Progress through change

Flanders is one of the most prosperous regions in Europe, with a high level of wellbeing. We owe this to the effectiveness of our entrepreneurs, the energy of our employees and self-employed people and the efforts of those who work for the government, in education and in care. The thriving associations, the broad civil society and the countless volunteers are also invaluable for our precious social fabric.

But what was built in the past is not automatically an acquis for the future. Our wealth and prosperity are under pressure. We are slipping down almost every international economic ranking. We pay astronomical federal taxes but do not get efficient public services in return. We pay enormous amounts of social security contributions and yet our social security is not social and not even secure. Our companies and entrepreneurs pay through the nose but, in return, all they get is an economic and investment climate that is anything but favourable.

If we wish to secure and strengthen our wealth and prosperity, then we need change. Change to move forward again, to once again offer people a hopeful perspective for the future, to give Flemings the policy for which they have been voting for decades.

- A policy that rewards working, saving and entrepreneurship instead of punishing you. A policy which consequently reduces public expenditure, lowers taxes and increases employment opportunities by tackling the labour costs and reducing the tax burden on labour.
- A social security system for everyone. A social policy that prevents poverty and promotes social mobility. Not by taking over people's lives but by letting them take charge of their lives again.
- A decisive approach to crime and nuisance. An approach founded on both rights and duties, and which therefore punishes crime and nuisance effectively and immediately.
- An inclusive and responsible model which assists people who are fleeing war or persecution and which implements a positive migration policy with mandatory civic integration for newcomers.
- A policy which embraces our capital and revitalises it. Which shapes a democratic Europe where Flemings are also part of the decision-making process. As European Flemings, as global Flemings. Independent and confident, open and in solidarity.

- A policy which results in a transparent, fair and efficient solidarity regime with our dear neighbour Wallonia, with Europe and with the rest of the world.
- A method which provides a perspective on the reduction of Belgium's gigantic state debt.
- A culture and education policy for a vibrant Flanders which facilitates learning. A policy aimed at a sustainable balance between mobility, affordable energy and the environment.

This is not the Di Rupo Government's policy. On the contrary. Because of the internal conflicts the government never implements anything more than "*le faisable*", what is feasible. That is as far as they can go. Instead of reforms they levy even more taxes, accumulate even more debts and increase public expenditure even more. The bill is picked up by those who work, save or are enterprising.

But there is a way forward. An approach which brings about change in the short term and at structural level.

It does require courage, however. The courage to form a social-economic recovery government which immediately takes the most urgent measures, but which, at the same time, also ensures that the change is lasting.

Because if we want to make structural changes, then we have to change the structures. Confederalism allows the Flemish and French-speaking communities to control their own destinies. We become responsible and we jointly decide which competences we will jointly exercise. Not because we have to, but because we want to, because it will benefit us both.

Confederalism is about this, and much more. About moving forward again. About change. Progress through change.

Ben Weyts Congress Chairman

1. Rewarding responsibility

1.1. Taxation, labour, entrepreneurship

<u>Analysis</u>

Belgium too was confronted with the fall-out of the global financial crisis. Europe gave the federal government a clear task: reduce public expenditure and public debt. The Flemish Government did its homework and, for the fourth year running, has balanced its budget. Meanwhile, federal expenditure continues to increase. The debt to GDP ratio has increased to 105% per inhabitant. There is no mention of economising. Instead, the government continues to levy new taxes. Flanders is groaning under an excessive tax burden. The federal government taxes anyone who works, saves and is enterprising.

- According to the National Bank, total government revenue in 2012 increased by 1.6 percentage points to reach the unprecedented level of 51% of the GDP. The Di Rupo Government's tax measures have taken away almost 4.9 billion euros from families and companies.
- Corporate taxation in Belgium is higher than the average in our neighbouring countries Germany, France and the Netherlands, and than in Scandinavia, Western Europe and the entire European Union.
- Personal income tax is very high, very complex and consequently unfair. The income tax rate increases too fast, for instance. If you are employed you will automatically end up in the second highest income range and be taxed at 45%. If you earn a little more than average then the highest tax rate will apply, namely 50%.
- In Belgium, labour on average costs 40 euros an hour. That is a **labour cost** handicap of 8 euros an hour, or 25% compared with our neighbouring countries. Our employees do not earn too much: rather, the tax burden is too high. The tax burden on the average gross wages is one third higher compared with Germany, France, the Netherlands and the Scandinavian countries.

The consequences are dramatic. From January until September 2013, 11,500 companies closed down. This is 13% more than the full-year figure for 2011. In the first six months of 2013 almost 47,000 companies folded. Also, the number of start-ups is dropping, and about 400,000 people are unemployed. Our wealth and our wellbeing are like sand slipping through our fingers.

Companies large and small constitute the backbone of Flemish wealth and therefore also of our wellbeing. Entrepreneurship creates added value and employment and thus

generates income and a redistribution of wealth. It is in everyone's interest that the government creates a business-friendly climate in which companies can grow.

But the federal government discourages entrepreneurship. Competitiveness is undermined by the excessive taxes and labour costs. This means we need to urgently eliminate this labour cost handicap in order to ensure the competitiveness of our export-oriented economy and maintain and create jobs. The Di Rupo Government's reduction of social security charges on labour is just a drop in the ocean.

A consistent policy is needed to make entrepreneurship more attractive, more rewarding and more profitable. This is not possible under the current division of competences. Currently, the Regions are competent for industrial policy but important economic levers such as taxation, wage formation, working conditions and social security continue to be a federal competence.

We need a dynamic economic policy with a slimmed down government which reduces public expenditure and taxes, increases employment, tackles labour costs and reduces the tax burden on labour. Those who work, save and are enterprising should be rewarded.

Progress through change

MOESEN NORM

A government which requires everyone to make an effort starts with itself. Especially when the services provided could be much more efficient. We will nominally freeze all public expenditure for a few years, resulting in a relative reduction of this expenditure. Naturally, sums can be shifted from one budget to another.

REDUCTION OF PERSONAL INCOME TAX

As far as personal income tax is concerned we offer Flemings a tax burden that is in line with what employees pay in the neighbouring countries. Today, anyone earning slightly more than the minimum wage is almost automatically taxed at 45%. Initially, we wish to widen the 40% bracket by raising the income ceiling (the 45% rate would thus be eliminated). The aim is to reward work. In a second phase we will raise this ceiling even further so that the highest tax bracket of 50% is reserved for the really high incomes, not for the large middle group as is the case today. Moreover the income limits of the brackets can be linked to economic growth meaning people would be less quickly taxed in the higher bracket.

THE BASKET FOR INCOME FROM EMPLOYMENT

A simpler and fairer tax system will replace the current one. We will replace the proliferation of tax deductions and tax reductions by a basket. This basket can be filled

with a series of deductions up to a certain amount. The tax deduction in the basket only applies to people's income from employment. This will allow us to strengthen the relation between work and tax benefits and activate people. Furthermore, people will have more freedom to decide themselves exactly what they wish to deduct.

REWARDING ENTREPRENEURSHIP

Entrepreneurship should not be discouraged but instead be rewarded. We will abolish measures that discourage entrepreneurship: the tax rate increase on the liquidation bonus, the 309% fines and so on. A tax pact between the government and the business community shall lay down the tax rules for a longer period of time, which in turn will contribute to a stable entrepreneurial climate and legal certainty. A decent and transparent tax system will also discourage tax fraud. The role of the ruling commission shall also be modernised and revalued.

REDUCTION OF CORPORATE TAX

One element of the tax pact is a reduction of corporate tax from 33.9% to the Western European average of 27.13%. In the long term we will further reduce this. The complex notional interest deduction system will be phased out, we will invest in research and development, and we will increase the exemption for definitively taxed income from 95% to 100% to ensure that holdings and headquarters stay in our country.

LOWER LABOUR COSTS DUE TO MODERN WAGE FORMATION

A new social consultation model will be implemented with an emphasis on the sectors and companies. On the sectoral level we will work with all-in agreements about wages and working conditions. Employers and employees in companies will be given the autonomy to enforce by mutual agreement departures from the wage agreements that were made on a higher level.

The all-in agreements thus also include the index. We will, however, provide for an automatic indexation mechanism for benefits (such as pensions).

1.2. Social security and work

<u>Analysis</u>

SOCIAL SECURITY

A dynamic policy is a social policy. Here too, change is necessary. The gap between the poor and the rich is growing. Our welfare state is based on income which is primarily generated by the middle classes and which is used to finance our social security system. This middle class is drowning in taxes, regulations and government debt. The traditional parties have solved this by borrowing money and passing the bill on to the next generations. Consequently, the welfare state is evolving into a debt state.

Our social security is no longer **secure**. Its high cost, which increases annually, is threatening its sustainability because this cost is disproportionate to the social results. In the past decade our social security has grown much faster than our economy. In 2010 the expenditure was 69% higher than in 2000, while the overall economy grew by "only" 40.6%. In addition, according to the Working Group on Ageing, social expenditure will only increase over time.

People also no longer think of social security as being **social**. The relation between social contributions and the right to benefits is becoming increasingly vague, which is gradually undermining its support. A social security system which redistributes wealth and is fair has to benefit everybody. A social security system which is only reserved for the poor soon becomes a poor social security.

Moreover, the benefits provide inadequate protection against **poverty**. Fifteen percent of the population is living on an income that is below the European poverty threshold. Today, benefits also insufficiently encourage people to cope independently again and return to work.

Our social system can only be maintained if we act now. We need a social policy that is founded on both rights and duties, which provides warm relief for the weakest. A social policy has to combat poverty, help those who experience a sudden setback and support them in getting back on their feet, but also encourage them to climb up the social ladder.

WORK

There is more to work than just an income. Work gives people self-esteem, provides an insurance against poverty and contributes to social mobility. The government should

spare no effort to help people find a job and get them to work. But it doesn't. On the contrary, even.

- Belgium is the only country in the world where **unemployment benefits** are not limited in time. As a result, our social system is expensive. We pay more than double the OECD average. Not because our benefits are too high, but because of the long terms applied.
- There is not a single OECD country where the difference between the total wage cost for the employer and an employee's net wages is as great as it is in Belgium. The Belgian **tax wedge on labour** amounts to 56%, compared with 48% on average in our three neighbouring countries – Germany, France and the Netherlands.
- In some cases the difference between a salary and the unemployment benefit is negligible. An unemployed person who finds a job earns a net wage that is barely higher than the dole and the various social benefits they used to receive. This is the infamous **unemployment trap**.
 - But there is also a promotion trap. These days it is hardly worthwhile giving an employee a raise because of the steep progressivity of the tax burden. The majority of this raise in fact is swallowed up by taxes.
 - For this reason, people are increasingly being replaced by machines or computers. As a result, the number of jobs for unskilled workers is reduced. And if you do work, you have to work very hard because of the high productivity requirements. This is called the "lemon model", with employees being squeezed like lemons.

We need to get more people to work in order to widen the fiscal and social base. Belgium doesn't have one but three labour markets, however. You cannot implement one and the same federal policy for these three labour markets. There is a wide gap between the Flemish, Walloon and Brussels labour markets. Flemish unemployment is relatively low, while unemployment in Wallonia is high and in Brussels, even higher. The activation of older workers is a Flemish problem, while youth unemployment is a problem in Brussels and in Wallonia. In 2012 the employment rate in Brussels and in Wallonia was about 10 percentage points lower than in Flanders. However, the Regions do not have the instruments to implement their own effective labour market policies. The federal "one size fits all" policy fits nobody.

HEALTHCARE

According to the OECD, Belgium spends more on healthcare than the European average. And yet patients still pay a relatively high amount out of their own pockets and our health policy is **inefficient** because of the fragmentation.

- A small part of the hospital budget comes from the Flemish level but a large part is federal, distributed between the National Institute for Health and Disability Insurance and the Federal Public Service for Public Health. The programming is a federal matter, but the control and inspection competences are Flemish, resulting in high administration and coordination **costs.** Money that can be used much better.
 - We are lagging in the field of **prevention** because the levers for a preventative policy are lacking. The costs are for the Communities, the benefits for the federal level. Even after the Sixth State Reform.
- The many different ministers who are responsible for health policy mean that there are several overlaps and gaps (the so-called X-inefficiency). Examples are the federal day centres versus Flemish day care. The outcome is a policy that is **neither** homogeneous nor efficient.

We can also not ignore the fact that the language divide is also a care divide. GP night services are a success in Flanders, but Wallonia is still lagging behind. Flemings tend to visit their GPs, while French speakers go to A&E. In Flanders 173 people out of a thousand go to A&E, compared with 267 out of a thousand in Wallonia and 295 out of a thousand in Brussels. The number of people on disability or invalidity benefit is also relatively higher in Wallonia compared with Flanders. And the share of patients with a higher intervention for healthcare is remarkably higher in Wallonia and Brussels compared with Flanders.

Progress through change

RESTORE THE RELATIONSHIP BETWEEN CONTRIBUTIONS AND BENEFITS

People need to be able to think once again that social security is *their* social security. Social security has to be available to everyone, not just to "others". That is why the relationship between contributions and benefits must be restored, thus restoring the support, and therefore solidarity and redistribution as a consequence.

AFFORDABLE PENSIONS

For pensions this principle means strengthening the first pillar, the legal pensions, based on the **backpack principle**. More years of work and more contributions will always result in a higher pension. A full career counts 45 years. The legal retirement

age will be maintained at 65 years, but the real retirement age will also be increased to this age. The option of early retirement shall be limited to five years, and pensions will decrease accordingly. If you work longer, on the other hand, you will be rewarded for this and you will be entitled to earn an unlimited additional income on top of your pension – without accruing additional pension rights. This will mean additional income both for the employee and for the social security system.

The number of equivalent periods will be significantly reduced. Early retirement will be phased out. In case of a divorce, the pension rights will be split: each of the spouses will be entitled to half of the accrued rights.

ASSISTING, STIMULATING AND ACTIVATING THE UNEMPLOYED

We will limit unemployment benefits over time. Initially, in a first phase (max. 2 years) a jobseeker will receive a higher allowance, which approximates his or her last salary (relationship between contribution given and benefit received). Consequently, the unemployment benefit will once again become a real insurance against losing your job. In a second phase (max. 1 year) jobseekers will receive an activation allowance. This will be lower so that people are encouraged to find a job. In a third phase, the allowance will be converted into social security benefits.

Besides the right to benefits, people with disabilities are above all entitled to a social and professional life and therefore to a personalised approach in terms of guidance with regard to the labour market.

"HET WERKHUIS"

The services of the National Employment Office and the Flemish Service for Employment and Vocational Training will be integrated in "Het Werkhuis" (the Work House). In this way, all the government institutions that are competent for labour will be combined in order to organise allowances, activation, education and training as well as controls more effectively.

WORK-FAMILY-LEISURE: FLEXIBLE WORKING HOURS

The law on working hours has barely changed since the Seventies and is based on an outdated labour market. We will develop a new legal framework giving employees the flexibility to respond to the daily work-family-leisure puzzle and to the rapidly changing market.

SMART THIRD-PARTY PAYER SYSTEM

We will lower the threshold to GPs with a **smart third-party payer system**. Conversely we will also raise the threshold to the emergency and specialised services for anyone going to A&E directly without a referral from their GP and who subsequently does not need to be hospitalised. At the same time the scope of the GP night service will be extended so that patients will no longer be required to go to the hospital for a fracture, for example.

THE ELECTRONIC GLOBAL MEDICAL RECORD

We will encourage the digital recording of healthcare data. The electronic global medical record (eGMD) of each patient can be checked by various healthcare providers. This increases the quality of medical care and reduces the number of superfluous tests. A second opinion will thus become possible without having to carry out all these expensive tests a second time.

EVIDENCE-BASED MEDICINE AND NURSING

Healthcare can become a lot more cost-effective by only reimbursing (more quickly) those therapies and medicines which have been scientifically proven to be effective. Anything that is deemed redundant or (insufficiently) effective will not be reimbursed.

2. Community building

<u>Analysis</u>

The world is constantly changing. Yesterday's certainties may no longer apply tomorrow. The answer is not to withdraw into ourselves. We must also change. Our society must become a fair and safe community with sufficient chances for everyone. But also with the responsibility to take these chances. A community in which we maintain the balance between our energy, mobility and housing requirements and a healthy living environment, for ourselves and for future generations. And a community which we will shape through education and culture.

SAFETY & JUSTICE

The police are still not out there policing the streets in sufficient numbers because they have to perform administrative tasks. The scale of the local police force is anything but optimal, and the structure of the federal police is too cumbersome. The police training programmes are fragmented, meaning police officers receive completely different trainings and learn different procedures. As for the financial situation of the federal police, it is downright dramatic. Brice De Ruyver says it is "operationally bankrupt". But there also problems with the finances of the local police zones. Although it makes up 60% of the population, Flanders only receives 47% of the federal resources. This makes it extremely difficult to organise neighbourhood policing duties.

Our justice system also continues to be far too slow. Kim De Gelder went to trial four years after his crime, Anders Breivik after just one year. Victims have to wait too long for a ruling, which unnecessarily postpones the process of getting to terms with what happened. Compensation is also only paid after too long a wait. By sentencing perpetrators a long time after the facts – and not executing the sentence or in some cases enforcing a weaker sentence – the feeling of impunity grows. Prison sentences of eight months are replaced by a period of 31 days with an electronic anklet, for instance. This undermines the trust in a fair justice, and magistrates lose their motivation.

And there are the differences in legal culture between Flanders and Wallonia. The Flemish public prosecutors complete their criminal investigation on average in less than 300 days. In Tournai they need 700 days, and 800 days in Mons. While Flanders argues in favour of a court merger, the PS is reluctant. The judicial landscape was redesigned with one judicial district for each province, except in Di Rupo's province, Hainaut, which will have two districts and two public prosecutors. Professor Van Orshoven is not the only one who has noticed this unbridgeable gap and wants to defederalise justice...

ASYLUM & MIGRATION

Nowhere in Europe is the attitude to asylum and migration as negative as in Belgium. For decades there was no migration policy in Belgium. Two years ago, thanks to the N-VA, major legislative changes were finally implemented. The tightening of the rules regarding family reunification meant that applications dropped by 25%. The asylum applications also dropped by 36% because of the changes to the asylum and reception act. The abolition of the legislation relating to the shorter naturalisation procedure reduced the number of new Belgians by as much as 97%.

But after the Di Rupo Government entered into office, the dynamics sharply changed. The approach to winter assistance for asylum seekers and measures aimed at dealing with partnerships of convenience worked. But the government's initiative to attract highly skilled foreign workers flopped. The regularisation of illegal criminals is also simply indefensible. And nothing indicates that Belgium wishes to develop a long-term plan and do just as well as the European average.

No other European country focuses so heavily on passive migration (88% family reunification, regularisation and asylum) and so little on active migration (12% labour and study migrants. As a consequence a mere 39.6% of non-EU migrants is employed in Belgium, the lowest figure of all the EU countries.

Our return policy is not working either. According to Flemish Refugee Action only 4% of the expelled foreigners effectively return to their home country.

Moreover, the emphasis is wrongly placed.

- Why does an integrated foreigner without paperwork have twice as much of a chance of being expelled as an illegal alien who steals or deals drugs?
- Why do many European countries sign readmission agreements with Morocco and Algeria, while Belgium fails to do so? Why are our prisons overcrowded and why have only eleven Moroccan foreigners been extradited to date?
- Why are only 4.5% of illegal criminals who are released expelled?

As long as there is no carefully thought out migration policy, the community as a whole and every individual newcomer will always lose out. As long as our population's impression is confirmed that everyone can get in and that crime is not an obstacle to obtain residency papers then every well-meaning newcomer will have to explain his motivation on a daily basis: that he is not here illegally, not a fraud, not a profiteer, not a criminal... This is unfair and contributes to discrimination.

But a different approach is possible. A welcoming asylum policy will emphasise solidarity. A positive migration policy will aim to strengthen our community. In combination with a mandatory civic integration policy which gives newcomers equal opportunities, we can turn this into a warm, welcoming story.

ENERGY

Families and businesses want electricity to come out of sockets, gas out of gas lines and fuel from the pump, at the lowest possible price. And that is a big challenge: we barely have any fossil fuels, no significant hydropower plants and not much wind or sunshine.

The risk of a black-out is growing. The federal government decided to phase out the use of nuclear energy and thus close 54% of our production capacity. Because of the unfavourable investment climate, electricity producers are systematically scrapping their plans for new replacement plants. The outdated power grid can no longer cope with the steady growth of the decentralised production of solar and wind energy, and not all the wind turbines in the sea are connected to our power grid. Moreover, our electricity is one of the most expensive in Europe. Large companies sometimes pay up to 45% more for their electricity than they would in our neighbouring countries.

As long as the competence for energy policy is divided between the federal government and the Regions we cannot develop a consistent long-term strategy.

MOBILITY

Nowhere are the queues longer than in Belgium. The ring roads around Brussels and Antwerp are overloaded, and train traffic has to contend with continuous delays. We just cannot seem to implement a consistent policy: some parts of competences are here, others there. The *Vlinderakkoord* (Butterfly Agreement) only complicates the puzzle even more. The traffic rules are a federal matter except for speed limits (regional competence) but not on the motorways (federal competence). Traffic signs are still a federal competence except for their technical requirements and placement (Regions) unless these are placed in Customs lanes, at railway crossings or on military roads (federal competence). The competences of the Belgian Road Safety Institute will be transferred to the Regions but it will still be responsible for the campaigns along the motorways. Who can still make sense of this?

The situation is not much better for our railways. The NMBS/SNCB takes little or no account of the federated entities. What's more, its investments are still typically based on the waffle iron approach. Although this waffle iron does not benefit its sponsor: the Flemish tax-payer. But thanks to the Butterfly Agreement Flanders can co-finance rail investments. But only if and when Wallonia is prepared to make the same investment. Here too the crazy 60/40 ratio applies. Public transport is progressing at the slowest possible pace...

Progress through change

TIT FOR TAT

Any offence, regardless of how serious it is, must be dealt with. We can get more police officers out into the streets by merging police zones and relieving police officers of administrative tasks. We improve police training by limiting the number of police schools so that a uniform programme is created. The police's status will be modernised and its wage policy will become fairer. There will be one central database, with a modern ICT infrastructure and optimised data management. New communication technologies, such as social media and SMS, will be used. A "civilian network" will be established which allows civilians to actively provide assistance, within a legal framework, in urgent or serious matters.

JUSTICE: FAST AND FAIR

A tit for tat policy will only have a chance of success if the sentences are effectively enforced. Every sentence should therefore be enforced: this is the cornerstone of a fair system. At the centre of this system is the victim. Judicial management will be modernised and there will be one merged court with a clearer structure.

ASYLUM, MIGRATION AND CIVIC INTEGRATION: A POSITIVE STORY

We will restore the asylum procedure for those people for whom it was originally designed: people fleeing war or persecution. Migration also has to become a positive story. We are committed to active labour migration with quotas for specific professions, and to knowledge migration. The age for family reunification will be raised to 24 years. There will be no more collective regularisation procedures.

A graduated system will be implemented for people wishing to obtain a residence permit. People will only receive their permanent residence permits after they have completed the entire process, including civic integration, successfully. Having sufficient resources is a precondition. Illegal criminals will not receive a residence permit. Anyone committing a serious criminal offence within a ten-year period will lose his residence permit or nationality.

People's resources and finances will be checked before they are granted a living wage. The expulsion of illegal criminals and the conclusion of readmission agreements will be a priority.

AFFORDABLE AND GUARANTEED ENERGY

Our priority is energy efficiency with binding climate goals which guarantee efforts and therefore results. The cheapest and greenest kWh is the one you *don't* use.

The **offshore** generation of energy can be expanded to compensate for the few opportunities we have to build new green power plants on our densely built territory. If we wish to have secure and cheaper electricity then it needs to be directly linked to the German and British grids. To date, the Belgian electricity grid is only linked to the Dutch and French grids.

We are in favour of a **nuclear exit** but against the current approach. We can simply not afford it. We choose a realistic approach which aims to phase out all nuclear energy by 2065 so that the supply security, nuclear safety and affordable prices are guaranteed. We are examining for which nuclear plants the lifespan can be safely extended by ten years. As a transition to the nuclear exit the plans for the construction of a new thorium nuclear power plant should be ready by 2015, which would be significantly safer than the existing plants and produce less waste.

MOBILITY

Flanders has to strengthen its position as Europe's logistical hub. We need a transport network which seamlessly integrates all the transport modes with each other. The operation of the railway network will be partly transferred to private operators. The current road tax will be replaced with road pricing.