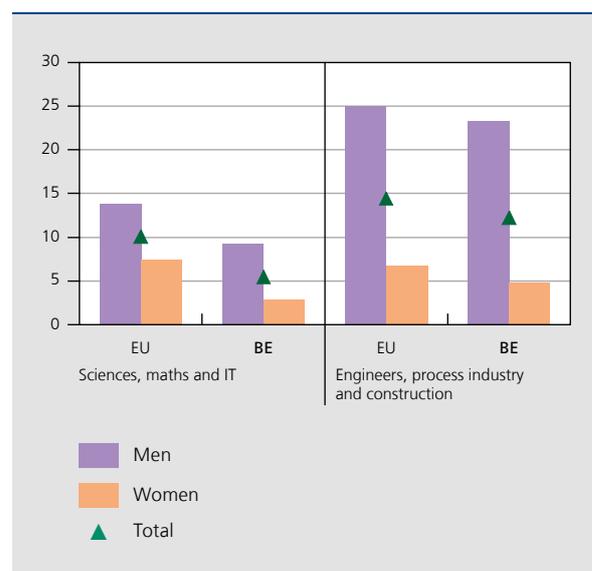
Fewer higher education graduates in Belgium hold scientific or engineering qualifications than the EU average. Yet these are rewarding specialisations that are closely aligned with many "hard-to-fill vacancies". Despite the requirements of the economy and the need to foster the innovative potential of Belgian businesses, the percentage of graduates in these subjects declined between 2005 and 2015. This mismatch between chosen subject fields and the needs of the market might explain why the employment rate for highly-skilled people fell from 84.4 % in 2000 to 81.8 % in 2015. Nowadays, holding a degree is no longer sufficient to find a job: the choice of course is also a key factor.

That choice continues to vary by gender: women are over-represented on courses relating to education and health, but under-represented in engineering studies and the sciences. These choices are also expressed in wage patterns and explain some of the pay gap between men and

women. The difference in gross hourly pay in Belgium was 6.6 % in 2014, one of the lowest in the EU. Yet, women still move less readily into management positions, in both the private and public sectors.

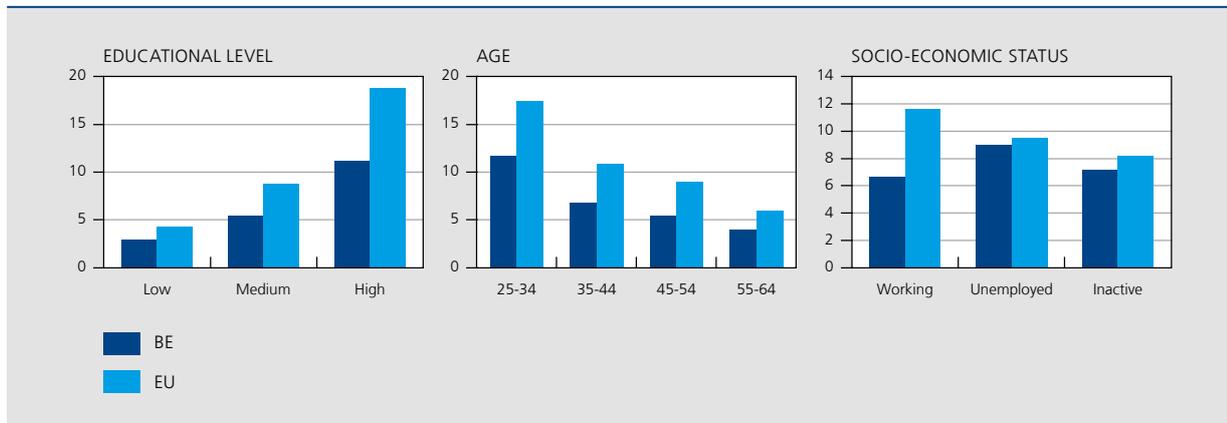
CHART 99 TOO FEW STUDENTS OPT FOR SCIENCE OR ENGINEERING COURSES

(higher education graduates by subject area and gender, in % of total number of graduates, 2014)



Source: EC.

CHART 100 LIFELONG LEARNING: EDUCATION LEVEL, AGE AND SOCIO-ECONOMIC STATUS INFLUENCE PARTICIPATION RATE
(in %, 25-64-year-olds who have undertaken training in past four weeks, 2015)



Source: EC.

Smoother transition from unemployment to work thanks to active policy and efficient unemployment benefits

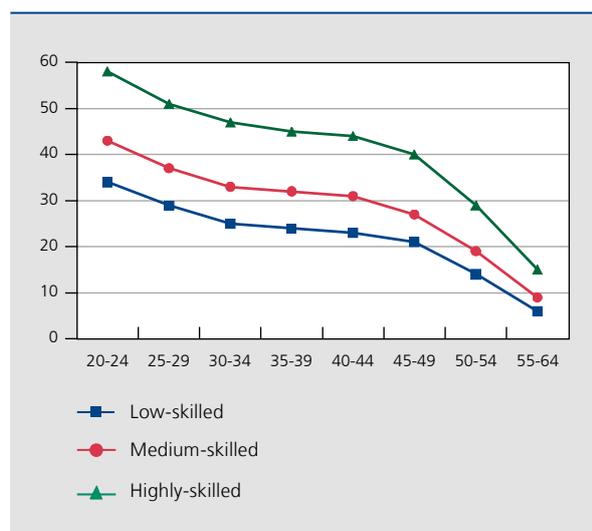
Training is not only important for young people: longer working careers and technological change mean that workers must be able to acquire the skills needed for them to consider switching jobs or sectors throughout their working lives. Lifelong learning is essential. All the same, barely 7% of working people between the ages of 25 and 64 took any training in 2015. This figure places Belgium well behind Denmark and Sweden, where the proportion was just under a third, but also substantially below the EU average.

Certain groups, most notably the low-skilled and over-55s, undertake very little training. Participation in training by job-seekers, by contrast, is close to the European average in Belgium, reflecting the numerous measures that have been taken by public employment services.

Analysis of the transition from unemployment to work reveals several important factors in addition to educational level: the business cycle, the person's age and how long they have been unemployed. The longer a person has been jobless, the less likely they are to find work. This negative correlation is generally attributable to the gradual deterioration of unemployed people's human capital or to a sense of demoralisation resulting in a less active search for work. It can also be the result of a gradual selection process: people who remain out of work for longer may be viewed on average as less employable than those who have quickly found new work. These explanations need not, however, be mutually exclusive. Since it is harder for the long-term unemployed to find another job, efforts

are made to assist job-seekers at an earlier stage, while still maintaining a degree of selectiveness. To this end, public employment services can draw on profiling models, which use objective criteria to determine which individuals recently registered as unemployed are at greatest risk of remaining jobless. The most vulnerable job-seekers are the low-skilled, the elderly and non-EU citizens. Employment history and health must also be taken into account to support unemployed people efficiently.

CHART 101 OUTFLOW INTO WORK⁽¹⁾ REDUCES WITH AGE AND EDUCATION LEVEL
(in % of people who were unemployed one year earlier, 2014)



Source: EC.

(1) Estimated transition rates based on Belgian data according to a multivariate model, for a single man.

Keeping over-50s in work and providing jobs for a larger proportion of unemployed in this age group

The likelihood of finding a new job falls off sharply for 50-64-year-olds compared to all younger age groups. This age effect is partly attributable to the correlation between age and length of unemployment: there are, on average, more long-term unemployed among older people than younger people. Since pay rises with experience, older job-seekers frequently earn more before losing their jobs than young people do. This pushes up their reservation wage, so that they respond less to vacancies and remain unemployed for longer. Replacement income in all unemployment systems is based on previous pay. Older people are therefore entitled to higher benefits, at least initially. Some countries, moreover, have introduced rules that make the system even more generous, with a fixed supplementary allowance for over-50s, for instance, or by extending the duration of the benefit. Belgium had a system of this kind in the shape of “seniority increments”, which were abolished on 1 January 2015. Higher unemployment benefits like this tend to result in a lower average outflow into work.

Other institutional features besides unemployment benefit parameters also affect the outflow of older people into work. In the past, for example, it was customary at a time of both robust growth in the working age population and economic weakness to promote early retirement. This was done either by introducing a specific regime – such as the “pre-pension” in Belgium – or by adjusting existing regimes (unemployment or disability insurance). The individuals in question might no longer be obliged to seek

work, for example, while still receiving benefits equivalent to those of unemployed job-seekers. These measures have been gradually tightened up or abolished, as mentioned in chapter 2 of this part of the Report.

Demand for experienced employees is another decisive factor, in addition to those relating to the supply of labour, institutions and policy measures to promote early retirement. In Belgium in particular, it can be expensive for a business to recruit older employees – even allowing for productivity – because the seniority element plays a significant part in pay increases. What is more, a proportion of the experience built up during the person’s career will be of a specific character that might not be useful to new employers. The latter could also be put off by the individual’s relative proximity to retirement, which means that the period in which the employer can recoup their investment might be shorter than in the case of a younger employee. Lastly, age discrimination in recruitment cannot be ruled out in some cases.

Thanks to legislation to promote “workable and flexible work”, as discussed in chapter 2 of this part of the Report., employers and employees ought to be able to adapt their employment conditions more smoothly, for instance by taking account of the career dimension.

Lastly, these various instruments to boost entry into the labour market ought to be viewed as supplementary to the measures taken in respect of labour costs, since reducing the fiscal and parafiscal wedge boosts the financial stimuli to the supply of and demand for labour.

Box 7 – Supplementary indicators for Belgium in addition to GDP

This box summarises the main results of the supplementary indicators in addition to GDP, of which the Federal Planning Bureau (FPB) published the first annual update at the beginning of February 2017. In accordance with the Law of 14 March 2014, this series of indicators is intended to measure quality of life, human development, social progress and the sustainability of the Belgian economy.

The indicators were calculated using a similar approach to the method adopted for the first publication in 2016. 67 indicators were selected, which provide information on three dimensions of sustainable development: “Here and now”, “Later” and “Elsewhere”. Where relevant, the indicators were broken down by gender, age, income and educational level. International comparisons were made for 56 indicators for which the necessary data were available. For detailed information regarding the methodology used to select the themes and indicators and to perform the breakdowns, see the FPB’s report of February 2016⁽¹⁾.

(1) See <http://www.plan.be/publications/publication-1541-fr-indicateurs+complementaires+naast+pib>



Trends in the indicators

The diverse nature of the supplementary indicators in addition to GDP means they offer relevant information on a large number of themes. For the purposes of this Report, they complement analysis of the position of individuals in society and in the labour market, as well as that of the public debt or the financial position of the economy.

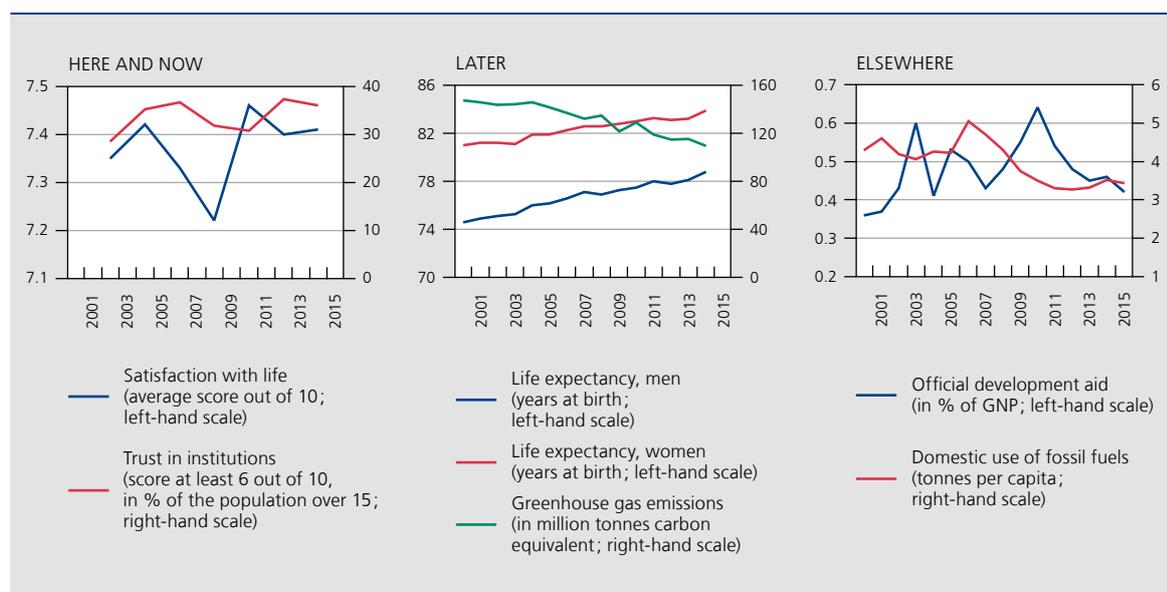
The indicators also enable a few preliminary general observations to be made about the pattern and sustainability of well-being and how society is developing. Based on the principles set out in the FPB report, this evaluation exclusively examines the development of the indicators and, more specifically, whether they have moved closer to or deviated from the targets set for most of them. These objectives are determined by government, either in Belgium or at European or global level.

This evaluation should be interpreted with caution, as it has nothing to say about the current level of the indicators or their pace of development. Nor has it been investigated whether the objectives are scientifically relevant. What is more, the data are limited for roughly half of the indicators, due to a low frequency of observation or because the information has only recently become available.

The “Here and now” dimension comprises 38 indicators, which can answer questions about Belgians’ well-being and how this is developing. No systematic trend could be identified.

- Subjective well-being remained stable between 2002 and 2014.
- Most of the indicators relating to the “Health” and “Education and training” themes showed a positive development. The only deterioration was in the indicator for postponement or cancellation of medical treatment for financial reasons.

SELECTION OF SUPPLEMENTARY INDICATORS IN ADDITION TO GDP⁽¹⁾



Source: FPB.

(1) The indicators considered here for each of the three dimensions of the supplementary indicators in addition to GDP were selected to avoid overlap with series used elsewhere in this Report.

- Income inequality developed favourably, but the other indicators for the “Standard of living and poverty” theme deviated further from their targets.
- For most of the indicators relating to the “Work and leisure” theme, the improvements detected since 1990 were partially reversed by contrary developments in the past five years.
- Three of the five final indicators for the “Here and now” dimension (PM_{2.5} and NO_x emissions and road deaths) moved nearer their targets, while those relating to energy dependence developed negatively. The indicator for victims of natural disasters is too variable for any significant conclusions to be drawn from it.

The “Later” dimension is made up of 35 indicators relating to the capacity of Belgians and of society to maintain and even improve well-being in the future. Most indicators for this dimension moved closer to their targets during both the period since 1990 and the five most recent years. The most noteworthy exceptions are set out below:

- Life expectancy in good health has declined in the past five years.
- A negative pattern is also found in the proportion of young people not in education, employment or training, for stress at work, and the percentage of people with higher education qualifications.
- The indicators for the meadow bird population and sustainable fisheries (“Land and ecosystems”) – two of the rare indicators for biological diversity that have been available over a long period of time – deviated from their targets.
- Within the “Economic capital” theme, the public debt indicator has been deviating from its target since 2007.
- Within the “Mobility and transport” theme, the share of road transport in freight transport deviated from its target from 1990 onwards, but has begun to move closer to it again in the past five years.

The “Elsewhere” dimension incorporates eight indicators that help answer the question: “How does the development of society in Belgium influence the capacity of other countries to develop and the well-being of their people?”.

- The indicators for the “Natural resources” and “Climate and energy” themes relate to global environmental capital, such as the climate system and raw materials resources. These indicators converged with their targets.
- The share of GDP devoted to official development aid was higher on average in the 2000-10 period than in the 1990s. It has declined since 2010, dipping back below the 1990 level in 2015.

Taken together, the indicators for environmental aspects have generally developed more positively since the economic and financial crisis of 2008 than have those relating to social themes. This reflects the fact that the great recession and the subsequent prolonged period of weak growth adversely affected numerous social indicators, including the risk of poverty or social exclusion, while the economic slowdown somewhat eased pressure on the environment.

International comparison

Comparison of the indicators with the European average or with neighbouring countries generally shows that Belgium has performed well on the social indicators, but poorly on those relating to the environment. This is attributable, on the one hand, to the fact that Belgium’s social security system is more advanced than that of many other European countries while, on the other, pressure on the living environment in Belgium is high due to its high population density and the specialisation of Belgian industry in intermediary activities, which are more polluting than the average.



Breakdown of the indicators

27 of the 67 supplementary indicators in addition to GDP were broken down into relevant population categories. Breakdown by gender shows that many of the differences between men and women are narrowing, despite a few persistent inequalities. The detected differences in terms of educational level remain and have actually widened. Lastly, as described at the beginning of this section, the situation of young people has deteriorated, while that of older people has improved.

Breakdown by income level relates to indicators for four themes: "Subjective well-being", "Standard of living and poverty", "Health" and "Society". Analysis of these shows that the situation is more favourable for the highest income categories:

- The "Subjective well-being" theme, for instance, shows that satisfaction with life increases with income. The confidence intervals calculated in this regard are relatively large, however, and this trend has yet to be confirmed by other observations.
- Within the "Standard of living and poverty" theme – the indicators for poverty or social exclusion – very low work intensity and serious material deprivation are very high among the quintile with the lowest income, and three to five times lower in the second quintile, whereas they are extremely small or effectively non-existent in the three other quintiles.
- When the indicators for "Health" were broken down by income, this too showed that the proportion of smokers and people suffering from obesity or depression declines with rising income levels, as did postponing or cancelling medical care for financial reasons.
- Within the "Society" theme, general confidence, sense of security in public spaces and trust in institutions increase with income level. The indicator for contact with friends and relatives, by contrast, does not change by income. The victim of crime indicator generally increases with income, albeit not to a very pronounced degree.

Thoughts for the future

The supplementary indicators in addition to GDP will be updated annually and may be adjusted in response to new ideas and debates in society.

The Federal Planning Bureau will continue to work on the supplementary indicators in addition to GDP in the years ahead with a view to adding new indicators to the existing series to improve their convergence with sustainable development indicators – with a particular focus on the follow-up of the UN's Sustainable Development Goals – and researching the composite indicators in greater depth. To this end, the FPB will explore the possibility of developing specific composite indicators for Belgium for the three main dimensions of sustainable development.