



LE GOUVERNEMENT
DU GRAND-DUCHÉ DE LUXEMBOURG

Luxembourg

**National strategy report
on social protection
and social inclusion**

2008-2010

September 2008

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PART 1: OVERVIEW

CHAPTER 1.1. REVIEW OF LUXEMBOURG'S SITUATION¹

1.1.1. Demographic situation

In 2008 Luxembourg had 483 799² inhabitants; mean population growth in recent years has been close to 1% with a net migration rate largely exceeding the rate of natural growth.³ Between 2005 and 2007, life expectancy at birth was 81.9 years for women and 76.8 for men.⁴ The mortality rate is continuing to fall sharply: it declined from 11.3% in 1980 to 9.9% in 1990 and to 8.05% in 2007. The fertility rate for the population as a whole was 1.64 in 2006⁵ with a higher rate for the foreign population than for Luxembourg nationals.⁶

According to projections on ageing-related expenditure prepared in 2008 by the Economic Policy Committee's Working Group on Ageing, the population of Luxembourg will rise to more than 730 000 by 2060. Over the same period, life expectancy for men will increase to 84 and for women to 88. In 2050, the ratio of people aged 65 and over to the population aged between 15 and 64 will be around 39%. The comparative figure for 2007 was 21%.

1.1.2. Economic situation and public finances

After three years of relatively low growth, the pace of economic activity initially picked up, reaching 3.6% in 2004, 5% in 2005 and 6.1 % in 2006, before declining to 4.5% in 2007.⁷ Figures for the first quarter of 2008 show that GDP growth is still below the average rate for the last decade of almost 5%, and most economic indicators for the euro area generally continue to suggest that economic activity will decline further.⁸

There has been a substantial deterioration in public finances in recent years, with the budget balance falling from a surplus of 6.0% of GDP in 2000 to a deficit of 1.2% in 2004 before slowly recovering to a surplus of 1.3% in 2006 and 2.9% in 2007.⁹ The deterioration reflects major increases in public spending despite low progress of public revenue.. In recent years, however, changes in public debt have been marginal (6.5% in 2002 and 6.8% in 2007).¹⁰ Expenditure on social benefits amounted to 21.9% of GDP (old-age and survivors' benefits 7.9%,

healthcare 5.5%, family benefits 3.6%, disability 2.8%, unemployment 1.1% and social inclusion/housing 0.6%).¹¹

According to forecasts made in 2005 by the Working Group on Ageing, actual and projected social-protection expenditure (on pensions, healthcare and long-term care and unemployment) will increase by more than 8.3% of GDP up to 2050, with pension payments accounting for most of this increase.

1.1.3. Education, employment and unemployment

Between 2004 and 2006 the percentage of foreign students of foreign nationality rose from 37.3% to 38.6%.¹² As a result of this trend, Luxembourg's school system – delivering education in French and German – still faces major challenges. Gaps in school performance between nationals and immigrants are pronounced and failure at school is largely connected with socio-economic background.¹³ The incidence of early school leaving continues, however, to decline: in the 2006-2007 school year it stood at 9.4%.¹⁴

Between 1995 and 2007 the number of people in work in Luxembourg rose steadily¹⁵ to a total of 332 500, of whom no fewer than 41% were cross-border workers. The total employment rate¹⁶ (at 64.2%) is slightly below the European averages (65.4% for the 27-nation EU and 65.8% for EU-25).¹⁷ While the female employment rate continues to rise – it was 56.1% in 2007 – the difference between it and the male rate (72.3%) indicates that achieving equality of opportunity is still a challenge. The employment rate for older workers (32%) remains low by comparison with the European average (44.7% for the 27-nation EU).¹⁸

The overall unemployment rate, at 4.1% in 2007, is still one of the lowest in the EU; the rate among women (4.7%) is higher than among men (3.6%).¹⁹ The most recent figures suggest that the proportion of young people out of work is declining.²⁰ Between 2000 and 2007 the long-term unemployment rate increased from 0.6% to 1.3%.²¹

1.1.4. Situation of households, risk of poverty and income inequalities

Lone-parent households account for 4% of the population (5% for EU-25). By contrast, 25% live in households of two adults with two children, a percentage which is much higher than the EU average (18%).²² Among households of people aged 75 and over, 13% live in retirement homes or assistance and care facilities²³ (EU average 6.7%). 1% of children live in care facilities (EU average 0.6%).

The proportion of the population benefiting from the guaranteed minimum income scheme is stable at 3% (7 455 households). In these households, 53% of members are female and 47% are male; 26% of household members are aged under 18 and 15% are aged 60 or over. 60% of the beneficiary households comprise a single person, 18% are lone-parent households and 12% comprise two adults and one or more children.²⁴

Income inequality indicators and indicators of the incidence and degree of poverty risk continue to show that Luxembourg is relatively well placed by comparison with the European average (S80/S20 ratio of 4.2% as against 4.8% for EU-25²⁵ and Gini coefficient²⁶ of 28% as against 30% for EU-25;²⁷ risk rate of 14% compared with 16%,²⁸ and relative mean deviation of 19% compared with 22%.²⁹ However, in a context where the at-risk-of-poverty threshold is the highest in the EU – at 17208 PPS³⁰ for a single-adult household and 36136 PPS for a household comprising two adults and two children aged under 14 – poverty risk is tending to increase. The relatively low risk level is largely a reflection of social transfers: the pre-transfer rate is 24% (excluding old-age and survivors' pensions).³¹

The risk of exposure to poverty is particularly high for lone-parent families (49%), large families (24%), households of working age with few occupational income providers³² (23%), jobseekers³³ (48%), children aged 0-17 (20%)³⁴ and people who do not own their homes³⁵ (30%).

While the poverty risk is lower for people in employment (at 10%),³⁶ one-tenth of workers in Luxembourg are classed as poor. The poverty risk is also lower for childless households³⁷ (10%), households comprising³⁸ two adults without children (7%) and those where the home is owner occupied³⁹ (9%). The poverty risk of 8% among people aged 65 and over is well below the EU average (19%).⁴⁰

The net income from social assistance of a jobless household represents 74% of the at-risk-of-poverty threshold income for a household comprising two adults and two children.⁴¹ The income level of people aged 65 is slightly higher than that of people aged 15-64.⁴²

Since 2003 the risk of poverty has risen among people living in rented accommodation (from 19.8% to 30.3% in 2006) and it is currently higher than the European average⁴³ (23%), whereas the risk among home owners is unchanged.⁴⁴ With regard to households' perceptions of housing costs, 51.6% of those exposed to the risk of poverty see them as heavy burden; the comparable figure for all households is 31%.⁴⁵

1.1.5. Situation of migrants in the Grand Duchy of Luxembourg

A. General data

Over the last 40 years, Luxembourg has known a demographic shift illustrated by national population numbers which have remained steady whereas the foreign population numbers have increased as the result of high net migration rates:⁴⁶ overall, the population has therefore grown, and on 31 December 2007 foreigners accounted for 42.6% of it.⁴⁷

Minors aged 0-17 account for 22% of the population, and 47% of them are non-nationals.

Portuguese nationals are the largest group of foreigners living in Luxembourg (37.2%), with French nationals in second place (13%), Italians third (9.27%) and nationals of other EU countries the fourth biggest group. The number of nationals of non-EU countries has also grown, from 13.8% in 2001 to 14% in 2007.

A feature of the Luxembourg job market is the predominance of cross-border workers: they account for more than 40% of the workforce, and 70% of new jobs are taken by nationals of Luxembourg's neighbouring countries (France, Belgium and Germany).⁴⁸

Over the past six years the profile of the workforce has changed as the number of jobs held by residents in the country has fallen (from 63.1% in 2001 to 57.4% in 2007), comprising a decline in the case of Luxembourg nationals,⁴⁹ while the number of cross-border workers has risen (from 36.9% in 2001 to 42.6% in 2007).

The high percentage of non-Luxembourg nationals employed within the country indicates how foreign labour has become a permanent, essential and structural feature of the economy.

B. Data on numbers of jobseekers and unemployed people⁵⁰

Table 6 in Appendix 2 shows a breakdown of jobseekers by the main nationalities. In 2007, Luxembourg nationals comprised the largest group of jobseekers (36%), followed by Portuguese (29%). It is clear that the great majority of jobseekers come from the EU Member States. Only 13% are nationals of a non-EU country.

When numbers of jobseekers, as defined by the ILO, are broken down by gender, nationality, age band and education level, various characteristics emerge.

Among resident jobseekers of Luxembourg nationality, 54% are female, while the proportion of women among resident jobseekers of other nationalities is 50%.

Foreigners are harder hit by unemployment than nationals: 59% of persons resident in the country and seeking work are not of Luxembourg nationality.⁵¹ It is clear, however, that in 2007 the unemployment rates among women and foreigners fell significantly. The rates for men and for Luxembourg nationals remain unchanged.⁵²

The proportion of jobseekers aged over 50 is highest among male foreign residents.⁵³

A breakdown of unemployment by level of education shows that, among Luxembourg nationals, holders of the *baccalauréat* (senior highschool diploma) or equivalent have the lowest rate of unemployment, whereas in the case of foreign nationals the lowest rate is found among holders of a post-secondary qualification.

C. *Data on the risk of poverty and the ‘guaranteed minimum income’ (RMG) scheme*

Poverty risk stands at 10.4% for foreigners and just 3.6% for Luxembourg nationals.⁵⁴

With regard to the impact of the ‘guaranteed minimum income’ (RMG) scheme, table 3 in Appendix 2 shows that:

- Luxembourg nationals continue to constitute the largest group of beneficiaries;
- among foreign beneficiaries, nationals of EU countries predominate, with Portuguese and French citizens in the lead, followed by Italians, Germans and Belgians;
- among nationals from non-EU countries, there has been a huge rise since 2000 in the numbers from the former Yugoslavia.

The figures in table 3 combine with STATEC population data to produce the information shown in table 4 of Appendix 2 and in diagram 1, which follows it, namely that:

- Luxembourg nationals, who until 2000 were over-represented among beneficiaries in relation to their weight as a population group, are now clearly under-represented;
- since 2003, nationals of other EU Member States have been slightly over-represented among beneficiaries in relation to their weight in the population generally;
- the proportion of beneficiaries from third countries, or of unknown nationality, has more than doubled since 1999, and since then that group has been clearly over-represented in relation to its weight within the population.

CHAPTER 1.2.

STRATEGIC APPROACH

The period 2008-2010 will be punctuated in Luxembourg by parliamentary elections on 7 June 2009. The policies described in this report are in accordance with the current Government programme and the Government statement of 4 August 2004 and follow logically from the strategic approach set out in the 2006-2008 National Strategy Report, with additional emphasis in certain areas to sharpen the focus on the common objectives of the open method of coordination (OMC) for social protection and social inclusion.

In line with the Government's strategic approach as outlined in this report, and under the National Reform Programme, furthering social cohesion is seen as crucial to the country's future, on a par with efforts to promote the economy, improve monetary stability, public finances, taxation and employment, and to develop the requisite infrastructure for meeting the challenges of globalisation. Within this approach, the purpose of the policies pursued is to advance social cohesion.⁵⁵

The Government is promoting cohesion by strengthening the welfare state, in order to help people succeed, to make human beings and their environment the central focus of measures undertaken, and to invest in human capital as a necessary pre-requisite to economic development.

Strengthening the welfare state depends in turn on a competitive and stable economic environment, on sound public financing and on a social security system that will be viable in the long term, and the Government recognises the interaction between economic and social progress.

A stable euro and low interest rates, for example, have kept inflation in check, thus helping to reduce unemployment and to keep businesses competitive.⁵⁶

Measures taken in the areas of company taxation,⁵⁷ wage restraint, curbing inflation⁵⁸ and developing economic infrastructure, alongside efforts to promote economic diversification⁵⁹ and full employment,⁶⁰ to ensure budgetary discipline and to balance public finances,⁶¹ have all been geared to making the economy more competitive and thus laying the necessary foundations for funding the welfare state and developing social cohesion.⁶²

Social cohesion is also and very significantly seen as a means of preventing the emergence of parallel societies within Luxembourg.

In the following, we illustrate the practical form taken by the global approach described in relation to the OMC's three overarching common objectives for social inclusion.

1.2.1. Promoting equality of opportunity for all

1.2.1.1. Integrating immigrants into Luxembourg society

Given the demographic standstill in its native population, with a falling birthrate and an ageing population, Luxembourg will have to look in future to highly qualified immigrant workers to maintain its flourishing economy and the standard of living associated with it, which is exceptional in Europe.

As the birthrate in most EU Member States has fallen below population replacement level, it would be unrealistic to imagine that, with demand for human resources growing, the Luxembourg labour market could always be supplied from the *Grande Région* of which it is part, or from southern or eastern European countries, which themselves have to cope with demographic deficit and significant labour shortages.

Eventually, therefore, Luxembourg must prepare to host growing numbers of non-European immigrants from increasingly distant countries of origin, whose ethnicities, religions and cultures will be very different from those of the native population.

The advantages of immigration for Luxembourg are obvious. The most directly positive effects include stronger economic growth, improved viability of social protection systems and a slowdown in population ageing.

On 9 July 2008 the Luxembourg Parliament ‘Chambre des Députés’ adopted a law on the free movement of persons and immigration, which was part of the Coalition Government programme in 2004 and lays down new rules on immigration policy in Luxembourg.

If immigration policy is to be effective, however, and to prevent the emergence of parallel societies, it must be accompanied by an efficient policy for integration with the aim of enabling foreigners to become part of Luxembourg society socially and culturally, thus avoiding both the marginalisation of non-nationals and apprehension towards them on the part of native Luxembourgers.

Integration and social cohesion policy is, as noted earlier, one of the priorities of the Government⁶³ that was formed after the parliamentary elections of 13 June 2004.

Concerned to adapt the law to the needs of an increasingly diverse society in Luxembourg so as to enable the immigrant population to integrate successfully, the Government tabled draft legislation in the Parliament on 27 December 2007: draft Law 5825 concerns the reception and integration of foreigners in the Grand Duchy of Luxembourg and provides specifically for the introduction of a ‘reception and integration contract’.

During the present legislature, the Government has also introduced a whole series of measures to improve integration and social cohesion between native Luxembourgers and foreigners, notably:

- the draft Luxembourg Nationality Law, which will enable foreigners to acquire dual nationality (draft Law 5620);

- the draft Language Leave Law, seeking to introduce a system of special additional leave to enable employees of all nationalities to learn Luxembourgish or improve their knowledge of it, thus helping them to integrate into society via the labour market (draft Law 5886);
- the Law of 3 July 2008, further amending the amended Electoral Law of 18 February 2003, extending to approximately three months before polling day the time limit for nationals of another EU Member State to register as voters in the European elections and for foreigners generally to join the electoral roll for the municipal elections: the effect has been to prolong the existing registration periods of 11 months (for the European elections) and 15 months (for the municipal elections);
- the Law of 4 July 2008 on youth which introduces tools for promoting European citizenship, developing equality of opportunity and combating processes that lead to exclusion and failure among young people;
- slimming-down the procedure for recognition of political asylum seekers;
- extending early-years education across the population so that children including those of foreign nationals can benefit from this form of daytime provision;
- developing Luxembourgish as a language of communication and integration by offering early-years and pre-school provision where it is the classroom language;
- Grand-Ducal Regulation dated 20 July 2005 concerning the system of approval for managers of childcare establishments.

It is nonetheless recognised as important that the need to learn Luxembourgish should not override recognition of bilingual children's languages of origin.

1.2.1.2. Combating poverty

Efforts to combat poverty and vulnerability play a key part in the Government's strategic approach to promoting social cohesion. They are integral components of a policy that seeks, on the one hand, to afford access for everyone to a fair wage, goods and services and, on the other hand, to provide specifically for people at risk.

Social transfers are one aspect of this policy, which is illustrated by the social inclusion indicators showing the effectiveness of social transfers in reducing the poverty risk ; as are tax-adjustment and income-redistribution measures.

For example, from 2008 onwards, a child bonus⁶⁴ will be payable to all families in receipt of child benefit. It represents an automatic tax rebate, payable in the form of a benefit, as opposed to the previous system of a reduction in the amount of tax payable. The bonus is thus both a tax measure and a family benefit and it will assist those families on the lowest incomes, whose earnings are below the tax threshold. The Government intends that the bonus will reduce the level of child-poverty risk which is significantly higher than the poverty risk generally.⁶⁵

On 22 May 2008, in a Government statement on Luxembourg's economic, social and financial situation, the Prime Minister announced a new package of measures designed to improve income levels among people at risk of poverty, namely:

- linking the minimum wage, allowances and pensions to changes in general wage levels as of 1 January 2009;
- transforming employees', pensioners' and single parents' tax allowances into tax credits;
- transforming the current heating allowance into an inflation allowance and doubling the sums involved in order to help the most vulnerable members of the population to cope with the combined impact of higher prices for both oil and raw materials.

There are also plans to adjust the guaranteed minimum income scales, to take effect from 1 January 2009.

With a view to encouraging people to enter or remain in employment, the Government is also to make a 6% adjustment to income-tax scales in 2009.⁶⁶

Alongside the package of measures outlined, the Government has decided to implement the priority policy objectives that are described in Chapter 2.

1.2.1.3. The challenge of gender mainstreaming

In its statement of August 2004, the Government underscored the importance of achieving gender equality, in law and in practice.

Because gender-equality policies require not only sustained commitment at every level of political intervention but also a thorough technical understanding, at all levels, of gender mainstreaming – the mechanism whereby equality policies are implemented – the Government has:

- set up a dedicated unit for gender-related issues in every ministerial department;
- extended the range of gender-related training courses offered by the National Administrative Training Institute (*INAP*), which organises all forms of training for public employees at state and municipal level.

In August 2007, a mid-term review of the national gender-equality action plan of February 2006 highlighted shortcomings with regard to:

- positive commitment on the part of line managers;
- the work of the units responsible for gender issues;
- gender-related training for civil servants.

On 7 March 2008, in response to these problems, the Government decided to make gender training compulsory for all civil servants. It also decided to address the issue through use of the PROGRESS programme: in response to restricted call for tenders VP/2008/012 for improved integration of the gender dimension into national policies and programmes, the Ministry for Equality of Opportunity – which coordinates the national gender-equality action plan – submitted a project proposal which the PROGRESS programme committee accepted in July 2008.

Without abandoning *INAP*'s current approach of offering specific gender training as an add-on, the new project aims to build gender-related expertise by embedding the gender dimension as a structural component of *INAP*'s provision and integrating it into all the basic and further training that the Institute delivers to civil servants.

Entitled ‘Integration of the gender dimension into national training policies’, the project provides for:

- development of a gender-aware training concept for *INAP* on a pilot basis;
- preparation of materials for students and teachers on *INAP*’s training courses;
- development of basic and further training programmes for *INAP* for 2010.

1.2.2. Interaction with the Lisbon objectives

The spring 2008 European Council identified a number of areas for Luxembourg to attend to in its National Reform Programme, namely:

- planned measures to raise the employment rate among older members of the workforce, notably through reform of the current early-retirement system;
- measures to combat early school leaving and to reduce the divide between different branches of education;
- monitoring of measures to reduce youth unemployment;
- planned measures to reform the pension system and ensure its viability in the long term.

Some of these points reflect the challenges identified for Luxembourg in the 2007 Joint Report.

1.2.2.1. Interaction between the section of this report concerning the National Action Plan for Social Inclusion (NAP-Inclusion) and the National Reform Programme

This type of policy interaction can be illustrated by the challenge of child poverty.

As the risk of child poverty - and in particular those among the children, living in lone parents households - is largely related to the low parental employment rate; a policy for reconciling work and family life is a crucially important to deal with this challenge.

Luxembourg has such a policy and accordingly implements measures to improve the quality and quantity of affordable childcare provision – thus simultaneously following integrated guideline 18 of the Lisbon strategy for growth and employment, which calls for a lifecycle approach to work, and pursuing the OMC objective of combating poverty.

The dual relevance of these measures makes it logical to include them in both the National Reform Programme and in this report.

Of similar dual relevance are measures for keeping people in work, and the policy covering them is again included in both the reform programme and this report: the aim of employment security reflects integrated guideline 21 of the Lisbon strategy, and achieving that security contributes in turn to poverty prevention, in accordance with the OMC.

1.2.2.2. Strategy for reform of the pension system

Reforms enacted over the past 30 years have created a very unified and robust pension system in the Grand Duchy of Luxembourg, and this has contributed to the country's successful transformation from economic dependence on industry to the predominance of the service sector. Thanks to the merger of occupation-based pension schemes into a single scheme, and to the increasing harmonisation and coordination of the general system with special pension schemes, the risk associated with structural changes in the labour market is more evenly shared than it was in the past, when each pension fund was independently financed. Certain reforms that have only just been introduced in other countries were implemented in Luxembourg long ago: the system of calculating pension levels in relation to lifelong earnings, for example, and the coordination of pension schemes.

With a population of working age which is relatively young and a steady inflow of labour, as the national job market has expanded at an average annual rate of 3% over the past 10 years, the financial viability of pension schemes in Luxembourg is secure in the medium term. The general private-sector pension scheme will manage to retain a sufficient level of revenue to cover expenditure through the accumulation of the statutory reserve in the medium term. However, the size of the available labour force depends crucially on how the national economy grows and, as things stand currently, sustained long-term growth is far from certain. Numerous forecasts by national and international institutions show that the general pension scheme will come under significant financial pressure in the long term.

As long ago as 2001 the ILO's actuarial and financial evaluation of the general pension scheme in Luxembourg underscored the need to plan for long-term structural consolidation. In 2006 the European Commission synthesis report on 'Adequate and sustainable pensions' concluded that the financial viability of the pension system depended both on relatively high economic growth in the future and on a significant contribution by non-nationals in the workforce to the national economy and its pension system and that, despite the planned increase in reserves in the general pension scheme, the long-term financial viability of the system was not assured. In its biannual report on Luxembourg in 2008, the Organisation for Economic Cooperation and Development (OECD) pointed out that, while ageing-related expenditure would grow only moderately over the next 10 years, its steep rate of increase in the long term would create more severe financial viability problems for Luxembourg than for other European countries.

In 2006, in consultations with the Tripartite Coordination Committee – which brings together representatives of employers, employees and the public authorities – the Government underlined its determination to release sufficient financial resources to secure the future of the social security system and ensure that the burden is fairly shared between the generations. It also announced that it wanted to contribute to the development of support measures for older people. Rather than reduce its current contribution to the pension system, therefore, it is maintaining the principle of allocating supplementary revenue from the general pension scheme to the recoupment reserve. In 2007 approximately EUR 1 billion was paid into the reserve – equivalent to some 2.8% of GDP. It is intended that this contribution will grow considerably in the years ahead. In 2007 the level of the

reserve in the general scheme represented 25% of GDP, i.e. 3.4 times the scheme's annual outgoings.

With a view to securing investments while minimising the risks inherent in the financial markets, the Government had announced in the 1999 coalition programme that it would conduct a review, on the one hand, of how the reserve is structured, and on the other, of the general insurance scheme's investment policy. Subsequently, the General Pension Scheme Assets Administration Law of 6 May 2004 was adopted and implemented. Under this law, a body known as the Recoupment Fund [*Fonds de Compensation* or *FDC*] is responsible for managing the general pension scheme's reserve, and the Fund is authorised to invest the reserve in such a way as to ensure the continuation of the scheme.

Although the general scheme's reserve stands at 3.4 times its annual outgoings, the system of financing in Luxembourg is based on periods of coverage and cannot be classed simply as a fully funded one. The recoupment reserve will be used, when necessary, to guarantee the pension scheme's outgoings for a transitional period. The fact that the pension scheme has such a substantial reserve means that dialogue with the social partners about the reforms that will be necessary in the coming years can be conducted in a calm and purposeful way.

In April 2006 the Tripartite Coordination Committee decided that the social partners and the Government would set up a 'think tank' tasked with preparing proposals to ensure the long-term viability of pension schemes. It was also to develop proposals for adapting pension schemes to changes in working lives, demographic ageing and its impact on the length of working life.

This initiative is in line with the decisions of the *Rentendesch*, or round table on pensions, in 2001 – which brought together representatives of parliamentary groups, trade unions and employers' organisations – to reconsider a number of measures, without prejudicing low-level pensions, if it transpired from the seven-yearly actuarial review that the level of the reserve might fall below the statutory minimum of 1.5 times annual expenditure, and that sustainable financing of pensions could not be guaranteed without imposing additional charges on future generations. It was also decided at the *Rentendesch* to introduce a series of measures which cumulatively would increase structural expenditure by an amount equivalent to between 0.6% and 0.8% of GDP from 2002 onwards.

In 2003, in an evaluation of policies to improve the job prospects of older workers, the OECD noted that for more than 20 years Luxembourg's preferred policy had been to remove older workers from the labour market and that this approach – seen as a means of reducing strain on the economy and society – was still the subject of general consensus based on wide-ranging consultation between the state and the social partners under Luxembourg's tripartite model. The OECD considered that certain measures taken in recent years constituted steps in the right direction, namely the restriction since 1996 of access to disability allowance and the requirement, introduced in 2002, that people partially incapacitated for work should be redeployed and should remain on the labour market.

With a view to assessing provisions for early retirement on grounds of incapacity, the Government asked the General Inspectorate for Social Security to evaluate the impact of existing legislation on the effectiveness of measures for the guidance and orientation of people covered by employment insurance. In 2008 the Minister for Labour and Employment and the Minister for Health and Social Security submitted the conclusions of the evaluation report to the Joint Parliamentary Committee on Health and Social Security and Labour and

Employment. One of the findings was that ageing of the working population over the coming years would increase financial pressure on the system. There was likely to be a rising bill for unemployment benefit and tideover allowance paid to people for whom jobs could not be found and who were thus on 'external redeployment' – currently two-thirds of all redeployed workers. The external redeployment procedure, associated with the prospect of a prolonged period out of work, in most cases actually reduced the chances of those concerned being re-recruited, making it more likely that they would join the ranks of the long-term unemployed and end up on tideover allowance. Against this background the Government has set up an interministerial working group, comprising representatives of the Departments of Social Security and Labour and Employment, tasked with identifying solutions, particularly with a view to keeping partially incapacitated people within the labour market.

1.2.3. Governance, transparency and the participation of interested parties

The process of compiling this report included discussions at both ministerial level and with the social partners, including NGOs. Coordination of social inclusion and social protection policies with policies pursuant to the strategy for growth and employment, as well as national sustainable-development policies, is ensured partly by the inter-ministerial committee in charge of preparing the national plan for innovation and full employment, and also by the inter-ministerial committee responsible for sustainable development strategy.

Social dialogue is firmly anchored in Luxembourg both in law and in well established tripartite structures such as the Economic and Social Council, the Tripartite Coordination Committee and the Standing Committee on Labour and Employment. Tripartite cooperation on social issues, involving representatives of employers, workers and public authorities (and indeed 'quadripartite' cooperation in relation to sickness and dependence insurance, where representatives of care providers are also involved), is a consultative approach in which systematic efforts are made to resolve economic and social problems consensually.

The measures to help people reconcile their working and private lives were thus discussed in the Tripartite Coordination Committee, as was the *Pacte logement* [Housing Pact] scheme. The same committee was responsible for introducing tax measures to help offset disadvantage, notably the child bonus and tax credit schemes.

Similarly, new provisions concerning workplace accidents are broadly based on advice supplied by the Economic and Social Council. Generally speaking, the view of the Economic and Social Council, as one of the consultative bodies in the tripartite cooperation process, is sought in the early stages of addressing any relevant problem, before the stages of detailed negotiation and decision-making by the Government and Parliament. The Council's key purpose is to help reconcile the often opposing positions of the two main forces in the economy, namely capital and labour, while taking account of the general interest. Its job is to submit viable proposals to the Government as an aid to decision-making in the implementation of future policies.

The new Standing Committee on Labour and Employment, set up in 2007, is tasked with regularly examining the work and unemployment situation, as well as questions concerning working conditions and employees' health and safety.

It monitors how the Luxembourg labour market is faring and developing and how well it is functioning, particularly with regard to optimum utilisation of labour resources in line with economic and social policy; the nature of supply and demand in the labour market; recruitment of workers who are nationals of neither the EU nor the European Economic Area and Switzerland; and application of the law both with regard to preventing and tackling unemployment and in the field of relations between the employment administration and employers.

The first meeting of the pensions ‘think tank’, mentioned in 1.2.2.2. above, took place in November 2007 and the group has been active throughout the first half of 2008 although it has not yet produced concrete proposals.

PART 2: NATIONAL ACTION PLAN FOR SOCIAL INCLUSION

CHAPTER 2.1. PROGRESS ON AIMS SET OUT IN THE 2006-2008 NATIONAL STRATEGY REPORT ON SOCIAL PROTECTION AND SOCIAL INCLUSION AND ON CHALLENGES IDENTIFIED IN THE JOINT REPORTS

2.1.1. Returning to full employment

Returning to full employment topped the list of policy priorities identified in the section of the 2006 National Strategy Report devoted to the National Action Plan for Social Inclusion (NAP-Inclusion).

In the interests of consistency and continuity with the policy choices of 2006 – and with a view to furthering social and territorial cohesion – the focus during the period 2006-2008 has been on implementing employment policies in pursuit of that aim, while at the same time improving the quality of employment and increasing productivity.

In 2007 work was carried out to implement the agreement reached in the Tripartite Coordination Committee on 28 April 2006 and draft laws and regulations were prepared as a basis for the agreed reforms.

The latest available statistics show that the overall employment rate for people aged 15-64 rose from 63.6% in 2006 to 64.2% in 2007.⁶⁷ Employment continued to grow strongly in the first months of 2008. National accounting data record 343 239 people in work in Luxembourg in the first quarter of the year – 5.3% up on the previous year. During the same period the number of cross-border workers employed in Luxembourg rose by 8.3%; it stood at 142 575 in the first quarter of 2008.

The female employment rate has continued to rise, and showed a 5.9% increase at the start of 2008: the rate for women resident in Luxembourg was 4.3% and that for non-residents 8.7%.

INDICATEURS RAPIDES - Série L

Édition du 12 août 2008

Emploi salarié
Publication trimestrielle imprimée par le STATEC

	Année	Moyenne	Variation	Variation	Janvier	Février	Mars	Avril	Mai	Juin	Juillet	Août	Septembre	Octobre	Novembre	Décembre
		cumulée	annuelle en %	03-07/03-06 et 03-08/03-07 en %												
		des mois 1 à 3														
Emploi salarié¹	2007	309 405	4,3	4,1	307 760	309 326	311 130	313 188	315 421	316 670	316 547	317 668	320 682	323 915	325 191	319 921
	2008	326 241	5,4	5,5	324 310	326 174	328 240									
dont: Femmes	2007	116 935	4,3	4,0	116 381	116 892	117 531	118 178	118 759	119 262	119 594	119 520	120 730	122 307	123 026	122 432
	2008	123 784	5,9	5,9	123 171	123 711	124 470									
Résidents	2007	177 783	2,0	1,7	177 125	177 678	178 545	179 376	180 119	180 547	179 487	179 631	181 561	183 200	183 687	181 753
	2008	183 746	3,4	3,4	182 908	183 653	184 677									
dont: Femmes	2007	74 447	2,5	2,2	74 159	74 392	74 791	75 130	75 368	75 603	75 540	75 254	76 040	76 983	77 303	77 121
	2008	77 621	4,3	4,3	77 274	77 544	78 044									
Non-résidents (Frontaliers)	2007	131 623	7,6	7,5	130 635	131 648	132 595	133 812	135 302	136 323	137 060	138 037	139 021	140 715	141 494	138 168
	2008	142 495	8,3	8,3	141 402	142 521	143 563									
dont: Femmes	2007	42 487	7,5	7,4	42 222	42 500	42 740	43 048	43 391	43 659	44 054	44 266	44 690	45 324	45 723	45 311
	2008	46 163	8,7	8,6	45 697	46 167	46 426									
Allemagne	2007	30 610	11,3	11,3	30 266	30 554	31 010	31 510	31 887	32 223	32 470	32 863	33 196	33 589	33 720	33 459
	2008	34 295	12,0	11,7	33 966	34 269	34 650									
dont: Femmes	2007	8 882	11,8	12,1	8 791	8 859	8 997	9 128	9 233	9 305	9 421	9 538	9 651	9 783	9 852	9 859
	2008	10 128	14,0	13,5	10 044	10 130	10 211									
Belgique	2007	34 417	5,9	6,0	34 220	34 432	34 698	34 776	35 017	35 262	35 335	35 579	35 954	36 345	36 533	36 126
	2008	36 825	7,0	7,0	36 593	36 849	37 033									
dont: Femmes	2007	9 797	7,4	7,4	9 754	9 795	9 843	9 893	9 945	10 007	10 064	10 104	10 245	10 365	10 443	10 409
	2008	10 541	7,5	7,5	10 484	10 556	10 593									
France	2007	66 696	6,8	6,5	66 149	66 662	66 977	67 526	68 398	68 838	69 255	69 605	69 871	70 781	71 241	68 583
	2008	71 375	7,2	7,3	70 843	71 403	71 880									
dont: Femmes	2007	23 808	6,1	5,7	23 677	23 846	23 900	24 027	24 213	24 347	24 569	24 624	24 794	25 176	25 428	25 043
	2008	25 494	7,1	7,2	25 369	25 481	25 632									

¹ Les chiffres sur l'emploi salarié proviennent de la Sécurité sociale et représentent la situation à la fin du mois.

Source: STATEC

Key: *Emploi salarié* = People in paid employment; *dont femmes* = including women; *Résidents* = Residents; *Non-résidents (frontaliers)* = Non-residents (cross-border workers); *Allemagne* = Germany; *Belgique* = Belgium; *Année* = Year; *Moyenne cumulée* = Average total; *Variation annuelle en %* = Annual variation as %; *Variation 03-07/03-06 et 03-08/03-07 en %* = Annual variation March 2007-March 2006 and March 2008-March 2007 as %; *des mois 1-3* = for 1st quarter. Figures shown for January to December for each year.

1. Social security figures showing the situation at month ends

The upward trend in unemployment noted during 2006 was reversed in 2007 when the overall jobless rate fell from 4.7% to 4.1%, putting Luxembourg in fourth place among the 27 EU Member States.⁶⁸

Figures from the Employment Administration (ADEM) for June 2008⁶⁹ confirm the positive trend towards the above said goal:

- the number of registered unemployed persons fell by 208 against the figure for May 2008 – a decline of 2.2%;
- by comparison with the month of June 2007 there had also been a slight fall of the employment rate, from 4.1% to 4% in June 2008 – explained by the marked rise in employment within the country over the year, with an estimated 17 921 more people in work;
- at the end of June 2008, 4 346 jobseekers resident in Luxembourg were in receipt of full unemployment benefit, 3.5% fewer than in June of the previous year;
- looking at unemployment in the broader sense – i.e. taking into account recipients of other forms of work-related assistance – the total number of people registered as seeking work in June 2008 had fallen by 693 against the previous year.

These positive trends reflect economic conditions that have favoured 'employable' jobseekers.

The economic situation has also been particularly good for young people. The proportion of residents aged under 26 registered as jobseekers fell from 17.2% in June 2007 to just 16.1% in June 2008.

Since the adoption of what is known as ‘Law 5611’⁷⁰ and the entry into force in July 2007 of new statutory measures to promote youth employment, the number of young people on employment-related schemes has also fallen.⁷¹

Among older workers the upward trend in unemployment recorded in 2006 (when the rate stood at 33.2%) was reversed in 2007 (32%)⁷².

Under the national strategy for information, vocational orientation and guidance, a national body responsible for information and orientation services – including vocational orientation – has been set up.

Pursuant to the above-mentioned law, certain aspects of the law on eligibility for unemployment benefit have also been amended.

For example:

- time spent in vocational orientation and initiation classes is no longer taken into account as part of the 26-week qualifying period for full unemployment benefit;
- under the new principle of proportionality, the period over which full unemployment benefit is payable is limited to the length of time actually worked under a fixed-term or open-ended contract, subject to application of the current qualifying period.

2.1.2. Preventing early school leaving and raising skill levels

Progress with reform of the national education system to help prevent students from dropping out of school and to raise levels of qualification among all young people

The principle of a conceptual shift ‘from education based on the reproduction of learned knowledge to education based on the acquisition of skills’ – with an emphasis on differentiation, fairness and success at school – has been incorporated into the draft Basic Education Law and the draft Vocational Education Law, which were expected to come before parliament in 2008.

Gradual implementation of an ‘Action plan for the realignment of language teaching’ began at the start of the 2007-2008 academic year. The plan is intended to take account of an increasingly diverse and sensitive linguistic situation, which reflects both the fact that immigrants to Luxembourg are coming from an ever wider range of countries and the growing complexity of the labour market. The aim is to enable every student to develop the broadest possible range of language skills, without transforming that challenge into an insurmountable obstacle on the path towards vocational qualification.

In addition to the ‘*Neie Lycée*’ pilot project, offering post-primary pupils an eight-hour day with the emphasis on interdisciplinary learning and constructive assessment, a new pilot project has been launched at primary level: ‘*Eis Schoul*’ is a public-research initiative based on the concept of inclusive teaching. It was due to be implemented from the start of the 2008-2009 school year.

A Law of 16 March 2007, concerning (1) the structure of vocational training courses at the National Centre for Further Vocational Training and (2) the establishment of training support, a training bonus and a training allowance, provided for the redefinition and restructuring of vocational orientation and initiation courses for unemployed young people aged 15-18. This measure and other educational options for young people who leave school early, or are likely to do so, is based on the concept of 'second chance' education. The aim is to increase the young people's levels of skill and qualification so that when they enter the labour market they do not experience rejection, repeated training placements, a series of insecure jobs or unemployment.

Development of the voluntary vocational orientation service run by the Ministry for the Family and Integration (MIFA)

The voluntary vocational orientation service is a youth-sector scheme that aims to promote the social and vocational integration of young people who leave school early, by encouraging them to return to education or training or to seek employment. It is estimated that around 700 young people drop out of school in Luxembourg every year. The scheme is about giving these young people a fresh perspective on qualifications by offering them practical work experience in a publicly useful project with individual support and certification of the skills they acquire.

Following a design phase from April to September 2007, the programme was officially launched in October 2007 and it soon proved extremely popular, more than 200 young people applying for places inside eight months. The National Youth Service staff assigned to the programme could not manage more than 60 volunteer workers at a time, but 70 young people were able to start their periods of voluntary service in some 30 different host organisations. Around 40 young applicants, for whom voluntary service offered an alternative to idleness, were placed on a waiting list. In the case of 90 others, alternative schemes or measures were deemed more suitable and they were steered towards those options. Nine volunteers dropped out of the programme: in three of these cases the problem was absenteeism, three others gave up, two volunteers found jobs and one returned to school.

In order to respond better to the demand from young people, the National Youth Service has requested additional staff in 2009 so that it can manage 90 volunteers at a time.

The young participants in the voluntary vocational orientation service can be divided into two groups according to their motivation:

- those who have completed their ninth year of schooling (in module-based, practical or general education) but have not managed to find an apprenticeship or a job and see no point in returning to education;
- those who have reached senior secondary level and, having started to study for a qualification that they find does not suit them, intend to switch to a different course. Demotivated, they quit school during the academic year with the intention of starting a more suitable course the following year.

The profile of the young people involved is precisely that for which the programme was intended (they are early school leavers or young people with no educational or employment prospects). The main reasons cited for participation in the voluntary vocational orientation service are the chance of taking a new direction (a step towards work or qualification) and the desire to do a useful job.

The young participants – mostly Luxembourg nationals, followed by Portuguese and Cape Verde nationals and young people from former Yugoslavia – are aged between 18 and 20, and the programme is equally popular with women and men. Many of those involved live in southern Luxembourg, a region of high population density that is commonly perceived as socially disadvantaged.

With regard to equality of opportunity in general, the scheme aims to help give disadvantaged young people access to lifelong education and training by recognising skills that they acquire in a non-formal or informal setting. There is provision for participation by young people with disabilities, in the form of a voluntary vocational orientation service project specifically geared to young applicants for disabled worker status.

In terms of equality of opportunity between women and men, the young volunteers are steered towards a host organisation on the basis of their skills and interests and following short visits or work-experience try-outs in the organisations concerned, many of which are in the educational and social sectors. Young men may thus be encouraged to do their voluntary service in childcare or in care and services for dependent people, while young women have the opportunity of exploring more technical types of work, for example in environmental-protection projects.

This period of vocational orientation represents good practice inasmuch as the drop-out rate is much lower than in other types of scheme with a similar aim. The young people are expected to take responsibility for selecting their own host organisation and they thus have an opportunity for vocational development in a field that suits them.

Given the importance of the voluntary vocational orientation service in terms of national strategies for preventing failure at school, implementation of the programme will be subject to external evaluation over three years; this will reinforce its strategic dimension by confirming quality of provision, assessing adequacy of resources and measuring outcomes.

2.1.3. Reconciling family life and working life

In the 2006 National Strategy Report the main policy objective identified for better reconciliation of family life and working life was extension of the supply of flexible child-minding facilities, i.e. more *maisons relais pour enfants* (childcare centres) offering quality care at affordable prices and with flexible opening hours.

The aim is certainly not to impose a specific lifestyle model on families but rather to take the necessary steps so that fathers and mothers can reconcile their family and working lives.

A sufficient number of childcare facilities is clearly a prerequisite.

In 2005, there were 87 childcare centres approved by the Ministry for the Family and Integration, with a total of 178 local or neighbourhood facilities in 76 of Luxembourg's 116 municipalities.

On the basis of estimated demand for childcare outside school hours, the Government has prepared a multiannual development programme for increasing the number of available places in childcare centres from 8 000 (2005 figure) to 30 000 by 2013. In 2006 and 2007 an additional 4 000 places were to be provided in 35 municipalities, five of which had not previously had any such facilities.

Development of childcare centres, facilities/units and available places

End 2005: 87 centres with 178 facilities in 76 of the 116 municipalities, offering 8 000 places

End 2006: 92 centres with 188 facilities in 84 of the 116 municipalities, offering 10 247 places

End 2007: 100 centres with 202 facilities in 96 of the 116 municipalities, offering 11 751 places

Of the 20 remaining municipalities, 16 plan to establish a childcare centre in the coming years.

The current number of projected places is 5 446. This includes places to be provided under both new measures and the extension of existing measures.

In 2008 and 2009 it is planned to create 5 000 places.

Increase in number of parental assistants with Ministry approval and in number of children catered for

The first approvals for parental assistants were issued in 2003.

In that year there were 18 assistants, caring for 90 children; by 2007 the number had risen to 101, caring for 437 children.

The entry into force of a new Law on 30 November 2007, regulating the activity of parental assistants, encouraged large numbers to apply for approval from the Ministry.

Luxembourg's policy on reconciling family life and working life is thus in line with the priority policy aims set out in the 2006-2008 National Strategy Report and is geared to the targets shown in the table below.

Indicator	Starting point (2006-2008 report)	Mid-term target	Ultimate target
National indicator: number of places in childcare facilities	8 000 places in 2006	By 2009: an additional 10 000 places	30 000 places by 2013

2.1.4. Developing access to housing

Access to housing was identified as the fourth main policy objective in the NAP-Inclusion section of the 2006 National Strategy Report, and measures announced so far fall under two headings:

- a 'Housing Pact' with the municipalities;
- an active property-management policy.

The Ministry for Housing tabled the draft Housing Pact Law 5696, of which these measures form part, on 8 March 2007.

There have been sharp reactions to it, particularly from estate agents' representatives and from the Council of State.

Meeting on 9 April 2008, the Parliamentary Committee for the Middle Classes, Tourism and Housing adopted a series of amendments to the draft law and on 11 June the Parliament passed the amended draft at first reading.

Because the Council of State did not waive the constitutional requirement for a second reading, implementation of the full package of measures set out in the 2006 National Strategy Report must await another parliamentary vote, which was expected to take place in late October or early November 2008.

However, the Minister for Housing has already held numerous interviews with municipal authority representatives, encouraging them to cooperate on implementation of the Housing Pact.

By mid-July 2008, 60% of the country's municipalities had declared their willingness to become involved, subject to signature of an agreement with the state, as provided for in the pact.

While some of the planned measures – for example to increase the volume of low-cost housing – are specifically geared to helping people on low incomes, the 2007 Joint Report stipulated that there had to be a sharper focus on sections of the population in difficulty.⁷³

That request has been taken into account in proposals under the fourth NAP-Inclusion objective for 2008.

CHAPTER 2.2.

KEY CHALLENGES, PRIORITY OBJECTIVES AND TARGETS

In the 2008-2010 National Action Plan for Social Inclusion (NAP-Inclusion) the Government announced its decision, following consultation with its partners,⁷⁴ to focus on the following key policy objectives:⁷⁵

1. ensuring children's wellbeing;
2. encouraging young people and older workers to join the labour market;
3. modernising social assistance;
4. facilitating access to housing.

2.2.1. Ensuring children's wellbeing

With regard to children's risk of exposure to poverty in the Grand Duchy of Luxembourg, social-inclusion indicators for poverty risk by age, household composition and household situation before and after social transfers paint the following picture:

- the at-risk-of-poverty rate is distinctly higher among children aged up to 17 than it is among the population generally;⁷⁶
- the at-risk-of-poverty rate is higher for families with children than for those with no children,⁷⁷ and higher for single-parent families than for those comprising⁷⁸ a couple with children;
- the at-risk-of-poverty rate for children after social transfers⁷⁹ is distinctly lower than the risk before transfers.

This social indicator shows that, as a rule, children experience poverty because they live in poor households.

To address this situation, the Government applies a balanced policy combining preventive and curative action and aiming, on the one hand, to improve the circumstances of households with children and, on the other, to target its efforts more effectively at children in situations of distress or social exclusion or exposed to the risk of poverty.

This policy is underpinned by an integrated approach to children's wellbeing, acting not only to raise the income level of households with children⁸⁰ but also to facilitate access by those households, and the children themselves, to support structures and services.

The policy aims to ensure equality of opportunity for all, to break the cycle of poverty transmission from one generation to the next, to promote equality among young people, to help young people in difficulty and to improve support for families.

The primary policy objective of ensuring children's wellbeing applies particularly to immigrant children, children who have particular problems or who face a situation of distress, children at risk of social exclusion or of material poverty, and children living in families that are exposed to poverty risk. The intention is to support children with regard to their personal ambitions, their specific needs and their talents, to take account of their language abilities or

deficiencies, to undertake early diagnosis of behavioural problems and to encourage children's cognitive stimulation.

This focus reflects the requirements under common objective d) in the 2007 Joint Report on Social Protection and Social Inclusion, which advocates a more detailed approach to child poverty, as well as the findings of the 2008 Joint Report, identifying action to combat child poverty as a priority policy challenge.

Making children's wellbeing the top priority also reinforces the policy for reconciling family life and working life, as set out in the NAP-Inclusion 2006.

2.2.2. Encouraging young people and older workers to join the labour market

One of the future challenges identified for Luxembourg in the 2007 Joint Report is raising the employment rate among young and older residents.

In response to that challenge and in line with OMC common objective e), the 2008 NAP-Inclusion report confirms, as its second policy priority, a sustained commitment by Luxembourg's Government to promoting employment for people in these two social categories.

A note on Luxembourg's structural unemployment problem

The following statistics are indicators of the problem of structural unemployment:

- 53.3% of registered resident jobseekers had a relatively low level of qualification, equivalent to the basic (nine-year) period of compulsory schooling;⁸¹
- approximately 25% of registered resident jobseekers were members of a 'disadvantaged' group;⁸²
- approximately 15% could not speak Luxembourgish, German, French or English;⁸³
- many had social and/or family problems.⁸⁴

Given its multifaceted nature, this problem is not amenable to resolution solely by the Employment Administration's current employment and modernisation policies:⁸⁵ it also reflects major challenges in the fields of social and educational policy.

2.2.3. Modernising social assistance

As part of the drive to combat poverty and social exclusion, Luxembourg has had a national guaranteed minimum income (*RMG*) scheme since 1986: the integrated and multidimensional components of this scheme largely reflect the demands of an 'active inclusion' approach and the *RMG* functions as an important moderating factor in poverty risk.

While the scheme has been gradually amended over the years of its existence and now constitutes a more effective response to the requirements of common objectives d) and e), eligibility for social benefits nonetheless remains subject to certain conditions.

A substantial degree of responsibility thus rests with the 116 municipal social welfare offices which are in charge of social assistance at local level.

However, the legislation that governs intervention at this level dates from the nineteenth century, namely:

- the *Domicile de secours* [Address for Social Welfare Purposes] Law of 28 May 1897;
- the Royal-grand-ducal Decree of 11 December 1846 on Reorganisation and Regulation of Charitable Offices.

Recognising that assistance provided at a local neighbourhood level in application of these two statutes had certain paternalistic and arbitrary overtones, the 2001 NAP-Inclusion highlighted the need for radical legislative reform, and there was provision in measure 63 for the establishment of a think tank on the subject.

On 22 January 2008, following completion of preparatory work in accordance with measure 41 of the 2003 NAP-Inclusion, 'draft Law 5830 on the organisation of social assistance' was tabled in the Parliament.

This draft law not only constitutes a comprehensive and ambitious overhaul of the two nineteenth-century texts that it replaces – as is clear from the key elements listed in 2.3.3. below – but also reflects the Government's determination to sustain the impetus of measures for conquering poverty and social exclusion.

In his 'state of the nation' speech on 22 May 2008, the Prime Minister voiced the Government's desire to see draft Law 5830 adopted by the House 'before the June 2009 election'.

Given the scale of the administrative reorganisation that will be necessary at local level and the need to train staff in the new way of working, the modernised social-assistance system will not be operational until 1 January 2010.

In 2005, the Joint Report on Social Protection and Social Inclusion identified seven key priorities for public action to combat social exclusion, and they remain valid. The policy of modernising social assistance reflected in draft Law 5830 is a response to the sixth of these priorities, concerning high-quality, accessible social services.

2.2.4. Facilitating access to housing

As a result of population growth, prices on Luxembourg's housing market have risen steadily; in 2006 the average constant monthly cost of accommodation across all housing types was EUR 820, as against approximately EUR 690 in 1996. Average housing costs have thus increased overall by 18.8% in those 10 years, for both home owners and people in rented accommodation. The breakdown between these two groups is shown in the following table.

Breakdown of housing type by (head of household's) age group (%)

Age group	Home owners	Tenants paying market rents	Tenants paying reduced rents	People in free accommodation	
18-34	43.8	39.7	8.0	8.5	100
35-49	70.4	21.9	4.0	3.7	100
50-64	75.8	17.7	4.2	2.3	100
65 and over	82.0	10.2	4.5	3.3	100
Overall	70.3	20.9	4.8	4.0	100

Source: Ministry for Housing

Only 49% of low-income households are home-owning, compared with 75% of other households.

The lowest-income households spend 27% of their income on rent, where they are tenants, or 22% on mortgage repayments where they are home-owning. The proportion of income that other households spend on accommodation is much smaller: 17% in the case of tenants and 16% in that of home owners.⁸⁶

In mid-2008 there were 1 500 people on the waiting lists of Luxembourg's two largest public housing agencies.

In response to a situation where fewer and fewer households can find affordable accommodation, and to a high and growing risk of poverty among tenant occupiers, as outlined in 1.1.4. above, the Government decided on a specific measure, in addition to its general housing-access policy, to assist those groups in most need.

From 2009 onwards it intends to act on a concept announced in the 2003 NAP-Inclusion, namely:

'State participation in a measure initiated by an NGO in respect of a "social estate agency" project, involving the target population group and landlords willing to let accommodation to members of that group. State participation will be conditional on:

1. *presentation of a detailed project proposal by the NGO in question;*
2. *allocation of a budget by the Ministry for Housing.*⁸⁷

CHAPTER 2.3.

IMPLEMENTATION OF PRIORITY POLICY OBJECTIVES

2.3.1. Ensuring children's wellbeing

Encouraging children's access to daycare provision through the introduction of vouchers

Rather than opting to increase the level of child benefit generally, the Government decided⁸⁸ to introduce a voucher scheme for families with children, enabling them to purchase a certain number of hours in a crèche, nursery or childcare centre (*MRE*), thus reducing their childcare costs. Practical details of the scheme are currently being worked out.

The element of gratuity aimed inter alia at households with low income in the voucher scheme militates against any possible 'ghettoising' effect.

The measure is also expected to have a positive impact in term of female employment rates by creating more jobs for women, and a longer-term impact of reducing the poverty risk for families with children, including lone-parent households.

As the at-risk-of-poverty rate is much lower among Luxembourg nationals than among foreign nationals, the measure is likely to benefit the children of migrants, who will find it easier to access childcare provision, and this in turn should promote the integration of migrant children into Luxembourg society.

Adapting daycare provision for children with special needs

The system of childcare centres (*MREs*) is designed a) to provide individual support for those children who need it, in addition to the normal care offered to all children using the centres; b) to make available specific resources for children with disabilities;⁸⁹ c) to ensure that at least one third of all *MREs* can cater for children with special needs; and d) to increase *MREs*' resources and the quality of care they can offer.

The Government has also begun working to improve the care of children outside *MREs* by developing a system of support by parental assistants and cooperation between *MREs* and parental assistants,⁹⁰ and providing parenting support⁹¹ so that social or other difficulties in families can be detected and addressed at an early stage.

Together, these measures are expected to impact positively on equality of opportunity for children and help to stop poverty being passed on from one generation to the next.

The various types of provision will include resources for children with disabilities; thus taking into account the disability mainstreaming.

Developing specific measures to help children in distress

Draft Law 5764 on assistance for children, tabled in the Parliament on 22 August 2007, seeks to introduce a legal basis for the provision of social assistance to children. The draft law provides, *inter alia*, that all children in difficulty should be guaranteed a right of access to the help that their situation demands, and that fresh emphasis should be placed on prevention.

Under a system of agreements with the management bodies of facilities and programmes for children in psycho-social distress⁹² or children with specific needs,⁹³ the Ministry for the Family and Integration also plans to promote the development over the coming years of 100 additional places in such facilities.⁹⁴

As a means of ensuring that children experiencing periods of particular difficulty do not find themselves socially excluded, the Government is encouraging the establishment of socio-family residential facilities offering a service based on the principles of early intervention, cooperation with parents, parental empowerment and coordination among all parties involved.

These measures are expected to have a positive impact in terms of improving equality of opportunity among young people, preventing social exclusion and protecting young people who have to cope with distressful situations.

2.3.1.1. Indicators and monitoring mechanisms

Provision within *MREs* for children at risk of social exclusion is to be improved by 2010 with the introduction of an entitlement to 10 hours of educational support per week.

Targets have been set for developing the care and social-educational support offered by *MREs*⁹⁵ by the year 2015, namely:

- to create 35 000 places;
- to ensure that every municipality has an *MRE*;
- to ensure that *MREs* in 75% of municipalities offer afternoon care;
- to ensure that *MREs* in 50% of municipalities offer a summer programme;
- to ensure that *MREs* in 25% of municipalities offer an individual support service.

2.3.1.2. Allocation of resources

At the time of writing, information on allocation of resources was unavailable.

2.3.2. Encouraging young people and older workers to join the labour market

Encouraging people to join the labour market is central to OMC common objective e) and to employment policy guidelines under the Growth and Employment Pact.

The 2007 National Reform Programme implementing report contains details of how various initiatives in this field are being pursued, and the Government intends to forge ahead with the measures outlined there.

Steps to be taken for young people include:

- extending the career guidance services offered by the Employment Administration (*ADEM*) to make them available to all, as described on p. 38 of the NRP implementing report;
- ensuring assistance and support as a matter of course for young people who leave school without qualifications (see p.38 of the NRP implementing report);
- offering an ‘activation agreement’ (*convention d’activation*) to jobseekers aged under 30, within three months of their registering as unemployed (see pp. 39 and 42 of the NRP implementing report);
- making judicious use of new measures to help young people introduced under ‘Law 5611’ as of July 2007, namely the ‘work support contract’ in the public sector and the ‘initiation to work contract’ in the private sector.

The ‘work support contract’ replaces the temporary auxiliary contract and is designed to encourage both young people and work providers to be more proactive at an early stage and to take greater responsibility. Under the contract, a young jobseeker is placed with a state or municipal work provider for practical and theory-based initiation to work in order to help him or her to join or return to the labour market. The contract is concluded between the *ADEM* and the young person concerned. Workplace mentors play a key role in this scheme.

The ‘initiation to work contract’ replaces the old temporary auxiliary contract for the private sector and the private-sector placement scheme. It is concluded between a host company, the young person concerned and the *ADEM* and it provides for young jobseekers to receive practical training during working hours, in order to help them to obtain employment with the host company or to integrate into the labour market.

Recent changes in the law with regard to older workers – for example on keeping people in work (enabling them to move from one job to another without a period of unemployment) and on further training (with the introduction of individual training leave) – are likely to have a positive impact on the employment rate in this age group.

The ‘activation’ and empowerment policies introduced under Law 5611⁹⁶ are also expected to contribute positively in this regard.

The Ministry for Labour and Employment (*MTE*) also intends to continue encouraging initiatives for older workers, such as those described on p. 36 of the above-mentioned NRP implementing report, namely:

- increasing the support available for recruitment of older workers;
- taking older workers into consideration in defining four priority areas for action on corporate social responsibility in relation to employment and labour law.

However, raising the employment rate among older members of the population also depends on a comprehensive national strategy for active ageing, which lies beyond the Labour Ministry's field of responsibility.

Measures in pursuit of priority policy objective 2 and the gender dimension

In general, the gender dimension is well taken into account in employment policies.⁹⁷ With regard to specific measures in this area, the table below shows certain differences between male and female members of the group concerned.

Breakdown by sex of young and older registered resident jobseekers⁹⁸

	Age	<26	26-30	51-60	>60
June 2008	Men	754	487	1046	71
	Women	700	506	875	42
	Total	1454	993	1921	113

2.3.2.1. Indicators and monitoring mechanisms

Permanent arrangements have been put in place for monitoring and evaluating the new legal provisions under Law 5611 in cooperation with the Population, Poverty and Socio-Economic Policy Research Centre (CEPS/INSTEAD).

Under this system the Ministry receives updated performance indicator charts on a quarterly basis.

2.3.2.2. Allocation of resources

Resources for implementing the measures outlined come from the national budget, in which EUR 170 400 100 has been allocated to an 'Employment Fund' in 2008, and from the European Social Fund (ESF).

2.3.3. Modernising social assistance

Priority 3 of the 2008 NAP-Inclusion, in line with objectives d) and e), will be implemented chiefly through key elements of draft Law 5830.

Considering the organizational aspects of the social welfare offices operating under the status of public establishments with municipal supervision, the draft law 5830 aims both at ending the tradition of compartmentalised social assistance and at doing away with the associated lengthy and complex administrative procedures.

Key proposals contained in the draft law cover:

- the rallying of smaller municipalities' social welfare offices into regional service centres;
- harmonised operating methods with a one-stop-shop approach;
- enhanced professionalisation, efficiency and transparency.

With regard to the nature of the actual assistance, the draft law introduces:

- the principle of legal entitlement;
- subsidiarity and complementarity;
- the principle of multidimensional support (material, financial and social) on a personalised basis.

The finality of draft Law 5830 is underpinned by the right to an adequate standard of living as stated in article 25 of the Universal Declaration of Human Rights, and thus guarantees the provision of basic necessities, notably medical care, housing, food, clothing, mobility, a safe water supply and home energy.

Whereas the legal texts of 1897 and 1846,⁹⁹ which will be set aside under draft Law 5830, were based on the simple notion of charity, the modern form of social assistance to be introduced pursuant to the draft law emphasises the concepts of follow-up and partnership based on a new 'solidarity agreement', under which the welfare office and the service user can formally set out their respective roles, assess progress and address persistent difficulties.

Draft Law 5830 will significantly extend entitlement to social assistance – with a few exceptions stipulated in Article 4 – to cover all needy individuals legally resident on Luxembourg territory.

Note on draft Law 5830 and child poverty

While draft Law 5830 does not directly address the situation of children exposed to the risk of poverty, it introduces necessary tools for early and sustained intervention at family level. It is therefore expected to put in train a prevention-focused approach to break the vicious circle of poverty and exclusion.

Note on draft Law 5830 and the gender dimension

A disproportionate number of households at risk of poverty in Luxembourg are headed by a single parent, in most cases a woman. The policy introduced by draft Law 5830 is therefore 'gender relevant' and it is anticipated that the new social assistance system will be used increasingly by women.

Note on draft Law 5830 and the disability dimension

Mobility is one of the basic necessities that draft Law 5830 sets out to guarantee. It thus not only acknowledges the general connection between inclusion and mobility – highlighted recently by the International Public Transport Union (UITP) in a memorandum to the Social Protection Committee dated June 2008 – but also reflects particular awareness of one of the key challenges in the Disability High Level Group Discussion Paper of October 2007.

Note on draft Law 5830 and the migration dimension

Given that the at-risk-of-poverty rate is considerably higher among foreign residents than among Luxembourg nationals (10.4% compared with 3.6%), it is likely that the new social assistance system will be used increasingly by foreigners.

While entitlement to social assistance is contingent, in principle, on legal residency, draft Law 5830 takes account of the reality that many illegal residents are particularly vulnerable and Article 28 provides for short-term humanitarian aid on a discretionary basis.

2.3.3.1 Indicators and monitoring mechanisms

With a view to targeting assistance effectively and using it preventively, draft Law 5830 places great importance on the establishment of standardised monitoring tools. The Ministry responsible will supply local and regional social welfare offices with a data-collection system that will enable them to record the nature, extent and distribution of applications for assistance as well as the types of assistance provided and their impact.

As well as standard annual reports to be produced by the management boards of the social welfare offices, the following tools will assist with statistics-gathering and evaluation:

- application registers;
- structured social surveys;
- 'solidarity agreements', the preparation and basic content of which will be determined by Grand-Ducal regulation.

2.3.3.2. Allocation of resources

By rallying the welfare offices for municipalities with fewer than 6 000 inhabitants, it will be possible to put in place a genuinely local team for each office, comprising at least one social worker plus the requisite administrative staff.

Each office will determine the amount and nature of the assistance it plans to allocate, taking account of its welfare resources, its particular circumstances and the local context.

The Government will cover 50% of the annual deficit resulting from the provision of assistance under the new law and from management costs and social and administrative staff costs; the remaining 50% will be payable by the municipalities in which the respective welfare offices operate.

The Government will reimburse 100% of expenditure on discretionary humanitarian assistance.

2.3.4. Facilitating access to housing

The new ‘Social estate agency’ (*AIS*) structure to be introduced in pursuit of priority 4 is defined as follows:

‘The AIS is a service-providing body that functions as an intermediary between landlords and vulnerable or socially excluded tenants and those on low incomes. It facilitates access to decent accommodation for vulnerable or poverty-stricken households by seeking the best match between the supply of accommodation potentially available and the established social needs at local level.’

The key features of the concept are outlined below.

The *AIS* is a service for particularly vulnerable individuals or households, including:

- people with a low level of disposable income (for example those with excessive debt);
- people whose real income is low (for example those dependent on minimum guaranteed income);
- young households;
- people living in exclusion as the result of multiple physical, psychological or social problems.¹⁰⁰

The *AIS* represents a means of combating exclusion in relation to housing, and is intended both to prevent such exclusion and to address the quality of housing. As well as facilitating access to accommodation, it aims to promote social inclusion and it can offer ‘rent top-ups’ in order to prevent rent levels from becoming a barrier to inclusion.

The work of the *AIS* will include:

- identifying suitable property (with a view to letting accommodation currently neglected by its owners);
- managing accommodation rentals:
 - acting as intermediary between landlord and tenant in the preparation of rental agreements;
 - supervising monthly rent payments;
- providing technical support with the rehabilitation of accommodation for letting;
- mediating between landlords and tenants where necessary;
- collaborating with social welfare bodies in tenants' interests, where necessary.

In organisational terms, the *AIS* has:

- the status of a 'foundation';
- member organisations which work to provide housing for socially disadvantaged groups and which are non-profit-making bodies;
- a selection committee that decides on eligibility for *AIS* services and sets priorities with regard to access;
- a director who will be required to submit a report, in accordance with set criteria, on the allocation of homes to applicants;
- a tenants' committee;
- a consultative committee comprising representatives of all the agencies involved (including the public housing promoter *Fonds du Logement* and *SYVICOL* – the Union of Towns and Municipalities of Luxembourg), which is responsible for supporting the work of the *AIS* and determining the direction in which it is to be developed in future.

The rights and responsibilities of the various parties involved will be contractually established, through for example:

- property management mandates, issued by landlords to the *AIS*;
- rental agreements between the *AIS* and tenants;
- social support agreements between the *AIS* and social services;
- maintenance contracts between the *AIS* and technical service providers.

The AIS and child poverty

As noted in 1.1.4. above, households with three or more children face a particularly high risk of exposure to poverty. Such households experience considerable difficulty finding suitably sized accommodation at a level of rent appropriate to their income. Large families in vulnerable circumstances can therefore be expected to make increased use of the services of the *AIS*.

While there is general recognition that inadequate housing and the deprivation associated with it are factors that seriously compromise children's wellbeing and development, a report on 'Child Poverty and Well-Being in the EU' adopted by the Social Protection Committee in January 2008, indicates that 22.31% of children in Luxembourg below the age of 17 (as against 17.85% of the population generally) may be considered deprived with regard to their housing conditions.¹⁰¹

Conceptually and through its focus on prevention and quality, the *AIS*:

- constitutes a response to the 2008 Joint Report, which acknowledged the multidimensional nature of child poverty and called, *inter alia*, for policies to address aspects including material deprivation;¹⁰²
- will have the capacity to promote the wellbeing and development of considerable numbers of children.

The AIS and the gender dimension

A disproportionate number of households at risk of poverty in Luxembourg are headed by a single parent, in most cases a woman. The *AIS* is therefore 'gender relevant' and it is anticipated that its services (and particularly the provision for rent top-ups) will be used increasingly by mothers.

The AIS and the migration dimension

In mid-2008, 40% of those on the waiting lists of Luxembourg's two major housing promoters were foreign nationals. It is thus likely that the *AIS* will have a similar proportion of applications from people not of Luxembourg origin.

2.3.4.1. Indicators and monitoring mechanisms

In its operational reports, the progress of the *AIS* will be assessed against *statistical targets*, namely:

- an initial pool of some 50 homes for rent when the scheme starts in 2009;
- a growth rate of 50 homes per year;
- development in the medium term of a pool of approximately 500 homes throughout Luxembourg.

2.3.4.2. Allocation of resources

The Ministry for the Middle Classes, Tourism and Housing will cover that portion of expenditure directly related to rental risk and to setting up the *AIS*.

The Ministry for the Family and Integration (*MIFA*) will cover both staff and running costs.

Proposed budget for achieving the 2009 and 2010 targets

EUR 600 000, which breaks down as follows:

- | | |
|---|---------------------------|
| ▪ Staff costs
(three full-time staff) | EUR 243 000 |
| ▪ Expenditure on rental projects
(Legal and housing maintenance costs, etc.) | EUR 57 000 |
| | Annual total: EUR 300 000 |

CHAPTER 2.4. GOOD GOVERNANCE

Governance in relation to the NAP-Inclusion

Social inclusion policies are coordinated both at ministerial level and in consultation with the relevant partners through the bodies listed in the 2006-2008 NAP-Inclusion.¹⁰³ The ‘NAP-Inclusion Group’, responsible for cooperation and coordination, has been expanded to include two bodies that work in the disability sector, namely the *APEMH* and Kräzbiereg Foundations.

In the process of preparing the 2008-2010 NAP-Inclusion, the following meetings were held:

- 19 March 2008: Initial coordination by the Interministerial NAP-Inclusion Group to establish a framework and schedule for the preparation process;
- 11 April 2008: First meeting of the NAP-Inclusion Group, setting out the proposed framework and facilitating an initial exchange of views on the drafting of the plan. Partner organisations were invited to submit written contributions by the end of April 2008;
- 30 April 2008: NGOs’ written contributions received and forwarded by the *MIFA*, as coordinator of the plan, to the other members of the Interministerial Group;
- 23 May 2008: Second meeting of the Interministerial Group to agree priority policy objectives for the plan, in the light of the proposals by partner bodies in the NAP-Inclusion Group;
- 30 May 2008: Second meeting of the NAP-Inclusion Group to present the policy objectives identified for the plan.

The Government recognises the need to base the ‘inclusion process’ on a participatory approach and to take into account the expertise of people living with poverty.

In cooperation with a number of municipal authorities it has therefore supported a series of ‘Participatory Social Inclusion Meetings’ (*Rencontres Participatives pour l’Inclusion Sociale* or *REPIS*) which were initiated in 2006 by *EAPN Lëtzebuerg* with the aim of:

- encouraging people in situations of poverty to become involved in the ‘inclusion process’, which is of immediate relevance to them;
- establishing direct exchanges between these people, on the one hand, and social welfare professionals and politicians, on the other.

The Government is committed to this process and members of Government, including the Commissioner for Social Action, take part in the *REPIS*.

Marie-Josée Jacobs, Minister for the Family and Integration and for Equality of Opportunity, thus participated in *REPIS* 2006, and her colleague, Health and Social Security Minister Mars Di Bartolomeo, took part in the 2007 meeting.

On 21 April 2008, Ms Jacobs and Fernand Boden, Minister for the Middle Classes, Tourism and Housing, were involved in the third *REPIS*. This year, for the first time, a number of MPs also attended.

EAPN-Lëtzebuerg forwards conclusions and demands from the *REPIS* to Ms Jacobs, whose Ministry is tasked with coordinating the inclusion process.

It is clear from the priority policy objectives in the current NAP-Inclusion that this input has largely been taken into account.

Governance in the light of the four NAP-inclusion priority policy objectives

Ensuring children’s wellbeing

By reducing the cost of childcare through the creation of a voucher scheme, the Government has responded to calls from NGOs (which meet under the auspices of *EAPN-Lëtzebuerg*).¹⁰⁴

An important role is also played in this respect by the Tripartite Coordination Committee, whose decisions were given effect by the Law of 21 December 2007 introducing the child bonus scheme (see 1.2.1.2. above).

Encouraging young people and older workers to join the labour market

The *ADEM* plays a key role in this regard, and its modernisation will proceed in close cooperation with representatives of the social partners, a delegation from the Parliament and members of the *ADEM* management and heads of unit.

All involved are cooperating with the aim of producing a comprehensive national strategy for active ageing. This cooperation includes monthly coordination meetings and the preparation and implementation of joint initiatives.

On 4-6 July 2008 – with a view to raising awareness about problems of employment unemployment and to encourage new cross-cutting initiatives – the Government organised a wide-ranging social debate involving all the agencies concerned (the legislature, all levels of the executive, the social partners, economic

decision-makers, chambers of trade and industry and NGOs). This first series of 'National Employment Days' included a National Employment Conference to discuss the links between the labour market and the economy, immigration and integration, education/training and social policy.

Modernising social assistance

Given the scale of the overhaul to be implemented under draft Law 5830, it was important to begin with a stock-taking to identify, qualitatively and quantitatively, the areas of social assistance in need of reform.

In quantitative terms, all the expenditure and revenue of Luxembourg's 116 municipalities in the years 2003 and 2004 was recorded in detail. This exercise not only constituted an overall quantitative stock-taking but also supplied important qualitative information.

Various coordination meetings and interviews gave key representatives (of municipal authorities, social workers and heads of welfare offices) the opportunity to present their analyses and requests to the Ministries responsible for the welfare offices, namely the Ministry for the Family and Integration and the Interior Ministry. Thus in June 2003 the main strands of a reform in tune with current social realities began to emerge.

In February 2005 a working group comprising civil servants from the two Ministries responsible was tasked with the preparation of a preliminary draft law.

Cooperation with all the relevant players continued throughout the preparation of the draft, with a view to ensuring that the approach taken – with framework legislation capable of adaptation to local or more general social developments – was consistent, feasible and timely.

Because the proposed reform entails establishing a right to social assistance, enabling people to live in conditions of dignity, it is particularly relevant to people who have experienced poverty and social exclusion.

In order to inform them about progress with the new draft law, the Government's Commissioner for Social Action took part in *REPIS* 2007. A call to 'accelerate the reform of social welfare offices' formed part of the *EAPN-Lëtzebuerg* contribution to the 2008-2010 NAP-Inclusion.

Facilitating access to housing

The *AIS* concept originated in the social voluntary sector and the work of translating it into practice, since publication of the 2003 NAP-Inclusion, has been carried out in collaboration with voluntary-sector representatives.¹⁰⁵

Since 2006, one of the demands made by *REPIS* participants with experience of poverty and social exclusion has been for the establishment of a 'social estate agency'.

Following consultations on preparation of the current NAP-Inclusion, *EAPN-Lëtzebuerg* proposed that creating such an agency should be included among the priority policy objectives, and submitted its own concept for the new body.

The *AIS* concept as outline above resulted from exchanges of views between the Ministry for the Middle Classes, Tourism and Housing, the *MIFA* and all the interested NGOs.

Both the implementation and the monitoring of the *AIS* project will entail close cooperation with relevant bodies in the public sector (ministries and public-housing promoters) and the private sector (NGOs and lessors).

On ‘World Habitat Day’, 6 October 2008, a symposium on the theme ‘Promoting social inclusion through housing’ was organised jointly by Ministry for the Middle Classes, Tourism and Housing, the *MIFA* and one of the associations with a special interest in the *AIS*, namely *Caritas Accueil et Solidarité*. It provided a forum for discussing the *AIS* plans and bringing them to public attention.

European Social Fund (ESF) contributions to implementation of NAP-Inclusion priority policy objectives

As described in the 2007 NRP implementing report and in this report at 2.3.2. above, significant measures have already been taken to raise the employment rate among young and older residents.

However, the scale of the challenge demands further innovation.

ESF intervention has therefore been focused primarily on NAP-Inclusion priority policy objective 2.

The National Strategic Framework of Reference (*CRSN*), which sets out the national authorities’ strategy for ESF intervention in Luxembourg, encourages the innovative approach that is required.

It includes the priority aim of improving access to employment and sustainable inclusion in the labour market¹⁰⁶ and stipulates that efforts to this end should entail:

- support for projects experimenting with new approaches to the employment of older workers or the extension of their working lives;¹⁰⁷
- and that the ESF might usefully contribute to new schemes for integrating young people into the labour market.¹⁰⁸

The *CRSN* priority cited above is reflected in the top priority of the operational programme for ESF intervention in Luxembourg, namely to improve ‘regional competitiveness and employment’.¹⁰⁹

The operational programme financing plan for 2007-2013 includes the following breakdown of funding for these purposes:

▪ EU funding	EUR 9 693 568
▪ national match funding (from the public purse)	EUR 9 693 568
overall allocation	EUR 19 387 136 ¹¹⁰

The 2007 operational programme implementing report, approved by the programme monitoring committee on 7 June 2008, noted that this priority effort, by virtue of the specific aims it supported, constituted a response to OMC social inclusion objective e), set by the Brussels European Council in March 2006.¹¹¹

While there has been a dual focus here on young people and older workers, there is also a third aim of helping to boost the employment rate among women, notably by:

- developing crèches and

- designing child-care provision.¹¹²

The 2008 assessment of the NRP's implementation highlights the improvement of childcare structures, and the top priority policy objective in the 2008 NAP-Inclusion confirms that the Luxembourg Government is committed to pursuing its efforts on this front.

Through the above-mentioned two activities the ESF can lend its support to implementation of this NAP-Inclusion priority policy objective.

APPENDIX 1

Examples of good practice

1. Example of good practice in relation to NAP-Inclusion priority policy objective 1 ('Ensuring children's wellbeing')

Name of Measure		Member State	
<p><i>Foyer scolaire 'Parc Hosingen'</i> run by <i>SISPOLO (Syndicat intercommunal pour l'éducation, l'enseignement, le sport et les loisirs)</i></p> <p>Regional initiative by four neighbouring municipalities to offer quality after-school care for children aged 3-13, in close collaboration with pre-school and primary school professionals</p>		LUXEMBOURG	
End Purpose of the Measure			
<p>To promote the social inclusion of children living in families at a high risk of poverty:</p> <ul style="list-style-type: none"> ▪ immigrant families poorly integrated into Luxembourg society; ▪ single-parent families on low incomes; ▪ families relying on welfare programmes. 			
Main Results in summary			
<p>Improved, constructive collaboration between socio-education professionals in the childcare services and pre-school and primary school teachers</p> <p>Creation of a regional network of existing social services for children</p> <p>Better integration of immigrant children</p>			
Targeted Beneficiaries		Policy Focus	
General population	<input type="checkbox"/>	Social exclusion	X
Children	X	Healthcare	<input type="checkbox"/>
Single-parent families	<input type="checkbox"/>	Long-term care	<input type="checkbox"/>
Unemployed people	<input type="checkbox"/>	Governance	<input type="checkbox"/>
Older people	<input type="checkbox"/>		
Young people	<input type="checkbox"/>	Geographical Scope	
People with disabilities	<input type="checkbox"/>	National	<input type="checkbox"/>
Immigrants /refugees	<input type="checkbox"/>	Regional	X
Ethnic minorities	<input type="checkbox"/>		
Homeless people	<input type="checkbox"/>	Implementing Body	
People with specific illnesses or diseases	<input type="checkbox"/>	Four municipal authorities	
Other [please specify]	<input type="checkbox"/>		

Context/Background to the Initiative	
<p>This regional initiative started in 2004 to meet the needs of families and single parents with children, in relation to reconciling family life with professional obligations.</p> <p>A day-care centre for children aged 3-13, known in Luxembourg as a <i>Maison Relais pour Enfants (MRE)</i>, was constructed on the same site as the regional pre-school and primary school for children resident in the four 'Parc Hosingen' municipalities.</p>	
Details of the Initiative	
1.	What is/was the timescale for implementing the initiative?
	The initiative started in September 2004. The demand for new places in the Parc Hosingen <i>MRE</i> has increased, and an extension was scheduled to open in September 2008.
2.	Specific Objectives
	<p>To focus on the best interests of the child</p> <p>To stimulate the wellbeing of the child</p> <p>To provide psycho-social support for the child with a view to preventing social exclusion</p>
3.	How did the initiative address these objectives?
	Successful creation of a multidisciplinary consultation team – the ' <i>cellule de concertation Muspelland</i> ' – headed by <i>SISPOLO</i> , to improve collaboration between pre-school and primary school education and after-school care for children aged 3-13 in four municipalities in northern Luxembourg
Monitoring and Evaluation	
	How is/was the measure monitored/evaluated?
	Through monthly consultation meetings of the multidisciplinary team and provision of information to parents on the outcome of the meetings
Outcomes	
1.	To what extent have the specific objectives been met?
	Recent observations indicate that children presenting certain weaknesses (educational, socio-psychological, emotional or linguistic) feel more confident after regular specific professional attention from the multidisciplinary consultation team.
2.	What obstacles/risks were faced in implementing the initiative?
	Collaboration in a multidisciplinary team demands special efforts from open-minded professionals joining forces in the best interests of the child. It is sometimes difficult to change attitudes and to move away from a sector-based approach.
3.	How were these obstacles and risks addressed?
	Through a constant focus on the best interests of the child
4.	Were there any unexpected benefits or weaknesses?
	None

2. Example of good practice in relation to NAP-Inclusion priority policy objective 3 ('Modernising social assistance')

Name of Measure	Member State
<p style="text-align: center;"><i>RESONORD Regional Sozialétude Norden</i></p> <p>Social research project in the Clervaux-Vianden LEADER+ region, with a view to an inter-municipal social development initiative</p>	LUXEMBOURG
End Purpose of the Measure	
<p>The aim was to conduct research in the Clervaux-Vianden LEADER+ region, with a view to an inter-municipal social development initiative, and for purposes of gathering and analysing social data (<i>Sozialberichterstattung</i>/social surveying).</p> <p>The rural region in question, known as the 'North' region, is one of six established for purposes of national development planning (under a programme adopted on 27 March 2003); it has a population of 20 615 (figure for January 2008) spread across 14 municipalities.</p> <p>The first phase involved analysing the socio-demographic structure of the 14 municipalities in order to gauge the scale of social change in the region. In consultations with local and regional decision makers, the following concepts and themes were addressed: social cohesion; the social dimension in sustainable development; social needs of the population; social infrastructure; social policy at municipal level and the organisation of the municipal social services office.</p> <p>The prospects for a coordinated inter-municipal approach in the social and educational field could then be explored and highlighted.</p> <p>The research was designed to yield social documentation using quantitative and qualitative methods. Existing quantitative social data on the target areas were gathered at national, regional and municipal level. The qualitative research involved interviews with representatives of local and regional interests and meetings with experts.</p> <p>Following analysis of the current situation and socio-demographic trends, existing social infrastructure and the social needs of the population, a 'social development plan' for the period 2009-2013 is currently being drafted. It aims:</p> <ul style="list-style-type: none"> ▪ to prevent the social exclusion of certain vulnerable groups; ▪ to strengthen the role of the municipalities as key agents for social development, either through coordinated inter-municipal initiatives or by creating and promoting synergies among providers of social services, notably via the establishment of a 'regional social services office'; ▪ to make social services more accessible, particularly through the creation of a one-stop-shop for social provision; ▪ to continue the process of collecting social data and put it on a more systematic footing, with a view to documenting and studying socio-demographic change in the region so that social needs can be better understood and provision can be adapted accordingly. 	

Main Results in summary

The statistics paint a picture of a dynamic rural region with a population that has grown steadily over the past 20 years; the rate of population growth has been higher than the national rate and the population is slightly younger than that of other regions in the Grand Duchy.

- Resident population in 2007: 20 338 (= 4.27% of the national population of 476 200; for purposes of comparison, the town of Differdange had around 20 100 residents in 2007).
- In the years 1987-2006, the resident population increased by 5 341, equivalent to 4.93% of the total national population increase of 108 373 over the period. The regional rate of population growth (+35.6%) was thus higher than the national rate (+22.75%).
- In 2007 men comprised 50.7% of the population and women 49.3%, in contrast to the figures for the country as a whole (49.5% male and 50.7% female). The regional population breakdown by gender over the years 2001-2007 confirms a trend towards 'masculinisation': in 2001 there were more women than men in six of the 14 municipalities, but by 2007 this was the case in only three – Clervaux, Consthum and Eschweiler.
- The RESONORD municipalities constitute a 'young' region. The inter-generational dependency rate (number of people aged over 65 per 100 head of population aged 15-64) is 20.7, which is slightly below the national average (21.4 in 2006) and markedly lower than the rate for Europe as a whole (24.5 in 2004). The youth ratio (number of under-15s per 100 head of population aged 15-64) in the region is 29.4 (compared with a national rate of 27.7), Hoscheid, Consthum, Eschweiler and Putscheid being the 'youngest' municipalities.
- Non-nationals represent 28.2% of the regional population, a figure markedly lower than the national average of 42.6% (in 2007). The proportion of the population with migratory antecedents (*Migrationshintergrund*) – i.e. non-Luxembourgers + Luxembourgers by choice, adoption or naturalisation – is 32% for the region as a whole, although the figures for the different municipalities vary widely: Vianden (49.9 %), Troisvierges (48%), Weiswampach (44.6%) and Clervaux (36.1%) contrasting with Consthum (19.6%), Hosingen (24.4%) and Wintrange (25%).
- Types of household: there are 7 914 households in the region, of which 30.6% comprise a single person, 16.6% are made up of childless couples, 29.2% comprise couples with one to three children, 7.2% are large households/families (including more than three children) and 7.6% comprise adult single parents with one or more children. The average number of people in a household with a non-national component is 2.6, compared with 2.4 for a household of Luxembourg nationals. The majority of households are home owning (76.7% in 2001).
- Occupational status: the female employment rate for the region (i.e. the percentage of women of working age who are actually in employment) is 52.2%, which is slightly above the national average of 51.3%. The proportion of people in part-time employment is 18.8% – higher than the national average of 17.1%. As a rule, working women tend to enter employment at an earlier age. There are 213 people in the region classed as 'disabled workers', of whom 111 have employment contracts.
- Unemployment and demand for jobs: in April 2007, the proportion of jobseekers (as a percentage of the workforce) was 2.9% in the region, compared with 4.4% at national level. As well as 392 people registered as seeking employment, 222 are involved in job-creation schemes (alternatives to unemployment or training schemes).
- Income: 14 782 people covered by social security have an income from earnings, pension payments or social transfers. In 2005, the average gross income of people aged over 18 was EUR 26 897.6. Income levels range widely according to gender and nationality.
- Three hundred and fourteen households in the region receive social assistance from public or state funds (3.96% of the 7 914 households). A total of 666 people depend on this assistance (3.27% of the population), including 213 minors (i.e. 4.38% of the 4 857 minors in the region).

Consultations with elected representatives of the municipalities provided an opportunity to assess their wishes concerning future social development.

- The local and regional councillors took a positive attitude to social-assistance reform and particularly to the reform of local social welfare offices. They were keen to see these offices rationalised and wanted an improved exchange of information with social-services professionals.
- It was felt that the reformed municipal social welfare offices should assume a general information and consultation role (serving the public), and should become coordinators of social intervention in their particular areas and of municipal social policy. Interviewees believed this approach would help to put the local offices on a more professional footing.

Various aspects of social need and potential areas for action were identified, namely:

- improving people's options in terms of reconciling family life with work;

- increasing childcare provision at local and neighbourhood level;
- integrating non-Luxembourg residents and offering inter-cultural mediation; avoiding the development of parallel communities;
- working at municipal level to encourage active citizenship;
- social action in schools to provide support, information and help to the parents of pupils who had particular needs or problems or were at risk of failure; organising school-related and out-of-school activities; school transport;
- continued leisure provision for teenagers and young adults, and a reinforcement of youth work particularly with 12-16-year-olds;
- diversification of employment (in terms of both quantity and quality) in order to increase the female employment rate and attract more people onto the regional labour market, thus in turn helping to boost households' disposable income.

The Clervaux-Vianden LEADER region has identified local social development as one of three priorities for action in its regional strategy plan for the programming period 2008-2013. One of the major practical projects in the pipeline is for a 'social services one-stop-shop'.

This will be an office where members of the public can get information about social provision and guidance on social and educational issues. It is planned to create an Internet portal for the new service. The 'social services one-stop-shop' is intended as a pilot project for the region, with a view to planning and organising (1) the regionalisation of the services currently provided by the municipal offices (with the creation of an inter-municipal office serving an area with a population of 20 338), (2) increased networking among the professionals and agencies involved and (3) a range of social measures and initiatives in the municipalities (for example preventive activities). A fully fledged social network for the region (RESONORD II) will thus develop gradually on the basis of the RESONORD I project.

It is intended to continue the regional social-surveying process begun with the RESONORD project, involving cooperation between the relevant public administrations and the University of Luxembourg and the regional GIS (geographical information system), with a view to creating a social database for the region (*Regionaldatenbank*).

Targeted Beneficiaries		Policy Focus	
General population	XXX	Social exclusion	XX
Children	<input type="checkbox"/>	Healthcare	<input type="checkbox"/>
Single-parent families	<input type="checkbox"/>	Long-term care	<input type="checkbox"/>
Unemployed people	<input type="checkbox"/>	Governance	XXX
Older people	<input type="checkbox"/>		
Young people	<input type="checkbox"/>		
People with disabilities	<input type="checkbox"/>		
Immigrants /refugees	<input type="checkbox"/>		
Ethnic minorities	<input type="checkbox"/>		
Homeless people	<input type="checkbox"/>		
People with specific illnesses /diseases	<input type="checkbox"/>		
		Geographical Scope	
		National	<input type="checkbox"/>
		Regional	XXX
		Implementing Body	
		<p>Fourteen municipalities in the Clervaux-Vianden LEADER region, including 13 belonging to the LEADER + Local Action Group committee, namely: <i>Clervaux, Consthun, Heinerscheid, Hoscheid, Hosingen, Kiischpelt, Munshausen, Putscheid, Tandel, Troisvierges, Vianden, Weiswampach, Winrange, Eschweiler</i> (in 2007)</p> <p><i>A collaboration between the project initiator, ANNE a.s.b.l. (a member of the congregation of the Sisters of Saint Elisabeth, www.csse.lu), the University of Luxembourg – FLSHASE/UR-INSIDE (www.uni.lu) and the Clervaux-Vianden LEADER LAG (www.cv.leader.lu).</i></p> <p><i>Project carried out under the LEADER+ programme with support from the EAGGF structural fund and the Ministry for Agriculture, Viticulture and Rural Development</i></p> <p><i>Under the patronage of the Ministry for the Family and Integration.</i></p>	

Context/Background to the Initiative

The background to the project has to be considered at various levels.

- Within the region itself, activities and initiatives in the field of regional and rural development raised awareness of the social dimension of rural development, and especially of the effects of demographic change and population ageing, equality of opportunity and gender-equality policy. It was clear that reinvigorating a region or sustaining a process of regional development depended in part on maintaining or recreating a certain level of social cohesion. (www.cv.leader.lu)
- At national level, the coalition agreement reached in 2004 by the PCS-POSL Government provided for the reform of social assistance at municipal level. The main focus of the reform is on reorganising the social welfare offices previously based in each municipality and on introducing an entitlement to social assistance. January 2008 saw the tabling of draft Law 5830 on the organisation of social assistance. (<http://www.gouvernement.lu/gouvernement/programme/programme2004/famille/index.html>)
- At European level the Lisbon strategy highlighted the social dimension inherent in all sustainable development, and Integrated Guideline 17 urges Member States to 'implement employment policies intended to achieve full employment, improve quality and productivity at work, and strengthen social and territorial cohesion'. (<http://www.odc.public.lu/activites/programme/index.html>)
- Nationally, increasing attention was being paid to the social dimension in regional planning. A recent report by the special parliamentary committee on 'Territorial reform' included the concept of a 'sector-based multiannual plan' for social action (Parliamentary document 5890, June 2008). (<http://www.chd.lu/servlet/ShowAttachment?mime=application%2fpdf&id=947709&fn=947709.pdf>)
- Professional practice in social intervention has an increasingly territorial emphasis, based on the principle that all social problems occur in a particular place with a particular way of life, and that these factors need to be taken into consideration. Social workers not only interact professionally with individuals and groups but also work with communities and local authorities. Alongside 'community work' (*Gemeinwesenarbeit, Soziale Arbeit im Stadtviertel*), social workers and social assistants today are increasingly called upon to engage in 'territorial social development', a process in which professionals have to see themselves as agents of social development, whose task it is to mobilise local resources (see, for example, J.F. Bernoux <http://lude.noveraie.free.fr/social/page2.htm>).

Details of the Initiative	
1. What is/was the timescale for implementing the initiative?	<p>June 2005 to June 2006: project preparation</p> <p>Autumn 2006 to spring 2008: implementation of RESONORD I project</p> <p>Summer 2008: preparation of RESONORD II project</p> <p>November 2008 to end of 2009: implementation of RESONORD II project, including planning and establishment of a 'one-stop-shop' for social services, a standardised social report and preparations for an inter-municipal social services office</p> <p>Mid-2009 to mid-2011: implementation of 'one-stop-shop' pilot project and inter-municipal coordination of social development</p>
2. Specific Objectives	<p>In the RESONORD I phase (2006-2008) the specific objectives were as follows:</p> <p>collection and analysis of statistics from the various agencies involved (municipalities, administrations and services);</p> <p>consultation with local and regional decision makers and other players (in a tour of the municipalities in summer 2007);</p> <p>drafting of proposals for regional social development and inter-municipal coordination in this field.</p> <p>The following objectives for the RESONORD II phase (2008-2011) were included in the LEADER+ development strategy for the Clervaux-Vianden region (published in spring 2008), which covered the years 2008-2013:</p> <ul style="list-style-type: none"> ▪ to prevent the social exclusion of certain vulnerable groups and strengthen the role of municipalities as key agencies for social development, either through coordinated inter-municipal initiatives or by creating and promoting synergies among providers of social services, notably via the establishment of a 'regional social services office'; ▪ to make social services more accessible, particularly through the creation of a one-stop-shop for social provision; ▪ to continue the process of collecting social data and put it on a more systematic footing, with a view to documenting and studying socio-demographic change in the region so that social needs can be better understood and provision can be adapted accordingly.
3. How did the initiative address these objectives?	<p>The statistics-gathering exercise entailed contacting the various bodies in possession of relevant information, following compilation of a social data inventory with a view to the subsequent definition of indicators. The steering committee and the academic committee drew together a number of key agencies and thus facilitated access to data.</p> <p>In a tour of the municipalities, local councillors were consulted on the full range of issues through structured interviews including some 50 questions. In addition to the interviews, municipal administrations were asked to complete questionnaires that included 17 questions for stock-taking and information purposes.</p> <p>The proposals for future development of social provision and its coordination at regional level were formulated on the basis of: (1) the information received from the different bodies consulted, (2) interviews with experts and collaboration with the LEADER working group which had guided the project from the outset, (3) a symposium on 'The social dimension in regional planning' (held in Troisvierges in October 2007) which brought together a number of international and national experts. (http://resonord.csse.lu/die-soziale-dimension-der-landesplanung/beitraege-der-referenten-und-informationsmaterialien/)</p>

Monitoring and Evaluation	
	How is/was the measure monitored/evaluated?
	<p>The project had academic input from ISM-Mainz (<i>Institut für Sozialforschung Mainz</i>, http://www.ism-mainz.de/) and was also assisted and supervised by an academic committee, half of whose members were drawn from the University of Luxembourg (www.uni.lu) while the rest came from foreign universities.</p> <p>Criteria for evaluation of the project were as follows:</p> <ul style="list-style-type: none"> ▪ its acceptance on the part of regional players and decision makers (expressed through active participation or requests from interest groups to become involved); ▪ inclusion of the social dimension and social action/intervention as part of the LEADER regional development strategy for the period 2008-2013; ▪ continuation of the work begun under RESONORD I through the follow-up project RESONORD II, the aim of which is to put the RESONORD I activities on a permanent, sustainable footing; ▪ agreement by the participating municipalities to the merger of their 'municipal social welfare offices' within a regional social office, with the establishment of a proper team of professionals, the aim being to meet expectations and needs in terms of social provision more effectively.
Outcomes	
1.	To what extent have the specific objectives been met?
	<ol style="list-style-type: none"> 1. The data-gathering exercise has progressed well although it is still incomplete (for example, data on household income have not yet been collected although they are essential for identifying the socio-economic structure and social situation of particular groups). 2. As a result of consultations with municipal decision makers, local elected representatives have been encouraged to become more actively involved in the social development of their region. 3. The proposals have been included in other planning instruments (including the LEADER regional development strategy for 2008-2013). The decision taken in July 2008 to pursue the work through the RESONORD II follow-up project, and the municipalities' readiness to cooperate actively in the pilot project for a regional social welfare office and a social 'one-stop-shop' are helping to progress implementation of RESONORD I proposals.
2.	What obstacles/risks were faced in implementing the initiative?
	Accessing statistical information has not always been straightforward: due to the large numbers of statistical sources, relevant administrations, services and databases, it has been difficult to collate the requisite data. It was not possible to use data from the socio-economic panel for this region because too few families from the region participate in the panel.
3.	How were these obstacles and risks addressed?
	Data collection took longer than anticipated.
4.	Were there any unexpected benefits or weaknesses?
	<ul style="list-style-type: none"> ▪ Through the RESONORD project, the Clervaux-Vianden rural region took its place as an innovator in the increasingly territorial approach to social provision, in terms of reorganising social assistance at inter-municipal level and with regard to sustainable social development. ▪ Until now, this region (unlike eight urban communities in Luxembourg) has not had its own municipal-level social service provision with professionals capable of taking initiatives and preventive measures. A lack of human resources (for example, a statistician) at regional level also meant that the social reporting process (<i>Sozialberichterstattung</i>) could not be pursued independently.

APPENDIX 2: NATIONAL INDICATORS

Table 1: Population breakdown

Year	1981	1991	2001	2003	2004	2005	2006	2007	2008
Total population (x 1000)	364.6	384.4	439.5	448.3	455	461.2	469.1	476.2	483.8
Female population	186.7	196.1	223	227.3	230.3	233.1	237	240.4	244.2
Luxembourg nationals	268.8	271.4	277.2	277.6	277.2	277.5	277.8	277.9	277.9
Foreign nationals (x 1000)	95.8	113	162.3	170.7	177.8	183.7	191.3	198.3	205.9
including:									
- Portuguese nationals	29.3	39.1	58.7	61.4	64.9	67.8	70.8	73.7	76.6
- Italian nationals	22.3	19.5	19	19	19	19	19.1	19.1	19.1
- French nationals	11.9	13	20	21.6	22.2	23.1	24.1	25.2	26.6
- Belgian nationals	7.9	10.1	14.8	15.9	16.2	16.3	16.5	16.5	16.15
- German nationals	8.9	8.8	10.1	10.2	10.5	10.8	10.9	11.3	11.6
- UK nationals	2	3.2	4.3	4.7	4.7	4.7	4.8	4.9	5.0
- Dutch nationals	2.9	3.5	3.7	3.6	3.6	3.7	3.7	3.8	3.8
- Other EU nationals	10.6	6.6	9.2	9.7	11.5	12.4	14.5	16.5	17.9
- Others	...	9.2	22.5	24.6	25.2	25.9	26.9	27.3	28.8
Foreign nationals as %	26.3	29.4	36.9	38.1	39.07	39.83	40.78	41.64	42.6

Source: STATEC - Note: the figures for a given year are those established on 31 December of the previous year

Table 2: Year-by-year fertility rate 1967-2006

Year	1967	1970	1980	1990	2000	2001	2002	2003	2004	2005	2006
Rate for:											
population as a whole	2.24	1.97	1.50	1.62	1.78	1.66	1.63	1.62	1.66	1.62	1.64
Luxembourg nationals	2.17	1.88	1.37	1.61	1.70	1.60	1.61	1.54	1.57	1.51	1.56
foreign population	2.60	2.37	1.83	1.59	1.90	1.76	1.68	1.75	1.80	1.80	1.79

Source: STATEC

**Table 3: Nationality of main groups in receipt of guaranteed minimum income
(RMG)**

	1986	1987	1989	1991	1993	1995	1997	1999	2000	2001	2002	2003	2004	2005	2006
EU countries															
Germany	33	43	57	70	81	92	101	106	121	157	186	198	202	210	217
Austria	2	2	2	1	2	3	3	4	4	7	8	7	11	11	9
Belgium	28	45	55	57	64	72	75	94	94	133	151	188	192	208	223
Denmark	1	1	0	0	0	1	2	1	1	2	1	3	4	4	4
Spain	4	8	14	15	17	16	15	23	26	48	47	48	51	50	51
Finland										1	1	1	1	1	0
France	32	53	78	85	104	138	165	184	204	274	319	390	420	471	484
Greece	1	1	1	1	2	1	1	3	3	3	5	11	11	8	11
Ireland	0	0	0	0	0	1	1	5	5	10	12	2	3	2	2
Italy	83	116	156	166	163	220	248	266	286	368	397	432	418	435	454
Luxembourg	1519	2038	2374	2491	2534	2811	2971	3164	2977	3813	4127	4306	4349	4366	4517
Netherlands	4	7	10	10	10	17	18	25	21	34	40	44	48	49	45
Portugal	45	111	189	196	206	246	338	452	572	886	1103	1406	1595	1757	1890
United Kingdom			1		3	5	4	7	7	14	18	27	28	24	26
Sweden											0	0	0	0	0
Estonia												1	1	1	2
Hungary												3	4	6	5
Latvia												0	1	1	1
Lithuania												0	0	0	0
Malta												0	0	0	0
Poland												12	16	27	30
Czech Republic												2	1	1	3
Slovakia												1	1	1	1
Slovenia												0	0	0	1
Cyprus												0	0	0	0

OTHER EUROPEAN COUNTRIES															
Switzerland	1	2	1	2	1	1	3	3	2	2	3	2	2	2	3
Countries of former Yugoslavia	1	5	10	17	15	15	23	44	97	199	226	277	232	161	85
Bosnia and Herzegovina								3	60	88	112	152	161	160	158
Croatia									2	12	13	12	14	19	15
Macedonia												22	25	27	38
Serbia and Montenegro												0	70	154	209
OTHER COUNTRIES															
Brazil	1	1	1	2	3	3	3	3	4	7	7	5	9	11	10
Cape Verde	3	6	9	17	13	10	27	31	45	70	82	87	91	89	88
USA	1	1	1	1	2	4	6	4	4	6	5	5	7	9	8
Others	2	5	5	9	6	18	32	41	92	167	230	252	281	316	395
OTHER															
Stateless persons	4	6	7	6	5	7	9	7	5	13	16	25	28	34	26
Unknown nationality	9	15	19	17	18	30	58	94	85	96	128	153	138	121	57
TOTAL	1774	2466	2990	3163	3249	3711	4103	4564	4715	6398	7237	8074	8415	8736	9068

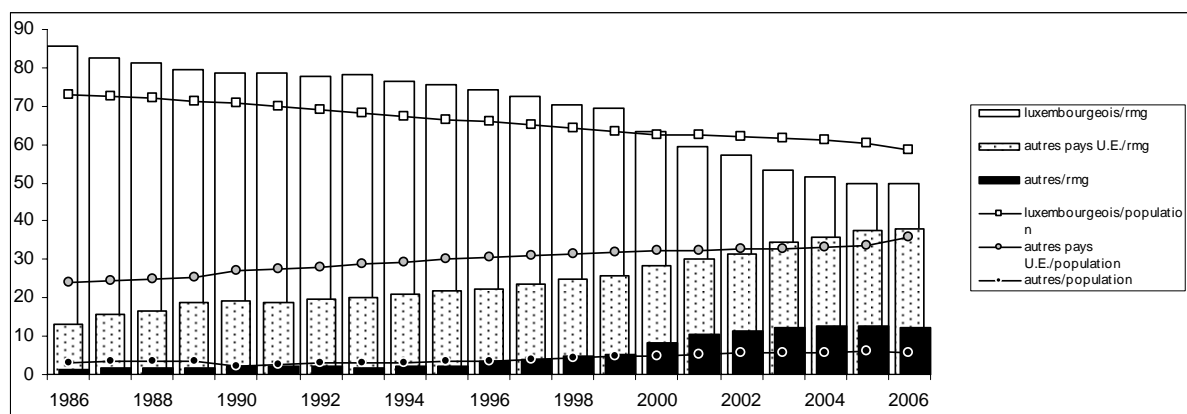
Source: Fonds national de solidarité

Table 4: Breakdown by origin of population in receipt of minimum guaranteed income (RMG) and of population as a whole (%)

	1986	1987	1989	1991	1993	1995	1997	1999	2000	2001	2002	2003	2004	2005	2006
Luxembourg nationals/ RMG	85.6	82.6	79.4	78.8	78.0	75.7	72.4	69.3	63.1	59.6	57.0	53.3	51.7	50.0	49.8
Lux. nationals/ population	72.8	72.4	71.3	69.8	68.2	66.6	65.1	63.4	62.7	62.5	61.9	61.4	61.0	60.4	58.4
Other EU states/ RMG	13.1	15.7	18.8	19.0	20.1	21.9	23.7	25.6	28.5	30.3	31.6	34.4	35.7	37.4	38.1
Other EU states/ population	23.9	24.3	25.4	27.6	28.8	30.1	31.0	31.9	32.5	32.2	32.6	32.9	33.2	33.5	35.9
Others/ RMG	1.2	1.7	1.8	2.2	1.9	2.4	3.9	5.0	8.4	10.3	11.4	12.3	12.6	12.6	12.0
Others/ population	3.2	3.3	3.4	2.6	3.0	3.4	3.8	4.7	4.8	5.3	5.5	5.6	5.8	6.1	5.7

Source: Fonds national de solidarité

Diagram 1: Change in national origin of population as a whole and of population in receipt of minimum guaranteed income (RMG) (%)



Source: Fonds national de solidarité

Key: *luxembourgeois/ rmg* = Luxembourg nationals as % of RMG recipients; *autres pays UE/ rmg* = nationals of other EU countries as % of RMG recipients; *autres/ rmg* = nationals of other countries as % of RMG recipients; *luxembourgeois/ population* = Luxembourg nationals as % of population; *autres pays UE/ population* = nationals of other EU countries as % of population

Table 6: Jobseekers' nationalities

	October 2006		October 2007	
	number	%	number	%
Luxembourg	3 554	36	3 478	36
Portugal	2 756	28	2 788	29
France	779	8	693	7
Former Yugoslavia	568	6	617	6
Italy	498	5	446	5
Belgium	392	4	341	4
Germany	256	3	240	2
Cape Verde	139	1	145	2
Other EU countries	347	4	390	4
Other (non-EU) countries	546	6	513	5

Source: ADEM/STATEC - STATEC Bulletin no 5-2008 'Le chômage au Luxembourg: Une approche intégrée' ['Unemployment in Luxembourg: an integrated approach']

PART 3: NATIONAL STRATEGY REPORT ON PENSIONS – AN UPDATE

Note:

The pensions section of this report updates the 2005 National Strategy Report on pensions and the relevant section of the National Strategy Report on Social Protection and Social Inclusion, published in 2006. A detailed description of the pensions system is to be found in the 2005 report.

Pending the parliamentary elections in 2009, the scope of this section is confined essentially to recent developments in old-age pension cover.

CHAPTER 3.1. PROGRESS MADE AND OPPORTUNITIES

3.1.1. Main lessons to be learned from the second cycle of application of the open method of coordination

The pension system in the Grand Duchy Luxembourg is based on a life-cycle approach. Early retirement, before the age of 60, is an option only for insured persons who have worked for 40 years. The level of pension payable is closely linked to the total amount of contributions paid by the insured person in the course of his or her working life and to the length of periods of affiliation to pension schemes. The pension schemes make a distinction between two types of period of cover: on the one hand, contributory periods, in respect of which contributions count towards the pension (for example, time spent in paid employment or in receipt of cash benefit for sickness, maternity, parental or 'early years' leave, or of unemployment benefit, periods of military service, time spent in informal caring or periods of voluntary insurance cover); and, on the other, credit periods (for example, unemployed waiting time, time spent in receipt of social assistance, periods of vocational training and time spent rearing children), which are counted solely for purposes of making up the required number of years to qualify for early retirement after age 60, and making up entitlement to the basic pension, to one-off pension top-ups and to end-of-year allowance. Taking into account both contributory and credit periods in the insured person's working life guarantees that

he or she will not be penalised, in terms of either retirement age or level of pension, through having spent time bringing up children or out of work and dependent.

According to the findings of a Labour Force Survey in 2006,¹¹³ more than 20% of workers aged between 50 and 69 leave the labour market at the age of 57. Indeed, more than 60% of people taking retirement do so before they reach 60. For 16% of the working population, 60 is the retirement age and only 5% retire at 65. Among people in this age band, the average age for terminating working life is 58.3 for men and 57.2 for women. The average number of years of contribution (total of contributory periods) is almost 38 among senior managers, members of the professions and academics, and 39 in the case of middle-ranking professionals, technicians, administrative staff and manual workers.

It is essentially manual workers who take early retirement at 57. As a rule, because they start their working lives later, senior managers, members of the professions and technicians cannot accumulate enough years of contribution to benefit from retirement at such an early age.

Everyone who completes the requisite 40 years of contribution (including both contributory and credit periods) is entitled to the basic pension. There is, in fact, a national consensus that this element of inter-generational solidarity should remain a feature of the system. Participants in the 2001 round table on pensions (representing parliamentary groups, trade unions and employers' organisations) were clear that, even if amounts of pension payment had to be reviewed, there would be no threat to the level of the smallest pensions. Between 1995 and 2005, 17% of new pensions included some top-up element in addition to the basic amount.

Among people aged under 55, sickness and disability are the most common reasons for leaving the labour market. It is only among those over 57 that retirement on grounds of age becomes the main reason, and most people currently in receipt of a pension, having taken early retirement, do have approximately 40 years of contribution behind them. However, the fact that people are now spending longer in education – as reflected in the current reduced employment rate among 15-24-year-olds – will delay retirements and the number of people eligible to take early retirement at 57 will fall. The majority of future retirees will thus leave the labour market via early retirement at 60, with a pension based on a working life of less than 40 years' duration. It should also be borne in mind that, according to data published by Eurostat, average life expectancy for a 60-year-old will rise in the case of men from 20.7 years (the figure in 2006) to 25.3 years by 2050, and in the case of women from 24.4 years to 28.5 years.¹¹⁴ Without change in the current legislation, the financial balance of the pension system will therefore come under pressure on two fronts: outgoings will increase as beneficiaries live longer and the contribution base will be reduced as people work for less of their lives. Current provisions for access to early retirement thus need to be reviewed.

A different problem also presents itself: while 4% of senior managers, members of the professions and academics cite sickness or disability as grounds for leaving the labour market, the corresponding figure for manual workers is 21%. The Government therefore needs to prioritise measures for keeping older workers in employment and specifically to implement a policy for preventing incapacity for work. In 2008 the General Inspectorate for Social Security submitted an evaluation of recent reforms concerning incapacity and vocational reintegration to the Government and MPs. Consultations during 2008 in the Joint Parliamentary Committee on Health and Social Security and Labour and Employment led to the establishment of an inter-ministerial working group, comprising representatives of

the Departments of Social Security and Labour and Employment, tasked with identifying solutions based on the ideas in the report.

With the level of pension fund reserves a comfortable three times higher than annual expenditure, Luxembourg is currently well placed with regard to meeting its commitments if the pension system has to be adjusted. It is important to bear in mind, however, that discussion of reform plans can take a long time.

Since 1985, the Inspectorate General for Social Security has drawn up a report at the end of each seven-year period of coverage in accordance with Article 238(6) of the Social Insurance Code which states that, for each subsequent period of coverage, the overall contribution shall be continued, or reset by special law on the basis of a technical review of the preceding period and actuarial forecasts for the new period of coverage to be drawn up by the supervisory authority. The report, which broadly takes up the predictions of the Working Group on 'Ageing', was presented by the Minister for Social Security at a press conference in February 2006.

It concludes that the financial situation of the general pension scheme is sound and in a condition likely to support the adjustments that financial viability will necessitate in future decades. Two international publications (from the International Monetary Fund and the Organisation for Economic Cooperation and Development), presented to the public at press conferences in January and July 2006, support the report's conclusions but stress that the general scheme will be subject to major financial pressures in future years and that reforms will have to be envisaged in the medium term to ensure the sustainability of the general scheme. In April 2006, following public discussion, the Tripartite Coordination Committee, bringing together representatives of employers, employees and the public authorities, decided to set up a think-tank to draft proposals for ensuring the long-term viability of pension schemes.

3.1.2. International organisations' assessments of the pension system in the Grand Duchy of Luxembourg

Breaking barriers in relation to sickness and disability

Luxembourg took part in a country-by-country study of national policies for insurance against sickness, incapacity for work and disability that was carried out in 2006 by the Organisation for Economic Cooperation and Development (OECD).¹¹⁵ The study considers different countries' policies for controlling and reducing the rate of recourse to sickness and disability benefits, and for helping beneficiaries who want to get back into the labour market.

The OECD notes that the authorities in Luxembourg have tried to improve the situation of people with partial incapacity for work, for whom access to disability benefit effectively ended in 1997, and the result has been a rapid rise in the incidence of long-term illness. The main changes made in 2002 were a tightening of supervision with regard to absence from work on grounds of sickness, and the introduction of new procedures for redeploying people who remained capable of work to some extent but could no longer do their former jobs. The OECD considered that the main effect of the new procedure to date had been to create a new 'disabled unemployed' category without enabling sufficient numbers of people to return to work.

To encourage redeployment on the labour market, the OECD suggested that conditions of exemption should be tightened up and that workers should be required to redeploy after a period of temporary disability. Employers also needed to be more involved in retraining, and finding new jobs for, employees with illnesses or disabilities. It was suggested that the redeployment process be speeded up in order to prevent unnecessary loss of skills and to minimise the risk of people finding themselves out of work before the procedure began. It was also suggested that employment quota rules be amended so that all workers could take advantage of internal redeployment arrangements.

The OECD proposed improving incentives to work for people who were idle as a result of partial incapacity. Encouraging them to return to employment meant making it financially rewarding to do so, which implied a reduction in unemployment benefit coupled with the introduction of permanent working allowances and a strict obligation on people with residual capacity and in receipt of tideover allowance to seek work. There was a need to review the capacity for work of employees who had already been redeployed internally with wage compensation, in order to ensure that employers did not use the new procedure as a tool for cutting wage costs.

The OECD advocated the introduction of a rigorous assessment strategy and greater emphasis on vocational rehabilitation and training. The work of rehabilitation centres needed to be stepped up and vocational training ought to receive more recognition. In order to take account of the volatile and changing nature of many health problems, and especially of mental health, and to enable a worker's potential to be assessed prior to any long-term sickness-related absence, the system should allow for periodic reassessment of people's potential to reintegrate into work, beyond their current limits.

Ensuring the long-term viability of the pension system

Every two years the OECD publishes surveys of the economic situation and of policies for improving long-term economic performance.¹¹⁶ The 2008 survey of Luxembourg made specific recommendations in a medium-term budgeting framework. One of the recommendations was for measures in relation to old-age pension insurance, to reduce the future financial burden on the pension system resulting from increasing longevity among beneficiaries in tandem with a rapid rise in numbers of non-resident retirees eligible for full pensions.

While the initial effect of employing growing numbers of immigrants and cross-border workers has been a temporary expansion of the contribution base, these non-nationals will in turn become entitled to pensions themselves, so the current trend is at best delaying the maturation process in the pension system. The OECD advocates seeking a solution within the system, rather than making the system dependent on a continued and sustainable increase in the number of contributors. It therefore proposes three main lines of action: a) prefinancing, in other words the constitution of sufficient financial reserves to anticipate a future rise in costs as the result of ageing; b) expansion of the contribution base achieved through increased participation in the labour market; and c) expenditure control.

The OECD regards the current pensions strategy, which aims to ensure viability of the system over a seven-year period, as a step in the right direction, but it advocates looking further ahead, to the year 2050, by which time pension reserves (now equivalent to some 25% of GDP) would have to triple or quadruple. The budget should therefore run structural surpluses over a prolonged period,

which would clearly pose a problem of economic policy, as such a tactic would be likely to spur demand for public spending in other areas. General rigor in the allocation of financial resources would thus be essential.

With a view to achieving a stable long-term financial balance, the OECD proposes moving the pension system towards an actuarially neutral basis by raising the retirement age and lowering the replacement rate. As a first step the official retirement age should be raised by several years, and it could later be linked to developments in life expectancy. Similarly, gradual indexing of pensions to prices is advocated, with some improvements in living standards then being implemented through a partial link to levels of real wages.

CHAPTER 3.2.

ADEQUATE LEVELS OF PENSION

3.2.1. Maintaining an adequate level of basic pension and safeguarding inter-generation solidarity

The level of disposable income¹¹⁷ of people aged over 65 is comparable to that of people of working age and the disposable income of older women is similar to that of men of the same age. Older people's at-risk-of-poverty rate¹¹⁸ is not high (between 7% and 8% in the period 2004-2006) and there are no differences in this respect between men and women. The aggregate replacement rate¹¹⁹ of the pension system varied between 61% and 65% over the period 2004-2006.

The general pension scheme guarantees generous benefits: a person who has accumulated 40 years of contributions over his or her career and has been paid an average gross wage close to the social minimum wage will be entitled to a gross pension at a level higher than the social minimum wage. The pension system replacement rate is inversely proportional to the average wage that a person is paid during his or her career. Thus, for a person who earned an average wage equivalent to twice the social minimum, the replacement rate will be almost 90% (on the basis of 40 years of contributions).

The old-age or survivor's pension payable to a person who has accumulated 40 years of contributions, including contributory and credit periods, may not be less than 90% of the social minimum wage. If the level of personal pension payable is less than the basic pension, the beneficiary will receive a top-up to make good the difference. If an insured person has not accumulated 40 years of contributions but has at least 20 years, he or she will be entitled to the basic pension minus a 1/40 reduction for each missing year of contributions. Under this system, almost 17% of new pensions awarded between 1995 and 2005 included top-ups.

Nevertheless if, for one reason or another, a household's income falls below the level of the minimum guaranteed income (*RMG*), the household will receive a top-up to make good the difference. In the case of households comprising persons of retirement age, a supplementary allowance is available where the

financial resources of the household are limited. In 2006 around 1.2% of the population aged 60 and over was in receipt of an *RMG* top-up (0.8% female and 0.4% male).¹²⁰

Pensions are reviewed in the light of rising wages. Pensioners thus benefit, with a slight delay, from improvements in the living standard of the working population. In 2008 the Prime Minister announced, in the Government statement on the country's economic, social and financial situation, a return as of 1 January 2009 to the practice of adjusting benefits and pensions biannually in line with general trends in wages. The tax allowance for pensioners is also to be transformed into a tax credit so that persons in receipt of lower levels of benefit or pension will experience a net increase from 2009 in excess of the regular adjustment.

3.2.2. Helping women to establish individual periods of pension insurance

In 2006, according to the findings of the Labour Force Survey,¹²¹ the overall employment rate among women aged 15-64 was 54.6% (compared with 72.6% among men). In 1997 the rate had been 45.2%. However, while the 1996 employment rate among women aged 20-24 was 55.5%, that figure had declined to 38.9% in 2006, probably as a result of people staying longer in education. At the same time, the age band with the highest employment rate had changed: in 1996 it was the 25-29 group (with 66.1%) but in 2006 it was the 30-34 group (80.6%). When employment rates are considered according to marital status, the highest rates are found among single women. The overall employment rate among married women is just 53%, compared with almost 70% among divorced women, and while the rate falls sharply from the age of 50 upwards among the first group, among divorcees aged 50-54 it is still 70%.

The average employment rate among mothers aged 20-39 is 65.4%. The rate is sharply lower, however, in households with a second child aged under 15. In households with a single child aged under four, the age of compulsory school attendance, the female employment rate is still close to 80%, but in those households with even a single child at school it falls to below 70%. This is explained by the fact that all-day care is available for small children in crèches, whereas the school system does not offer a similar number of hours. Eighty-five percent of women aged 35-39 with dependent children work part time. In 2006, 36.2% of working women were in part-time jobs, compared with fewer than 3% of men. Only 8.6% of part-time women workers said that the decision to work part-time was not a matter of choice: they claimed they had been unable to find full-time work. Generally speaking, most part-time work in the private sector is half time. Almost 50% of women who work part-time do manual jobs, and the proportion of female part-timers declines in higher-grade occupations.

The figures show a major increase over the past 10 years in the proportion of women paying individual old-age pension contributions and they indicate that in future a growing number of women will have full pension entitlement on the basis of their own working lives, with a corresponding decrease in the number who have pension entitlement based on marriage.

In the event of divorce, however, a sizeable proportion of women find it necessary to return to the labour market in order to maintain a standard of living. As a rule, such women have accumulated only a few years of contributions and

they therefore need to remain in work to the age of 65 in order to receive a pension, albeit it at a reduced level, that is proportionate to their total contributions. In response to this situation, a new legal measure has been proposed whereby in the event of divorce, before any other sharing of assets takes place, a court will determine how the pension-entitlement debt of one spouse to the other will be settled, either by directly reconstituting entitlements or by gradually eliminating them.

The presence of children in a household is a major factor causing people to interrupt their careers. There are, however, specific measures which allow women to preserve their pension entitlement if they cease work in order to bring up a child or children. Subject to certain conditions one parent can benefit from 'baby years' cover, under which a pension top-up is available corresponding to at least two years of actual contributions. Similarly, if one parent has raised one or more children up to the age of six, he or she will be given contribution credits accordingly. The fact of taking these years into account enables women to qualify for early retirement at 60 if they have accumulated a total of 40 actual and credited contribution years. On average, women who retire at 65 have accumulated eight years of credited contributions. It is important to note that in the case of half-time working, the months in which the worker does 64 hours or more are regarded as full months for purposes of calculating contribution periods.

In order to keep women with dependent children in the labour market, a considerable effort has been made to improve child-minding provision (in crèches, and daycare centres). An adequate number of childminding facilities is a prerequisite for improving access for both parents, and particularly mothers, to the labour market and thus helping them to reconcile their family and working lives. Luxembourg has adopted a multiannual development programme providing for an increase in the number of available childcare places from 8 000 in 2005 to 30 000 to 2013. In 2007, around 12 000 places were available.

As a rule, the level of older people's disposable income is comparable to that of people of working age and the disposable income of older women is similar to that of men of the same age. Leaving aside people on disability pension, women retire at a significantly later age than men. The difference is particularly marked in the case of women with few qualifications (manual workers) and it is explained, on the one hand, by the fact that these women remain in work to accumulate the 20 years of contributions necessary for entitlement to the statutory minimum pension and, on the other, by the rule that anyone who has less than 40 years of contributions cannot claim old-age pension before the age of 65. It follows that women constitute the majority of those in receipt of a top-up in addition to the basic old-age pension at 65. By counting periods of reduced working, at low wages, in combination with contribution-credit periods it is thus possible to gain entitlement at least to the basic level of pension.

The combined entitlements to a basic part-pension, funded through the scheme based on inter-generation solidarity, and to a minimum guaranteed income, funded on the basis of national solidarity, secure for those persons concerned, who lack their own resources, a level of disposable income close to the full basic pension. Minor adjustments with regard to the levels of income exempt from consideration for purposes of social assistance would actually put the two types of financial allowance on the same footing.

3.2.3. Improving the situation of people affected by incapacity for work

As the result of a Court of Cassation ruling on 28 November 1996, in the case of *T. v. EVI*, and reinterpretation of Article 187 of the Social Insurance Code making the status of disability contingent on the dual condition that the person concerned be not only unable to work in his or her last job but also incapacitated for the labour market generally, there was a sharp decline in disability pension awards but this in turn increased the risk of unsuccessful applicants finding themselves unable to work and without social protection.

The Law of 25 July 2002 was therefore adopted with the aim of providing more adequate social protection for workers unable to work in their last job, while at the same time keeping as many people as possible in the labour market. To achieve this, a scheme for reintegration to work was introduced, whereby people are redeployed either in the company where they work (internal redeployment) or on the labour market (external redeployment). Two related Laws, of 21 December 2004 and 1 July 2005, provide for improving the response to long-term incapacity for work and, most importantly, for speeding up and coordinating the relevant procedures.

An assessment report by the Social Security Inspectorate General in 2008¹²² analyses the impact of the legislation on advice and guidance provision for insured persons who are unable to work. The Ministries for Labour and Employment and for Health and Social Security have forwarded the report to the Joint Parliamentary Committee on Health and Social Security and Labour and Employment.

The first finding was that the legislation had had a mixed effect: there had been some improvements but certain expectations had not been met. While it had proved possible to curtail certain procedures, longer delays were occurring in other areas and redeployment procedures needed to be accelerated because any additional delay merely encouraged people to take other routes out of work.

The option of external redeployment has remained unattractive because the people concerned know that they risk losing all entitlements when their new contract comes to an end. It has therefore been proposed that a specific status for all (internally or externally) redeployed workers be introduced, allowing them to keep their entitlements so long as they continue to be classed as incapable of doing their former jobs.

More effective coordination among the parties involved is essential and the procedures and decision-making processes affecting the persons concerned also need to become more transparent and swifter, especially to deal with the problem of divergent medical assessments. This needs to be addressed by standardising the way in which incapacity for work is evaluated.

Legal amendments will be needed in order to improve the placement procedure for workers while at the same time ensuring that those still able to work are not excluded from the labour market prematurely. Half-time therapeutic leave, to facilitate retraining, has an important role to play here. This form of leave needs to be used more flexibly, however, and should no longer be counted in the calculation of threshold levels of sickness leave.

An inter-ministerial working group, comprising representatives of the Department of Social Security and the Department of Labour and Employment, has been tasked with identifying ways to make the relevant legal provisions more effective.

3.2.4. Anticipating the situation of older migrant and cross-border workers

Employees in the manufacturing, transport, communications and construction sectors are, on average, older than the norm for the economy generally, and these are the sectors with the largest proportions of workers aged over 50: 21% in manufacturing, 16.1% in transport and communications, and 14.3% in construction.¹²³ These are also the sectors in which there is the highest incidence of workers retiring early on disability pension as the result of acute muscular-skeletal disorders closely associated with bodily activity in their jobs (e.g. manual work in warehouses, tasks causing total-body vibration or damaging posture and heavy physical work) and the probability of employees in these sectors becoming incapacitated for work simply rises as they get older and suffer increasing wear and tear.¹²⁴

The same sectors of the economy are also characterised by the fact that they employ a high proportion of foreign workers resident in Luxembourg and cross-border workers. As a rule, the people who make up this non-national workforce have spent time in paid employment in their countries of origin, as well as time working in Luxembourg, and in most cases their primary insurance affiliation is to a scheme in another EU country or a third country, such schemes being coordinated with the Luxembourg system under EC Regulation 1408 or under specific agreements.

Despite the principle of ‘mutual recognition’, however, there is no guarantee that the persons concerned will have the same benefit-related entitlements in their countries of origin as they would in Luxembourg, whether with regard to qualifying periods of contribution or to benefit levels, and many such workers find themselves disadvantaged by comparison with the national workforce. It is often the case that foreign workers in Luxembourg cannot retire because they do not have enough documented years of contribution, and, for the same reason, they may receive a significantly lower level of benefit if they are incapacitated for work.

The pension system ought to enable these unqualified workers – worn out after a lifetime of essentially physical labour – to take the retirement they have earned at a reasonable age. Another still current issue is the need to find ways of easing the normal transition from work to retirement, for example through part-time working or the option of reduced hours. In the case of workers with health problems so serious as to suggest they have little or no chance of retraining, access to disability benefit should be more straightforward and should take less time. All this should not, however, imply a return to ‘square one’ pending legal reforms; instead the existing system should be purposefully adapted, notably by standardising criteria for the status of disability, which should not focus solely on the applicant’s state of health but should also take account of his or her specific circumstances.

Given the current general acceptance that, in relation to sickness and accident insurance, prevention is good for both employees and employers, measures should be taken for the general prevention of incapacity by eliminating its causes in the workplace insofar as possible, right from the start of people’s working lives. This will involve improving working conditions, for example through ergonomically sound layout, a reduction in physical strain achieved by more efficient process planning, and steps to monitor work-related mental overload and stress.

3.2.5. Pension system flexibility in terms of benefit security

Generally speaking, people covered by the social security system have the same entitlements irrespective of the nature of their contract of employment. The Luxembourg pension system thus manages to avoid penalising employees who have experienced periods of insecurity in the course of their working lives, and this applies both with regard to pensionable age and in terms of pension levels. During periods when people are in receipt of cash benefits from the social security system for sickness or maternity, or in the form of allowances for leave for family reasons, they remain affiliated to the old-age pension scheme and their contributions to it are paid by the relevant social security agency.

Similarly, throughout the full period of entitlement to unemployment benefit, pension insurance contributions will be paid by the Employment Administration. The period of benefit entitlement, along with payment of pension contributions by the administration, can be extended for up to two years provided that the recipient affiliates to the 30-year minimum contributions scheme. Older workers who find themselves in receipt of social assistance may continue to have pension contributions made on their behalf if they have been affiliated to a compulsory or voluntary pension scheme and have accumulated at least 25 years of contributions: the contributions will be paid from the National Solidarity Fund.

The Luxembourg pension system provides, in various respects, for occupational mobility. Apart from civil servants and employees of the Government, local authorities, public institutions and the national railway company – who have their own special statutory schemes – all ensured workers in Luxembourg are affiliated to the general pension scheme. Thus, employees who become self-employed or switch jobs within the private sector – even if their occupational status changes or they take up employment in a different type of industry or commerce – will remain affiliated to the same pension scheme and will maintain the pension entitlement they acquired in their previous job.

There is also legislation coordinating the general pension scheme and the special schemes, which provides for workers who change both their job and their pension affiliation to retain their entitlements.

In the case of a person who has entitlements under both the Luxembourg pension scheme and a scheme in another European Union country, coordination is provided for in EC Regulation 1408, adopted on 14 June 1971. Coordination with third countries is assured under bilateral agreements.

CHAPTER 3.3.

FINANCIAL VIABILITY

3.3.1. Recognising the financial impact of ageing among the insured population

The Luxembourg pension system is largely based on a burden-sharing approach. Tomorrow's pensioners receive an assurance that sums of money amassed by others will be made available to them when they retire. In the current situation, following a steady influx of workers onto the national labour market in recent years, a relatively small active workforce can carry the burden of today's pension costs. However, today's active workers will be tomorrow's pensioners and the logic of a straightforward burden-sharing approach dictates that an ever-growing number of active workers will be required to maintain the balance. This in turn will depend on sustained economic growth generating sufficient financial resources for each worker to continue contributing to the cost of pensions for the retired generation.

The substantial reserves in the Luxembourg system (equivalent to 25% of GDP) make it reasonably well placed to cope with the economic and budgetary challenges of population ageing.

According to long-term forecasts prepared in 2005 by the Inspectorate General for Social Security in the context of work by the EU Economic Policy Committee and the European Commission, if current policies remain unchanged then public expenditure occasioned by population ageing will rise sharply from the 2015-2020 period onwards, causing considerable pressure on the long-term viability of the public finance system.¹²⁵

Over the projected period, spending in relation to population ageing (i.e. on pensions, health, education and unemployment) will rise steeply. The level of this expenditure as a proportion of GDP will increase from 19.5% in the period 2004-2010 to more than 27% in the period 2040-2050. Most of the increase will be caused by the pensions bill (across all pension schemes in both the public and private sectors). According to these forecasts, expenditure on pensions as a proportion of GDP will increase by more than 7% between the current period and the years 2040-2050. Pension reserves will continue to increase until 2020 when they will represent some 40% of GDP. If current policies remain unchanged, social security financing will dip 'into the red' in 2025 and the pension reserve will gradually be used up.

Around 2050 the volume of pension payments under the general scheme to beneficiaries not resident in Luxembourg will draw level with the corresponding volume of payments to residents. The European Commission's long-term forecasts indicate that the deficit ratio will increase from less than 10% of GDP currently to more than 200% of GDP around 2050. The reference value of 60% of GDP laid down under the terms of Article 104 of the EC Treaty will be exceeded by 2030. When the stability programme for Luxembourg was updated in 2007, the ECOFIN Council noted that a substantial improvement in Luxembourg's public financing position had been achieved relatively rapidly. However, it highlighted the problem of long-term sustainability of the pension system. Adjustments will be necessary in the medium term to ensure the continued viability of public financing generally and of the social security system in particular.

3.3.2. Think tank ‘roadmap’ on the long-term viability of the pension system and how it will need to change

In April 2006, in order to prepare Luxembourg for coping with the effects of population ageing, the Tripartite Coordination Committee decided that the social partners and the Government would set up a ‘think tank’ tasked with preparing proposals to ensure the long-term viability of pension schemes and with exploring a range of possible measures for achieving this and for adapting the pension system to changes in people’s working lives, demographic ageing and its impact on the length of working life. The think tank met for the first time in November 2007 and since then its expert members have been discussing various aspects of the problem in order to arrive at a more complete understanding of it and to produce a roadmap for future action.

The long-term viability of pension schemes means not only their financial viability but also their political viability and legitimacy. The pension insurance system could not remain politically viable if keeping it in existence required too great a level of sacrifice from the working population or if current contributors gradually lost belief in their pension schemes as a means of providing for their retirement.

On the income side, it needs to be established whether the resources (contributions, Government holdings and financial revenue) are sufficient or whether new sources of income might be introduced, such as a capital-gains-based contribution, and also whether the current level of capitalisation is adequate or whether the reserve needs to be increased. Factors to consider here include the role of the reserve fund management, investment policy and how the rate of return from the reserve fund affects the financial balance of the pension insurance system.

On the expenditure side, the defining consideration is the amount of pension paid throughout a beneficiary’s lifetime, so issues to be looked at are: the initial level of pension set, and thus the formula used to calculate it; indexation, whereby pension levels are linked to prices, and adjustment, whereby they change in line with real earnings; and the length of time over which a pension is payable. This last factor is influenced by the criteria of entitlement to disability pension, to early retirement, and to old-age or survivor’s pension and also by the beneficiary’s life expectancy. Increasing life expectancy extends the time over which people are in receipt of a pension, and at the same time people’s working lives are becoming shorter because they are staying longer in the education system. Apart from these changes, we have to ask whether the pension insurance system is adequately addressing the changing nature of people’s working and family lives, especially in the case of people with atypical career patterns including, for example, part-time employment or career breaks.

Initial findings from the consultations between the Government and social partners on these issues were expected by the end of 2008. Even if the think tank does not reach any definite conclusions at this stage, however, the system is flexible enough to offer scope for a whole range of measures in the interests of sustaining its financial stability.

3.3.3. Securing the general pension scheme reserve and optimising investments

The thinking behind the establishment of the general pension scheme Recoupment Fund [*Fonds de Compensation* or *FDC*] was to enable the scheme's reserve to benefit from developments in the financial markets by diversifying its assets while taking account of both risk and return criteria. Before the reform, the surplus from the four pension funds concerned was invested only in short-term deposits, bonds, financial loans and real estate.

In 1999, with a view to making management of the reserve more flexible, the Government announced in its coalition programme that a study was to be carried out, looking on the one hand at the structure of the reserve, and on the other at the general pension scheme's investment policy.

A study conducted in 2001 by Pricewaterhouse Coopers provided a basis for important decisions about the financial management of the reserve. One of the study's aims was to formulate an investment strategy that would:

- promote sustainable asset growth and strengthen the reserve;
- minimise investment risks;
- comply with a prudential control regime and enable the pension scheme to meet its commitments;
- ensure efficient diversification;
- comply with minimum-financing rules;
- restrict low-yield short-term investment.

The study also set out recommendations for an operational management approach, namely:

- passive, concession-based management rather than active management;
- outsourcing the management of specific types of assets to a number of asset management companies;
- establishing a compartmentalised 'collective investment body' [*organisme de placement collectif* or *OPC*].

On the basis of this preliminary work, the General Pension Scheme Assets Administration Law of 6 May 2004 was adopted, stipulating that a public body should have responsibility for managing the general pension scheme reserve and authorising that body to invest the reserve with the aim of securing the long-term viability of the scheme.

Over the three years following adoption of the 2004 Law, its provisions were implemented by the bodies responsible through the creation of an investment company with variable capital – a specialised investment fund known as the Social Security Recoupment Fund [*FDC de la Sécurité Sociale, SICAV-FIS*]. Portfolio managers, a deposit bank, a central administration and a company auditor were also designated. The first investments were made in August 2007.

The *FDC* strategy is to pursue maximum return on investment subject to specific risk criteria. The current favourable situation on the labour market means that it can plan its investments over more than 10 years.

In the period to the end of 2009, the strategy provides for 24% of investment in shares, 30% in bonds and 16% in liquid assets. In 2009 the *FDC* will

review this strategy – thus enabling it to consider other types of assets including real estate and socially responsible investments.

Although the general pension scheme's reserve stands at a level three times its annual expenditure, the system of financing in Luxembourg is based on seven-year periods of coverage and cannot be regarded to any significant degree as a funded system. The recoupment reserve will be used, when necessary, to guarantee the pension scheme's outgoings for a transitional period. Contribution levels are fixed at the beginning of each period in order to secure the scheme's financing throughout that period, while maintaining the reserve at a level at least 1.5 times that of expenditure. The total rate of contribution is 16% of assessable income, which is split equally between employer and employee. The state contributes to the general pension scheme at a rate of 8% of aggregate assessable income. Income from contributions is currently running well ahead of expenditure on benefits, and the level of contribution-based income, fixed at 24% of the contributions base, is around 3% in excess of that required by a straightforward burden-sharing system. This surplus is assigned to the recoupment reserve and, so long as population trends sustain the current favourable ratio of workers to pensioners, the level of that reserve should keep rising.

The impact of the rate of return on the scheme's financial equilibrium is, however, limited. To produce the scenario of perpetual financial equilibrium and given the machinery for pegging pension levels to rising wage levels (through indexing, which takes effect directly, or adjustment, where there is a slight time lag), the rate of return from the reserve would have to surpass or at least equal the growth rate of wages. However, comparing annual rates of adjustment in pension levels with the rates of return on the reserve for the last 20 years shows that the latter have been only marginally higher than the former. Taking selective pension re-evaluations (as in 1987, 1988, 1991 and 2002) into account, it is more than likely that the rate of return from the reserve fell below the rates of adjustment in pension levels over the period 1990 to 2006.¹²⁶

The key task of the *FDC* – set up in 2004 and operational since January 2007 – is to optimise the way in which the general pension scheme's recoupment reserve is managed and to achieve investment security while minimising the risk inherent in the financial markets.

3.3.4. Limiting the numbers of people who leave the labour market as a result of incapacity for work

For decades, recourse to disability pension has been an important aspect of pension entitlement and approximately 30% of new retirees are in receipt of disability pension. It has apparently been a very popular option for workers – both male and female – who have taken early retirement before the age of 60. Administrative practice since 1997, however, has been to make statutory eligibility for disabled status contingent on more than the fact of the person in question being unable to do his or her former job; the individual's strengths and abilities also have to be assessed in relation to the wider job market. Since this practice became established the number of disability pension awards has decreased sharply, and in most of the cases where awards are made the disability is permanent.

In 1996, approximately 21% of people in the 55-59 age band and classified as labourers were in receipt of permanent disability pension. The

corresponding rate was 12% among people in the 50-54 age band. In 2006, 9% of people aged 55-59 and 3% of those aged 50-54 received new temporary disability pension awards. Administrative practice since 1997 has thus produced a marked reduction in disability pension awards, particularly among workers nearing the end of their careers, and despite the impact of population ageing in pushing up the number of applications.

However, among people whose applications for disability pension were turned down and who were unable to do their former jobs, although they were not classed as incapacitated for work generally, the proportion on long-term sick leave rose over the years 1996 to 2003. It was only with the introduction of the redeployment procedure, entailing systematic health checks by the social security medical service, that a reduction occurred in the amount of long-term sick leave being taken by people in the relevant age group. People who would previously have found themselves on sick leave are either being redeployed on the labour market or are registering as unemployed. Workers who are unable to redeploy on the general labour market within the statutory period of entitlement to full unemployment benefit are entitled to tideover allowance, payable by the pension system, at a level corresponding to that of disability benefit. Currently, just one-third of people whose capacity for work is reduced remain in the labour market.

As the working population ages over the coming years, the financial pressure on the pension scheme will increase. In 2006, the amount being paid in unemployment benefit to workers on external redeployment who had not yet found a new job accounted for more than 40% of the total cost of the newly introduced measures. If other factors remain unchanged it is highly likely that the cost of tideover allowance payments – borne by the pension scheme and currently representing 20% of expenditure on the redeployment procedure – will rise steadily over the years ahead. Realistically, if external redeployment is merely to offer people the prospect of a prolonged period out of work, their chances of finding a job will, in most cases, be reduced and they will join the ranks of the long-term unemployed, in receipt of tideover allowance.

Only when the redeployment procedure is leading to sustainable contracts of employment for the great majority of workers concerned will it be possible to conclude that the new measures have succeeded and are viable in the long term as a means of dealing with incapacity. This goal is certainly worth pursuing, for alongside its beneficial impact on social security financing, it represents the best possible outcome for both workers and companies caught in a worrying situation.

3.3.5. Measures to promote financial balance in the pension system

In 2003, under the Law of 21 December 2004, pensions and allowances in respect of accidents at work were adjusted in line with real wages with effect from 1 January 2005. In October 2006 it was time to consider whether a new adjustment should be effected to bring them into line with 2005 wage levels as of 1 January 2007. In the Tripartite Coordination Committee agreement of 28 April 2006, however, one of the measures decided on, with a view to consolidating public finances, was to postpone and stagger the January 2007 adjustment in pensions and allowances. Accordingly, pensions and allowances were adjusted to keep pace with real wages by 1% on 1 July 2007 and then by 0.9% on 1 July 2008.

CHAPTER 3.4.

MODERNISATION OF THE PENSION SYSTEM

3.4.1. Sharing pension entitlement in the event of divorce

In April 2005 the Government set up a working group, comprising the Ministers responsible for equality of opportunity, the civil service and social security administrative reform, to study the question of individualising pension entitlements. The group's work included detailed analysis of the 'functional share-out model' currently in operation, under which the only element of the divorcing spouses' insurance record which is divided is their combined income from employment during the marriage.

The weak point of this model is that it shares out just one constituent element of the pension, namely earned income (from which proportional contributions to a pension were made), so one-off contributions – another constituent element in pensions – are counted separately for each spouse, thus giving divorced couples an advantage over married couples. Moreover, under the current model, the respective pensions of the two spouses are calculated after the share-out, so that each spouse derives the benefit of certain automatic aspects of the calculation process (minimum pension top-up, state contribution, etc.).

In response to these negative conclusions on the current share-out model, a new working group on 'sharing of pension rights in the event of divorce' was established. Its task is to explore the possible development of a model whereby, in the event of divorce, the pension rights acquired by each spouse in their own right during the marriage could be fairly shared. Instead of the two spouses' earnings from employment being the only element of their insurance record subject to transfer, such a model would aim to assess in the same way the pension entitlements acquired by the two spouses during the marriage, calculating a pension for each of them based on the periods of insurance cover or service that each had completed during that time. Their respective pension entitlements would then be compared in order to determine a value for the difference between them, half of which would be transferred to the spouse with the lesser entitlement.

Exploration of a possible new model for pension-rights sharing raises basic questions of civil law about how to determine the scope of such sharing and how to make it compatible with rules on the settlement of property interests in the event of divorce. Decisions thus need to be taken about what should lie within the discretion of the civil court in a specific divorce case and, by deduction, what should apply automatically under social security law. The proposed solution is that the divorce-court judge, before ruling on any other share-out, should begin by establishing what is owed by one spouse to the other in terms of pension entitlement. This should be the first debt payable and it should be settled either by directly reconstituting entitlements, or by gradually eliminating them. In the case of a bankrupt debtor spouse, there would be a mechanism, as yet to be determined, for support from national funds.

3.4.2. State participation in the payment of voluntary pension insurance contributions

A new initiative aims to encourage people who take career breaks or cut their working hours in order to bring up their children to take out voluntary pension insurance and there is provision for financial support from the state for those who do so.

Work on the individualisation of pension insurance entitlements has shown that bringing up children is the main reason why people take career breaks or cut their working hours, thus adversely affecting their pension insurance record.

Voluntary insurance is a suitable means of making up the shortfall. In the scenario of divorce, the spouse without no insurance record, or an incomplete one, risks financial insecurity in old age. The proposed solution encourages people to provide against such a contingency by helping spouses to take out ongoing insurance in the interests of the one who agrees to prioritise child-rearing over work.

The decision on whether to take out voluntary insurance clearly depends on the circumstances of the spouse concerned, who will take into account his or her compulsory insurance record, the computation of 'baby years' and entitlement for years spent in education. Together these periods may be insufficient to create a pension entitlement or to provide for a decent level of pension, but at the same time the family budget may not stretch to voluntary insurance premiums. The effect of the new initiative in such cases would be to have the employer's share of pension contributions covered from state funds for a maximum period of two years.

3.4.3. Promoting equality between manual workers and other employees under labour and social legislation

At several meetings of the Tripartite Coordination Committee between October 2005 and April 2006, the Government and the social partners agreed that the status of manual workers and other employees in the private sector should be standardised so as to create a single status for all private-sector employees. A socially useful and just reform measure, such a step will ensure equality for manual workers and other employees under labour and social legislation. It involves amalgamation of the two groups' respective sickness insurance funds, representative chambers, pension insurance funds and social tribunals. It paves the way for more modern structures, greater efficiency, enhanced management capacity, better service for those insured and administrative streamlining which will benefit companies.

The reform will thus create, in addition to the Joint Social Security Centre [*Centre commun de la Sécurité sociale*], the National Family Benefits Fund [*Caisse nationale des prestations familiales*] and the Accident Insurance Association [*Association d'assurance contre les accidents*]:

- a National Sickness Insurance Fund [*Caisse nationale d'assurance-maladie, CNAM*], bringing together the Union of Sickness Insurance Funds [*Union des caisses de maladie*] and sickness insurance funds for both white-collar and blue-collar workers in the private sector;

- a National Pension Insurance Fund [*Caisse nationale d'assurance-pension, CNAP*], bringing together the four funds within the general pension scheme.

The measures constitute a major structural reform designed to end existing distinctions in social law between socio-occupational groups – distinctions which no longer have an objective basis economically and are counterproductive for the labour market. By sweeping away out-of-date distinctions that actually amount to forms of discrimination between manual workers and other employees in the private sector, the new single status will result in a Labour Code applicable across the board to all employees under private law. It will mean that everyone with the same level of gross earnings will have the same take-home pay.

Managing two categories of personnel separately entails administrative costs for companies, and those costs should disappear with the introduction of a single status for all private-sector employees. Single status will thus mean administrative simplification of benefit to employers. It will also make a positive contribution to competitiveness by lowering the general level of social contributions.

3.4.4. Coordinating the different pension schemes

In 2007, legislation on coordination among Luxembourg's different pension schemes was revised in order to amend various provisions for the general (private-sector) scheme and the special (public-sector) schemes, after technical difficulties had arisen in the practical application of the relevant rules.

The main legal changes in the pipeline concern:

- integration of the Central Bank of Luxembourg pension fund into the internal coordination system;
- transferring pension entitlements to European Communities and Benelux staff (this section of the law concerns aspects of the transfer of entitlements between national pension schemes and the European Communities and Benelux staff schemes);
- extension of the 'last pension fund' principle (currently applicable under Article 252 of the Social Insurance Code to calculation of the amount of pensions) to apply to: transfers of contributions from the general scheme to the special temporary general scheme; management of periods of pension credit provided for under Article 172 (for bringing up children, pursuing study, etc.); responsibility for the retrospective purchase of contribution periods; reimbursement of contributions to old-age pensioners in paid employment beyond the age of 65; reimbursement of contributions at age 65 to scheme members who do not have the requisite 10 years' contributions; transfers of contributions to an international pension scheme; and restitution of a proportion of contributions reimbursed.

The proposed changes constitute a procedural simplification, which is in the interests of both insured persons and the pension funds.

3.4.5. Measures to boost female employment

Various pension-insurance-related measures are planned to enable parents to accumulate pension entitlement if they have to interrupt their working lives in order to care for their children. As the majority of the parents concerned are mothers, the measures also contribute to vertical equality between men and women.

Under certain circumstances a parent who requests ‘baby years’ leave may receive additional pension credits corresponding to at least two years of contributions at the level of the last wage that was subject to contributions before the leave period.

The calculation of ‘child-rearing’ periods involves counting those periods during which one parent cared for one or more children aged up to six in Luxembourg. Such time is counted solely for purposes of making up the requisite number of contribution years for early retirement (from age 60), for entitlement to the basic pension, and for the acquisition of one-off pension top-ups, the amount of which depends on the individual’s contribution record.

Parental leave is available under certain conditions to anyone caring at home for a child or children aged under five. To qualify for full-time parental leave, the parent concerned must devote most of his or her time to bringing up the child or children and must not engage in paid work during the period of leave. To qualify for half-time parental leave, his or her working hours must not exceed half the normal number of hours worked per month in accordance with the law or a labour agreement.

Child-rearing allowance may be awarded, at least in respect of children under the age of two, to a person living in Luxembourg and bringing up one or more children at home. The beneficiary must devote most of his or her time to bringing up the child or children, must not engage in paid work or be in receipt of income-substitution benefit, and together with his or her spouse must not have an income above a certain level. A mother may claim half of the child-rearing allowance, irrespective of any income she may have, if she has one or more part-time jobs which cumulatively take up no more than half of normal working hours on a weekly basis.

Within the public sector, employees may be allowed to work 25%, 50% or 75% of normal hours, provided that the smooth functioning of the administration is not prejudiced. In principle, short-hours working is supposed to apply on a daily basis but in practice heads of administration can agree a different time-sharing arrangement with the employee over a week, a month or even a year. The arrangement also applies in respect of half-time employees’ leave.

A related, temporary, provision concerns the reintegration to work of civil servants who took a career break to bring up children: it applies to staff who were obliged, under the former rules on leave in the public service, to resign in order to care for children. It is now possible for these civil servants to return to work, staff complements and quotas notwithstanding, to the same jobs that they occupied before they resigned, with the same career status that they had at that time.

3.4.6. Incentives to a longer working life

People in receipt of a standard old-age pension may continue to do any sort of work they please: Luxembourg's social security legislation imposes no restrictions in that regard. Once a person has reached statutory retirement age he or she may receive old-age pension alongside earnings for work, without any reduction in the level of pension. As a rule, however, few people avail themselves of these provisions.

A person in receipt of early-retirement pension may do paid work only in so far as the earnings therefrom do not, in any given year, exceed a third of the statutory minimum wage. If the person's monthly earnings are above that level, the pension will be reduced by half. In practice, therefore, the law already provides for people to receive half early-retirement pension alongside half pay. The half pension will, however, be reduced further if the total amount of pension and wage together exceeds a ceiling fixed at the mean level of the beneficiary's gross annual wage over the five highest-earning years of his or her working life. In the case of persons not in receipt of a wage, a pension will be withdrawn if their income exceeds a third of the statutory minimum wage. While this provision allows beneficiaries a certain level of earnings on top of their pension without the pension being cut, the financial incentive involved is much too modest to encourage people approaching retirement age to continue working, even half time.

All insured persons who have reached the age of 55 when they first receive a pension (provided that date is later than 1 March 2002) and who have paid at least 38 years of compulsory insurance contributions receive a dual supplement to the standard rate of increase for the additional years that they work. The rate of increase of 1.85% is stepped up by an extra 0.01% for each year of the person's age and by an extra 0.01% for each year that they have paid insurance contributions. The total top-up may not, however, exceed 2.05%. This provision allows workers to boost their pension by an average of 3% for each extra year that they work. Studies show, however, that since it was introduced in 2002 actual retirement age has not changed. On the one hand, the measure is too generous inasmuch as the extra increases begin to be available once people reach the age of 55 – an age at which the working lives of many of those concerned already span almost 38 years (if they started work around the age of 17) and, on the other hand, the financial impact per additional year worked is not enough to encourage people to stay in employment beyond the age when they become entitled to retirement pension.

Workers are allowed to take early retirement at the earliest three years before the month in which they meet the statutory conditions of entitlement either to old-age pension or to early-retirement pension at age 60. The level of early-retirement benefit is calculated with reference to the person's average gross earnings in the three months immediately before he or she moves onto the benefit. The level for the first year is set at 85% of the reference earnings level; in the second year that falls to 80% and in the third year to 75%. Bonuses and 'thirteenth month' wages are taken into account (at one twelfth per month) in calculating the level of early-retirement benefit. The ceiling level of the benefit is five times the statutory minimum wage. Workers aged at least 57 may move into early retirement gradually if they agree to have their jobs transformed into half-time posts. In such cases, the level of early-retirement benefit is adjusted pro rata in line with the reduction in the beneficiary's working hours. In 2007 there was only one recorded case of a person in this situation.¹²⁷ The provision has proved less successful than

anticipated, mainly because the level of benefit on offer is not more than that available under the ‘solidarity’ early-retirement scheme, which, subject to similar conditions, allows people to leave the labour market completely.

There have been two recent studies of public opinion as to the incentive offered by measures for encouraging people to postpone retirement. The Labour Force Survey of 2006¹²⁸ included a series of questions about various measures potentially capable of have an incentive effect.

Three types of measure were suggested:

- greater flexibility in relation to working hours;
- more opportunities for bringing skills up to date;
- better working conditions (in terms of health and safety).

Replies from people still in employment showed no great enthusiasm for any of these options. Only measures of the last type – offering better working conditions in terms of health and safety – were deemed attractive to some degree.

These findings were confirmed in the Luxembourg results of a study carried out in 2008 by *Baromètre AXA de la Retraite*,¹²⁹ which showed that 60 was the age at which people expected to retire. The study also indicates, however, that under certain conditions, people would be prepared to stay at work until they reached 64.

It is clear from the two studies that public opinion generally is far from favourable to the introduction of measures for keeping people at work until an advanced age, and that the majority of those concerned will opt to retire as soon as they are legally entitled to do so.

PART 4: NATIONAL STRATEGY REPORT ON HEALTHCARE

CHAPTER 4.1. KEY CHALLENGES, PRIORITY OBJECTIVES AND TARGETS

In 2004 the Luxembourg Government launched a national action programme on the theme 'Better care through better spending' with the dual aim of raising the quality of healthcare and maintaining financial balance in the system. It is this approach to healthcare policy that the Government intends to pursue in the coming years. Working in cooperation with all parties involved (care providers, doctors, beneficiaries and funding bodies) it intends to curb the growth in healthcare spending by means of equitable, burden-sharing measures coupled with a clampdown on abuses and fraud.

In order to make the national healthcare system more transparent and efficient, the Ministry for Health and Social Security is considering setting up a Healthcare Observatory. This could be given the task of developing statistical tools and preparing recommendations on the financing of healthcare establishments. It could also make recommendations on healthcare policy and preventive medicine.

Health promotion and empowerment

From 2008 onwards the Ministry for Health and Social Security, in cooperation with the Union of Sickness Insurance Funds [*Union des caisses de maladie*] plans to invest in public-health programmes and health promotion campaigns on a greatly increased scale. In pursuit of a policy based on keeping patients informed, the aims are to make people increasingly aware of how lifestyle (diet, etc.) can impact on health and to alert them to the financial situation of the social security system generally (in relation to the use of generic drugs, for example).

Coordinating care

In the interests of an efficient and effective policy approach, the Government wants to develop a mechanism for coordinating sickness insurance benefits and dependence insurance. A number of hospitals and care networks have carried out pilot projects in this field.

Monitoring the quality of care

Current arrangements for monitoring the quality of healthcare and services are not satisfactory and more systematic coordination between the health and social security systems is needed. The Health Ministry is to establish quality indicators for the EFQM quality assessment model in hospitals, and the new hospitals plan currently in preparation will pave the way for development of the current system. In the field of long-term care, a Service Quality Commission has been set up under the dependence insurance system (see part 4.3.3).

Amalgamation at administrative level

One of the consequences of the new single status for manual workers and other employees in the private sector, to be introduced on 1 January 2009, will be reorganisation of social security for those concerned, notably through the establishment of the National Health Insurance Fund [*Caisse nationale de Santé, CNS*].

New hospitals plan

The main aims here are to:

- promote cooperation in the hospitals sector and improve quality by focusing on assessment, documentation and quality assurance;
- encourage more day procedures and outpatient care, as opposed to admission of inpatients;
- establish a proper geriatric care system;
- encourage doctors in private practice to become more involved in hospital management.

Accident insurance reform

A new Accident Insurance Law, which is due to come into force on 1 January 2010, will bring the system of allowances into line with the machinery for compensation under ordinary law, whereby separate payments are made in respect of loss of earnings and other forms of damage suffered. In recognition of the fact that for many years there has been no proportionate link between loss of occupational earnings and degree of functional incapacity, loss of earnings will now be assessed (and an allowance awarded in respect of it) separately from the assessment of other forms of damage resulting from physical injury. Henceforth the occupational accident allowance will compensate beneficiaries only for the actual loss of earnings that they suffer as the result of a work-related accident or illness. The proposed mechanism should offer a fairer means of compensating for loss of earnings than the current lump-sum payment system. At the same time, victims of work-related accidents or illnesses that have lasting effects will be entitled to a lump-sum compensation payment for non-pecuniary losses and to separate compensation for physical damage, loss of enjoyment of life, pain and disfigurement.

CHAPTER 4.2.

HEALTHCARE PROVISION

4.2.1. Progress on the measures and targets in the 2006-2008 National Strategy Report and the 2007 Joint Report

Cost-effective medication

Since 2004 the Ministry of Health has cooperated with the Union of Sickness Insurance Funds [*Union des caisses de maladie, UCM*] to run a number of campaigns informing people about generic drugs and promoting their use.

With a view to raising doctors' awareness about sensible use of drugs and judicious recourse to laboratory testing, the *UCM* is also cooperating with the Association of Doctors and Dentists [*Association des médecins et médecins-dentistes, AMMD*], the Health Ministry and the Social Security Medical Inspectorate on a planned campaign to encourage doctors to apply the 'useful and necessary' principle.

Long-term incapacity for work and occupational redeployment

The aim of the new occupational redeployment procedure¹³⁰ is to redeploy people internally in a particular company or externally on the labour market. The new system should also improve the way that long-term incapacity for work is dealt with, help to keep older workers within the labour market and, above all, accelerate and coordinate the relevant procedures.

Controlling the cost of variable expenditure in hospitals

Steps to control the rising cost of variable expenditure in hospitals include:

- developing logistical synergies in the areas of joint purchasing, sterilisation and IT;
- achieving savings on the drugs bill through more targeted and tailored prescriptions of medications.

4.2.2. Access to healthcare

Insurance cover for healthcare

The health insurance system in Luxembourg covers all persons working in a regular occupation, whether employed or self-employed, in receipt of replacement income (sickness, maternity and unemployment benefits, invalidity, old-age and survivors' pensions, guaranteed minimum wage, etc.). Derogating from the principle of individual insurance, the law grants 'derived rights' to the family members of insured persons (spouses and children) or their partners, in cases when they do not have their own rights. The state pays the insurance contributions of students or children not having their own or derived rights.

Persons insured under sickness/maternity insurance are entitled to healthcare benefits from the first day of affiliation, with the exception of insured persons who have taken out optional insurance (voluntary insurance), who are entitled to healthcare benefits only after a three-month qualifying period. If affiliation lapses, entitlement to healthcare benefits continues for the month in question and the following three months, provided that the person concerned has been affiliated for at least six months.

The single and compulsory national system has a very high level of coverage: 99.7% of the resident population in 2005.¹³¹ Some 5.8% of the resident population are also insured privately.

Access to care for people in vulnerable circumstances

People excluded from the compulsory insurance system (e.g. people with applications for asylum under consideration) have the option of voluntary affiliation to health insurance.

Even asylum seekers whose applications have been rejected¹³² and illegal and undocumented immigrants, who are not allowed to take jobs and have no financial resources, can receive healthcare. The cost of such care is met by the state.

Healthcare is readily accessible in various respects.

- People are free to choose a doctor and have direct access to specialists and hospital clinics. Prisoners are an exception to the rule: for reasons of prison security they are not free to choose their doctors.
- The average rate of reimbursement, based on sickness/maternity insurance tariffs, was estimated at 91.8% in 2004. However, the rate of reimbursement for the various types of service may vary greatly depending on their degree of usefulness or necessity.
- Individuals and families with financial problems may be entitled to fast-track reimbursement or even to pre-financing of some expensive services. If an individual's personal contribution to healthcare costs exceeds 2.5% of his or her annual disposable income, a supplementary reimbursement for most forms of treatment is available on application.

Sickness insurance covers the costs of the following services: medical or other outpatient care, laboratory analyses and tests, hospital care, pharmaceutical products, rehabilitation and spa cures, curative methods and prostheses and medical transport.

As a result of a supply of care that meets the population's needs in the best possible way, coupled with universal access to care, the state of health of beneficiaries continues to improve. Life expectancy was 81 for women and 75 for men in 2003.¹³³ According to recent surveys, 74.7% of the Luxembourg population feel very well (74.4% of women and 75.2% of men) and only 8.6% regard themselves as ill or very ill¹³⁴ (9.5 % of women and 7.5% of men).

Since 1970, moreover, remarkable progress has been made as regards infant and perinatal mortality. Following the introduction of a protection programme for pregnant women in 1977 infant mortality fell from 25.0 in 1970 to 3.9 in 2004.¹³⁵

An ethical view of access to healthcare

In its opinion on access to healthcare the National Ethics Committee states that Luxembourg's healthcare system is 'very satisfactory overall' although it does identify a number of barriers that limit access to care.

4.2.3. Quality of care

The EFQM model

In 2003, the UCM, working with the *Entente des Hôpitaux au Luxembourg (EHL)* launched a quality-incentive programme to encourage the pursuit of excellence in healthcare establishments.

The system adopted is the EFQM quality management model, which provides a basis for quality bonus incentives. In 2006 a number of quality and performance indicators were fixed so that quality development in relation to certain forms of treatment could be monitored. The indicators covered:

- patient safety;
- effective use of infrastructure;
- staff safety and absenteeism.

Hospital patients' satisfaction survey

The UCM commissioned the Switzerland-based Picker Institute¹³⁶ to carry out a survey of hospital patients' satisfaction. The survey was scheduled to begin in October 2008, and findings should be available in February 2009. The exercise will include benchmarking with a number of Swiss hospitals.

'Evidence-based medicine'

The remit of the Scientific Council,¹³⁷ most of whose members are practitioners, is to draw up good practice recommendations in order to influence practitioners' behaviour by proposing that they base their work on guidelines drawn up by scientific communities. These recommendations are based on a critical analysis of a large number of scientific studies and focus on the concrete and measurable results of clinical treatments ('evidence-based medicine').

The Scientific Council currently has five working groups addressing the following topics:

Treatment with antibiotics – the aims here being to explain the problems associated with resistance to these drugs, to prepare reference guidelines on the treatment of certain conditions (including bronchitis, ear infections, sore throats, pneumonia and cystitis) and to promote good practice in relation to choice of antibiotics and dosages;

Laboratory analyses – with the aim of drawing up recommendations for targeted, step-by-step recourse to laboratory testing;

Vascular disorders – with a brief to prepare recommendations on primary and secondary prevention of these types of condition (including high blood pressure and dyslipidaemias);

Oncology – in pursuit of a uniform approach to the treatment of cancers;

Prescription of medical imaging – with an emphasis on radiological protection, pursued on two fronts: informing both doctors and patients about the risks of ionising radiation and helping doctors to select the best diagnostic tool by promoting reference guidelines for certain conditions (backache, headaches, etc.).

e-Health

A number of projects are in the pipeline as part of an e-Health Action Programme: they include plans for a new system of hospital patient files and the CARA radiological record project.

The aim of the patient file project is to improve hospital management and internal organisation through better data sharing and smoother information flows. A standard computerised ‘personal file’ and a standard ‘clinical record’ will be interoperable throughout all hospitals.

The CARA radiological record project is a pilot initiative for implementation of an electronic radiological record. The record would list all the medical imaging examinations undergone by a given patient (including ionising and non-ionising radiation).

Preventive medicine programmes

In the field of preventive medicine and public health there has been a recent redoubling of efforts and several new programmes have been launched with the approval of the Health Ministry and the UCM.

- A pre-natal screening programme for congenital abnormalities (Down syndrome and neural tube defects) began in June 2007.
- An anti-smoking programme started on 1 January 2008, as provided for in the Anti-Smoking Law of 11 August 2006, with the aim of offering appropriate support to all smokers seeking to quit, including reimbursement of consultation fees at the standard rate over an eight-month period and of 50% of prescription costs, up to a level of EUR 100.
- A programme to vaccinate girls aged 12-18 against the human papilloma virus began on 1 March 2008.
- A back pain prevention centre was established in 2008 as part of occupational health provision: the aim is to help people in active employment to avoid aggravating dorsolumbar conditions and to prevent such problems from becoming chronic.

Four further programmes under consideration are for:

- vaccination against pneumococcus (details have yet to be worked out);
- folic acid testing, which could be included in pre-marital health checks;
- reimbursement of the cost of contraceptives;
- cardio-vascular spot checks.

Figures for vaccination cover show that in 2004 98% of children had received the DTP vaccine and¹³⁸ 91% had been vaccinated against measles,¹³⁹ while in 2007 some 54.1% of people over 65 had received a flu jab.¹⁴⁰

Cancer prevention is also an important part of Luxembourg's health policy. In 2006, 63.5% of women aged 50-69 were screened under the national mammography programme¹⁴¹ and 51.8% had a check for cervical cancer.¹⁴²

The introduction in 1977 of a health protection programme for pregnant women resulted in a 24% reduction in the perinatal mortality rate from 7.0 in 1970 to 5.3 in 2003.¹⁴³

4.2.4. Financial viability of accessible, high-quality healthcare

In 2004, total healthcare expenditure represented 5.1% of GDP¹⁴⁴ and amounted to EUR 5 352 PPP¹⁴⁵ per inhabitant. As healthcare is covered by a compulsory social security system, public expenditure on healthcare accounts for the majority of total expenditure: in 2004, 90.6% of financing came from public insurance (social security and Government) and 9.4% from private insurance.¹⁴⁶

The financial situation of the Luxembourg sickness insurance scheme remains insecure. It is estimated, for instance, that acute healthcare expenditure will represent 6.3% of GDP by 2050 in comparison with 5.1% in 2004, implying an annual rate of change of 1.2%.¹⁴⁷

With a view to keeping the health insurance scheme financially balanced, the *UCM* commissioned the Düsseldorf-based firm Schellen & Partner to carry out a study of medication use in hospitals. Schellen & Partner showed that it was feasible to aim for savings of 17% (or EUR 5.1 million) on the level of pharmaceutical spending recorded in 2004. This could be achieved by changing the way that medicines are prescribed and administered in hospitals.

Additional savings of around the same amount could be achieved through better negotiation of prices and especially through a system of joint purchasing, which would depend on prior harmonisation of the treatment formulae used in different hospitals.

With a view to using financing systems more effectively, the *UCM* also commissioned Pricewaterhouse Coopers to study the option of paying hospitals' variable costs (excluding medical and nursing care costs) on a lump-sum basis rather than as a proportion of their respective budgets.

Promoting responsible prescribing and combating abuses of the system

Recognising that regular assessment, both overall and at individual level, can improve performance in the health system, the *UCM* has conducted studies of

how incapacity-for-work certificates are issued, of recourse to laboratory analyses and of the feasibility of introducing physician prescribing profiles.

As part of ongoing administrative reorganisation there are plans to set up an anti-fraud unit to combat deception and abuses of the system. It will be tasked with reviewing current IT and administrative methods, and available legal tools and procedures, keeping a constant watch on spending and identifying the source of cost increases, and analysing the roles assigned to different agencies in the health system.

Health promotion

The Health Directorate has recently published a new guide to emotional and sexual health for young people. The publication is intended as:

- an information brochure about how girls and boys develop physically and emotionally during puberty;
- an awareness-raising tool to help young people be at ease with their sexuality and respectful of others and to encourage a healthy, risk-free approach to sex;
- a technically informative guide to contraception and protection against sexually transmissible diseases;
- a support and guidance measure.

Promoting a healthy lifestyle: the 'Get moving and eat better' action plan

This inter-ministerial initiative to promote healthy, active lifestyles is designed to:

- raise awareness and inform people about the importance of physical, mental and social wellbeing;
- improve people's eating habits, encouraging a healthy, balanced diet;
- get people on the move, more actively and more often, with a particular focus on activity among children and young people.

A programme more specifically aimed at young people seeks to make them aware of health issues and, while avoiding an overly restrictive or moralising tone, to encourage them to develop habits of exercise and good eating. They are encouraged to seek out new interests and new tastes and to take a new direction on the basis of their own enjoyment and personal conviction.

A series of initiatives planned by the Ministry to promote healthy eating in schools includes publication of a children's recipe booklet based on fresh, nutritional ingredients. The multilingual publication, which will include typical dishes from the various countries of origin of schoolchildren throughout the country, will be compiled with the help of a Luxembourg chef. Further training will be provided for school-meals cooks, in close cooperation with Health Ministry officials, and the Ministry plans to encourage healthy eating at post-primary level through the introduction of prizes for pupils who eat the widest range of healthy foods.

Concerted action on sickness insurance and health

The Quadripartite Committee – which includes representatives of the ministerial departments in charge of health, social security and finances, of workers' and employers' organisations and of care providers – monitors how current measures are being implemented and examines their effectiveness with a view to improving the quality of care, ensuring that the insurance scheme remains financially balanced and maintaining the performance of the healthcare system. In the light of this information, the Quadripartite Committee may propose new directions in order to maintain a high-quality, affordable healthcare system.

Under the auspices of the Ministry of Health and Social Security, a Steering Committee has been set up, bringing together government experts on health and social security to monitor trends in revenue and expenditure and assist concerted action. The remit of this body is to prepare for meetings of the Quadripartite Committee by supervising and coordinating the various working groups set up to pursue agreed common action priorities.

Data collection and reporting

In 2007 the Inspectorate General for Social Security created a social security and health website entitled *ISOG [Informationssystem iwwert sozial Ofsecherung a Gesondheet]*,¹⁴⁸ which contains detailed information and series of statistics charting developments in social security over time.¹⁴⁹

In a related initiative, the Ministry for Social Security is currently working with the Health Ministry, the Health Directorate and the *UCM* on a statistical plan to pull together various types of data on health and social protection and make them accessible to the public on the Internet. The same group will also prepare plans for the establishment of a Health Observatory in Luxembourg.

CHAPTER 4.3.

LONG-TERM CARE

4.3.1. Progress on the measures and targets in the 2006-2008 National Strategy Report and the 2007 Joint Report

In order to ensure that the dependence insurance budget is balanced in the medium term, a number of economic provisions were made both under a new Law passed on 23 December 2005 and under the Tripartite Coordination Committee's¹⁵⁰ 2006 agreement:

- the level of state participation in the scheme was set at EUR 140 million;
- the contribution rate was set at 1.4% (it was previously 1%);
- the value of the cash benefit was set at EUR 25;
- a Service Quality Commission was set up;
- the maximum time for help with essential acts of daily living was raised from 24.5 hours to 38.5 a week in exceptionally serious situations;
- the maximum time for support activities was set at 14 hours a week;
- the cost of replacing an informal carer is no longer to be covered;
- the relationship between providers of long-term care and the *UCM* was set out in a framework agreement signed by all the parties concerned.

In early 2008 the Parliament approved a draft law on the right to die with dignity (the Euthanasia Law) and a draft law on palliative care. However, the Council of State did not waive the requirement for a second reading, which means that the debate will be reopened and it unlikely that agreement on this sensitive issue will be reached in the short term.¹⁵¹

One of the aims detailed in the 2007 Joint Report concerned de-institutionalisation of long-term care and its provision through community health services. Luxembourg began decentralising psychiatric services in 2005 and the process was given fresh impetus in 2007 when a strategic plan was produced for the period 2007-2011 (see part 4.3.3).

4.3.2. Access to long-term care

Any dependent person insured under sickness/maternity insurance is eligible for benefits irrespective of their age. People insured under the compulsory scheme and people insured under a continuing insurance scheme are protected under dependence insurance from the first day of affiliation. People who have taken out optional insurance are eligible for benefits after a qualifying period of one year. Persons working for international organisations or receiving a pension from such organisations are not eligible for dependence insurance benefits.

Dependence insurance benefits are awarded if applicants have been assessed as needing assistance from a third person for essential acts of daily living in relation to nutrition, hygiene and mobility: the need for assistance and care has to be substantial and regular and account for at least 3.5 hours per week. The award

of benefits in respect of home adaptations and technical aids and in the context of experimental projects requires derogation from that threshold level.

Dependence insurance awards the following benefits in kind: assistance with essential acts of daily living and domestic chores, support activities, products needed for assistance and care, technical aids and home adaptations.

Benefits in kind may be replaced by cash benefits, covering up to 10.5 hours per week, to ensure that highly dependent people can receive professional, quality care.

The insurance also provides other measures for informal carers:

- payment of pension insurance contributions;
- coverage of advisory services for informal carers (learning about appropriate care practices, etc.).

Persons needing assistance from a third person for some activities of daily living who are not eligible for dependence insurance (in particular persons whose need is below the required minimum threshold) may receive the assistance they require by paying a contribution to the cost of care services provided in a residential care context, calculated according to an income-related social tariff. The state pays the provider the difference between the beneficiary's financial contribution, set according to the social tariff, and the actual cost of the service.

4.3.3. Quality of long-term care

Quality requirements for long-term care are set out in two legal provisions: on the system of approval for carrying on care activities and on the assistance and care contract which has to be concluded with the *UCM*.

In practice, only assistance and care establishments and networks approved by the Ministry responsible for the family may enter into an assistance and care contract with the *UCM* entitling them to remuneration from dependence insurance in return for the services in kind that they provide to dependent persons.

The ministerial approval sets the establishment's operating conditions, in particular as regards appropriate staffing levels for the tasks that it is to perform and the infrastructure needed to ensure an appropriate quality of care and assistance. The approval covers requirements in terms of *structural* quality, however, and does not set quality standards as regards the actual care (process quality). That is the responsibility of the Service Quality Commission.

The remit of this Commission – which was established under the Law of 23 December 2005 and began functioning on 1 January 2007 – is to draft proposals for guidelines and standards on quality of assistance and care, technical aids and home adaptations. The Assessment and Orientation Unit (*Cellule d'évaluation et d'orientation* or *CEO*) is tasked with inspecting the quality of services provided to dependent persons, in the light of agreed standards. The *CEO* also monitors the tailoring of benefits to the dependent person's needs.

Under the framework agreements negotiated with the *UCM*, assistance and care providers undertake to supply dependent people with sustained and coordinated assistance and care in accordance with a *CEO* care plan, to observe the guidelines and standards for service quality, to follow assistance and care

documentation, invoicing and payment methods and to use a cost-accounting system.

Satisfaction survey

In 2006 a survey was carried out to determine the level of satisfaction among beneficiaries of the home-care benefits covered by dependence insurance.¹⁵² Around 100 questions were asked, to assess both the administrative functioning of the dependence insurance system from the moment of making an application to receipt of a decision, and the quality of assistance and care delivered by the networks of providers (including how well care work is organised, actual quality of care and the human attributes of the carers). A final section of the questionnaire was designed to gauge beneficiaries' satisfaction with technical aids supplied and home adaptations.

The aim of the survey was not so much to identify what was working well as to pinpoint where improvement was needed. In 2008 the *CEO* introduced quite a number of operational reforms to address problems that beneficiaries had raised. Steps were taken, for example, to speed up the processing of applications, a monitoring system was introduced to improve transparency, and the information sheet accompanying the application form was translated into four languages.

Prevention

Prevention of dependence is an area that has not yet been properly considered in its own right. What are deemed preventive measures are currently limited to home adaptation and the supply of technical aids, but prevention ought to be more wide-ranging. At the stage when individuals are still capable of performing certain actions, although their brains may be deteriorating, they ought to be able to receive assistance which, if properly adapted to the context, should enable them to stabilise their condition and prevent their level of dependence from increasing, or at least from increasing too rapidly.

While geriatric rehabilitation and specifically geriatric care are increasingly practised, they have not yet been integrated into a cohesive branch of the care system. Geriatrics has been recognised as a medical specialism in Luxembourg since 2004¹⁵³ but it is a field in which there is a major shortage of staff.

Reform of psychiatric provision

Alcoholics and people with multiple drug additions in Luxembourg face a two-three months' wait for inpatient withdrawal programmes. This is due to a shortage of beds in acute psychiatric facilities.

Outpatient and community care for psychiatric patients is also inadequate, as the scale of provision is too small. The effectiveness of treatment in the post-hospitalisation phase is jeopardised by long waiting lists.

This situation was assessed in 2005 in what became known as the 'Rössler Report' on psychiatric care in Luxembourg – as the result of which a major reform programme was instigated. The three main aims are to:

- decentralise institutional psychiatry;
- minimise the stigmatisation of patients with psychiatric disorders;
- prevent patients from becoming chronically institutionalised.

In 2007 Rehaklinik, a psychiatric rehabilitation organisation, drew up a strategic plan for the period 2007-2011 under which it would become a National Centre for Psychiatric Rehabilitation. The main changes proposed are:

- a reduction in the number of hospital beds;
- decentralisation and relocation of certain rehabilitation activities currently carried out in hospitals;
- the de-hospitalisation of so-called 'chronic' patients achieved through the creation of accommodation facilities suited to their needs;
- improvement and modernisation of the treatment available for people with serious levels of dependence;
- establishment of a specific strand of care provision for young people in difficulty.

4.3.4. Financial viability of accessible, high-quality long-term care

To meet the cost of the care for which it provides, the dependence insurance scheme is based on a system of mixed financing with a reserve that must be maintained at no less than 10% of current annual expenditure.

The necessary financial resources are made up from:

- a contribution payable out of the Government budget and fixed at EUR 140 million;
- a special contribution from electricity charges (0.5% of total revenue);
- a dependence contribution levied on all persons insured under sickness/maternity insurance. The contribution is calculated on occupational income, income from assets and replacement income (income in the latter two categories being reduced by a quarter of the social minimum wage). The rate of contribution is set at 1.4% of assessable income.

In 2005 expenditure (both public and private) on long-term care totalled EUR 414 million, thus accounting for around 18% of overall healthcare

spending¹⁵⁴ or 0.9% of GDP.¹⁵⁵ According to estimates prepared in 2005 by the Economic Policy Committee's Working Group on Ageing, public spending on long-term care will continue to rise, reaching 1.0% of GDP in 2010 and 1.5% in 2050.¹⁵⁶

An in-depth study of the rising cost of benefits covered by dependence insurance since it was introduced in 1999 is due to be published in spring 2009. It also looks closely at the organisation and functioning of dependence insurance.

Expenditure in the dependence insurance system is rising primarily because the number of beneficiaries is growing and the range of care and services supplied is expanding. In order to meet the needs of the persons concerned in the best possible way it is necessary to increase care provision, and the numbers of service providers (assistance and care networks) and staff in the sector are rising. In the area of inpatient care, new infrastructure is being built and existing facilities are being modernised or enlarged.

The continuing expansion of long-term care in Luxembourg necessitates detailed planning in relation to benefits and their cost. The Ministries for Social Security and the Family have therefore commissioned a study of the possible introduction of consistent, transparent cost accounting within assistance and care facilities, the aims being to:

- record the care and services provided in a systematic manner and in accordance with clear criteria;
- improve planning and tighten control of benefits and expenditure;
- introduce more transparency in the way that assistance and care facilities price the accommodation they offer;
- evaluate medical and care provision in terms of its quality and effectiveness.

One assistance and care network has developed a coordinated care concept with a view to delivering quality assistance and care to dependent in an efficient way. It entails:

- in the home-care sector, a system of 'key nurses' and coordinators who look after their clients' wellbeing notably through systematic consultation, possibly involving the client's family; the introduction of a single care record; organisation of case studies and care-plan meetings; and systematic cooperation with GPs;
- in the area of cooperation between inpatient care and home-care, a system of liaison nurses has been introduced in order to ensure:
 - continuity of care and treatment when patients transfer from home to hospital or vice-versa;
 - coordination of network resources with the hospital in specific cases;
 - optimised transfers of information;
 - structured advance planning for patients' discharge from hospital;
 - better human-resources planning.

Concerted action on dependence insurance

The Consultative Committee, composed of representatives of dependence insurance beneficiaries, representatives of providers and the social partners and representatives of the managing body, is asked for its opinion on:

- methods of assessing and measuring dependence, i.e. the assessment questionnaire and the assistance and care review;
- experimental action projects to be run under dependence insurance for the benefit of specific groups;
- the list of appliances to be covered by dependence insurance.

In addition, in order to be able improve action for dependent persons, the Minister for Social Security periodically convenes those Ministers (or their representatives) whose portfolios include the family, health and the budget, as well as organisations working in the fields of health, the family and social action and associations representing dependent persons.

The remit of this committee is to examine the operation of dependence insurance and assistance and care networks and establishments, and to issue proposals for improvement and for enhancing provision for dependent persons.

¹ All the EU statistics on income and living conditions (SILC) and Labour Force Survey (LFS) data are taken from the new portfolio of indicators as published on the EU OMC website.

² Source: STATEC figures, 1 January 2008 – table showing population by age and sex on 1 January 2001-2008 (date of publication of statistics, 20 May 2008). Like the EU-SILC statistics, the STATEC data refer to both 2006 and 2007; to facilitate comparison between the figures it is useful to note that the population of the Grand Duchy of Luxembourg totalled 469 086 on 1 January 2006 and 476 187 on 1 January 2007.

³ Source: STATEC figures – STATEC table B 3150 on population movement 1980-2008. For purposes of illustration, the figures for net natural population growth for the years 2004-2007 were respectively: 1874 (0.41%), 1750 (0.38%), 1748 (0.37%) and 1611 (0.34%). Over the same period the net migratory balance figures were respectively 4392 (0.96%), 6110 (1.32%), 5351 (1.14%) and 6001 (1.26%) – the percentage figures in brackets showing the net change in each case as a proportion of the total population.

⁴ Life expectancy (ov ind – 3) – figures available for 2006

⁵ STATEC, table B 3105 on fertility rates

⁶ *Ibid.* For details see table 2 in Appendix 2.

⁷ Real GDP growth rate (ov ind – cont 1)

⁸ Source: STATEC in *Conjoncture Flash*, July 2008

⁹ Eurostat (structural indicators)

¹⁰ Public debt (ov ind – cont 6)

¹¹ Expenditure by social protection function (as % of GDP) (ov ind – cont 7b – as % of GDP for 2005)

¹² Source: *Les chiffres clés de l'Education nationale* ['Key figures from the national education system'], <http://www.men.public.lu>

¹³ Economic Survey of Luxembourg, OECD, 2008

¹⁴ Third study of early school leaving in Luxembourg, MENFP, June 2008. The national figure cited here shows a lower incidence than the relevant joint indicator (SI-P6), which stands at 15.1% (2007). For details of how the national and SI-P6 data are worked out, see the study cited, pp 2-4.

¹⁵ STATEC's definition includes everyone employed in Luxembourg irrespective of whether they live there. It covers all incoming cross-border workers (136 000 in 2007) but it does not include Luxembourg nationals who are cross-border workers in neighbouring countries (1 600 in 2007), or employees of the international institutions based in Luxembourg (9 000 in 2007) who are classed as extra-territorial workers. (Source: STATEC table on employment 1995-2007)

¹⁶ The percentages shown are for 2007 (ov ind – cont 2a).

¹⁷ Activity rate (ov ind – cont 2a)

¹⁸ Employment rate (ov ind – 10) – figures for 2007

¹⁹ Unemployment rate (ov ind – cont 2b)

²⁰ STATEC Bulletin 5 -2008, 16 July 2008, p. 271

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- ²¹ Long-term unemployment rate (ov ind – cont 2d)
- ²² Household circumstances (ov ind – cont 5b) – figures for 2007
- ²³ Breakdown of households by type (ov ind – cont 5a)
- ²⁴ Source: MIFA (SNAS) figures, 31 December 2007
- ²⁵ Inequality of income distribution indicator: S80/S20 income quintile share ratio. This percentage shows the relationship between the proportion of total income which goes to the 20% of the population with the highest income levels (higher quintile) and the proportion which goes to the 20% with the lowest income levels (lower quintile). ‘Income’ here means disposable income equivalent.
- ²⁶ The Gini coefficient expresses the relationship between a cumulative proportion of the reference population (households) broken down by income level and the cumulative proportion of total income which it receives. It is the most widely used indicator of degrees of inequality: 0 = perfectly equal income distribution and 1 = perfectly unequal distribution.
- ²⁷ Gini coefficient (SI ind – cont 2)
- ²⁸ At-risk-of-poverty rate (ov ind – 1a)
- ²⁹ Relative deviation from at-risk-of-poverty rate (ov ind – 1b)
- ³⁰ PPS = purchasing power standard, i.e. the price of a basket of comparable goods and services in each country. In real terms the PPS may therefore be equated with the euro.
- ³¹ At-risk-of-poverty rate before social transfers (ov ind – cont 11)
- ³² Households with children where the work intensity (WI) is between 0 and 1
- ³³ SI-S1c indicator
- ³⁴ At-risk-of-poverty rate (SI-P1)
- ³⁵ SI-S1d indicator
- ³⁶ SI-S1c indicator
- ³⁷ SI-S1a indicator
- ³⁸ SI-S1a indicator
- ³⁹ SI-S1d indicator
- ⁴⁰ At-risk-of-poverty rate (ov ind – 1a)
- ⁴¹ Net income from social assistance for three types of household (ov ind – cont 10)
- ⁴² Relative relationship of mean income of persons over 65 and those aged 0-64 (ov ind – 7)
- ⁴³ Estimated European average at-risk-of-poverty rates (EU-25) by nature of home occupancy are, according to Eurostat, 23% for tenants and 14% for home owners.
- ⁴⁴ See STATEC ‘*Rapport travail et cohésion sociale*’ [‘The link between work and social cohesion’] in *Cahiers économiques*, 106, December 2007.
- ⁴⁵ *Ibid.*, p. 63. The figures in this report are drawn from an EU-SILC study.
- ⁴⁶ For example, the net immigration rate rose from 3.7% in 2001 to 12.5% in 2007 while the natural rate of population growth fell from 3.9% in 2001 to 3.3% in 2007.
- ⁴⁷ See table 1 in Appendix 2.

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- ⁴⁸ OECD *International Migration Outlook*, SOPEMI 2007, p. 282 on Luxembourg
- ⁴⁹ The proportion of resident Luxembourg nationals in the workforce fell from 35.8% in 2001 to 30.5% in 2006.
- ⁵⁰ Figures from STATEC Bulletin 5-2008 on unemployment in Luxembourg
- ⁵¹ See table 3, proportion of unemployed by gender and nationality, in STATEC Bulletin 5-2008, p. 260.
- ⁵² See diagram 6, unemployment rate among people aged 15-64 (%), in STATEC Bulletin 5-2008, p. 260.
- ⁵³ STATEC Bulletin 5-2008, p. 261
- ⁵⁴ See STATEC, *Cahiers économiques* 106, p. 44, paragraph 8.4.3.
- ⁵⁵ The Prime Minister's statement on the Government programme, on 4 August 2004, identified 'the country's future' as the major policy theme. Key concepts in the Government approach were 'modernisation', 'innovation' and 'integration' and the statement added that 'modernisation, transformation and innovation serve a single purpose: that of social cohesion in our society and our country'.
- ⁵⁶ For further details, see Government statement on the national economic, social and financial situation in 2008.
- ⁵⁷ At 29.6% the rate at which Luxembourg companies are taxed has fallen by around 11% since the end of the 1980s (Government statement on the national economic, social and financial situation in 2008).
- ⁵⁸ Measures decided by the Tripartite Coordination Committee (Tripartite Coordination Committee Opinion of 28 April 2006, p. 9 *et seq.*).
- ⁵⁹ Government statement on the national economic, social and financial situation in 2006
- ⁶⁰ Employment policy – both preventive and active – is the Government's overriding priority. (See 2006 Government statement.)
- ⁶¹ General policy statement 2005
- ⁶² Government statement on the national economic, social and financial situation in 2008: 'An aggressive approach to globalisation and a competitive tax environment [...] will not be much use if we cannot manage to hold our society together: social cohesion is of capital importance to our future'; and, from the Government statement of 4 August 2004, 'Modernisation, transformation and innovation serve a single purpose: that of social cohesion in our society and our country'; and 'Social cohesion also demands know-how and when we talk about know-how we also need to talk about financial and other resources, tools and methods'.
- ⁶³ General policy statement 2005
- ⁶⁴ Law of 21 December 2007 (*Mémorial A* 234, 2007)
- ⁶⁵ Since the child bonus was introduced the disposable income of a single-parent family on social minimum income has increased by 7.24% and that of a couple with two dependent children and one partner in receipt of social minimum income has risen by 4.49%.
- ⁶⁶ This will mean that all employed persons who pay income tax will be taxed on an amount of income 6% less than their actual income level, thus reducing their tax bill.
- ⁶⁷ Employment rate (ov ind – context 2a)

⁶⁸ Unemployment rate (ov ind – cont 2b)

⁶⁹ *Bulletin luxembourgeois de l'emploi*, 6, June 2008

⁷⁰ Law of 22 December 2006 promoting the retention of workers in employment and setting out special social security and environmental-policy measures (*Mémorial A*, 29 December 2006)

⁷¹ STATEC Bulletin 5-2008, 16 July 2008, p. 278

⁷² Rate of employment among older workers (ov ind – 10)

⁷³ Joint Report 2007, Luxembourg section, paragraph 3.2

⁷⁴ See section 2.4.

⁷⁵ Measures to implement the four key policy objectives are described in detail in section 2.3.

⁷⁶ In 2006 the at-risk-of-poverty rate among the Luxembourg population generally was 14% compared with a 20% risk rate among children and young people up to the age of 17.

⁷⁷ The at-risk-of-poverty rate for a couple with children ranges between 10% and 24%, whereas the rate for a childless couple aged under 65 is 7%.

⁷⁸ The at-risk-of-poverty rate among single-parent families with children in Luxembourg is 49%, compared with 10% among couples with one child, 14% among couples with two children and 24% in the case of couples with three or more children (Source: Social inclusion indicators – Income indicator – At risk of poverty rate by household type).

⁷⁹ The at-risk-of-poverty rate among children and young people up to the age of 17 is 20% after social transfers and 34% before social transfers (retirement and survivors' pensions are excluded from the calculation).

⁸⁰ Measures to boost the income of households at risk of poverty are described in section 1.2.1.2.

⁸¹ *Bulletin luxembourgeois de l'emploi*, 6, June 2008. It should be noted that many students complete their compulsory schooling outside the country.

⁸² STATEC Bulletin 5-2008, 16 July 2008, p. 270 – Groups classed as 'disadvantaged' [*'affaibli'*] include workers with disabilities and those with reduced capacity for work.

⁸³ Information from the Ministry for Labour and Employment, May 2008

⁸⁴ *Ibid.*

⁸⁵ See 2007 National Reform Programme implementing report on employment policy guidelines.

⁸⁶ CEPS/INSTEAD, *Vivre au Luxembourg*, 23, May 2006, p. 1

⁸⁷ NAP-Inclusion 2003, measure 17, p. 32

⁸⁸ Government statement on the national economic, social and financial situation in 2008

⁸⁹ To date, these have been regional-level projects.

⁹⁰ The Ministry for the Family and Integration supports collaborative projects to make *MRE* opening hours more flexible and to improve the quality of educational care that the centres offer.

⁹¹ The *MRE* in the municipality of Differdange, for example, launched a ‘School for parents’ project that supports families through a mother’s pregnancy and the first year of a baby’s life. The Beckerich *MRE* is putting in place a project for children in the pre-puberty years.

⁹² Psycho-social distress among young people shows itself in different ways including behavioural problems, difficulties at school, drug addiction, alcoholism, violence, depression and a risk of suicide.

⁹³ These include very young children who have had medical or care needs since birth, for example children with post-weaning problems and children whose parents are in a situation of crisis and cannot provide for them.

⁹⁴ This figure includes 20 beds in homes and temporary accommodation centres for schoolchildren aged 4-12; 20 beds in specialist nurseries for babies and small children who require institutional care at least on a temporary basis and have specific developmental needs; 8 places in a therapeutic daycare facility for children aged 4-12 with specific social or psycho-emotional development needs; 8 places in a therapeutic facility for young people aged 13-16 who have been through trauma and are experiencing psycho-social distress; a centre with two units one of which will have 13 places for adolescents in distress and the other 14 places for under-age young women who are pregnant or have babies; 12-15 places in a young people’s accommodation facility that liaises with school and families; and 12 places in the new Dreibern security unit for young offenders.

⁹⁵ The target date for the provision described in section 2.1.3. is 2013 whereas the new targets have been set for 2015, hence the discrepancies in the figures.

⁹⁶ See under Guideline 19 in the National Reform Programme implementing report on employment policy guidelines.

⁹⁷ See, for example, under Guidelines 18 and 21 in the NRP implementing report.

⁹⁸ *Bulletin luxembourgeois de l’emploi*, 6, June 2008

⁹⁹ Grand-Ducal Decree of 11 December 1846 on reorganisation and regulation of charitable offices and *Domicile de secours* [Address for Social Welfare Purposes] Law of 28 May 1897

¹⁰⁰ It should be noted that while the profile of applicants for rented accommodation from public housing bodies is similar to that of potential *AIS* clients, the *AIS* scheme is not intended as an institutional response to a structural problem of social housing management.

¹⁰¹ Social Protection Committee, 1/2008, Report on ‘Child Poverty and Wellbeing’, p. 53

¹⁰² 2008 Joint Report, p. 8

¹⁰³ NAP-Inclusion report cited, section 2.6

¹⁰⁴ One of *EAPN-Lëtzebuerg*’s demands was for the adjustment of legal and regulatory provisions on the costs and functioning of childcare and parental support facilities so that people in impoverished circumstances could benefit financially from the changes.

¹⁰⁵ See NAP-Inclusion 2003, measure 17, and particularly paragraph 1.

¹⁰⁶ National Strategic Framework of Reference [*CRSN*], final version, 8 October 2007, approved by the Commission on 22 October 2007, p. 52

¹⁰⁷ *Op. cit.*, p. 53

¹⁰⁸ *Op. cit.*, p. 54

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- ¹⁰⁹ Operational programme, pp 25-26
- ¹¹⁰ *Op. cit.*, p. 74
- ¹¹¹ Operational programme 2007 report, p. 32
- ¹¹² Operational programme, pp 25-26
- ¹¹³ Report on work and social cohesion, in *Cahiers économiques*, 106, STATEC, 2007
- ¹¹⁴ Eurostat projections, EUROPOP 2008
- ¹¹⁵ *Sickness, disability and work: breaking the barriers. Australia, Luxembourg, Spain and the United Kingdom*, OECD, 2007
- ¹¹⁶ Economic Survey of Luxembourg, OECD, 2008
- ¹¹⁷ Comparison of mean income of persons aged 65-plus and those aged 0-64 (PN-P2)
- ¹¹⁸ At-risk-of-poverty rate (ind PN-P1)
- ¹¹⁹ Aggregate replacement rate (PN-P3)
- ¹²⁰ IGSS calculations
- ¹²¹ ‘*Egalité hommes-femmes, mythe ou réalité?*’ [‘Male-female equality – myth or reality?’], in *Cahiers économiques*, 106, STATEC, 2007
- ¹²² IGSS assessment of provisions in relation to incapacity for work and vocational reintegration, 2008
- ¹²³ ‘*Les caractéristiques démographiques des actifs occupés dans le secteur privé en mars 2003*’ [‘Demographic characteristics of private-sector workers in March 2003’], CEPS-INSTEAD, 2003
- ¹²⁴ IGSS assessment of provisions in relation to incapacity for work and vocational reintegration, 2008
- ¹²⁵ The impact of ageing on public expenditure: projections for the EU-25 Member States on pensions, healthcare, long-term care, education and unemployment transfers (2004-2050), Report prepared by the Economic Policy Committee and the European Commission (DG ECFIN), 2006
- ¹²⁶ ‘*Fonds de compensation*’, Pensions think-tank internal memorandum, 2008
- ¹²⁷ Ministry for Labour, activity report 2007
- ¹²⁸ Report on work and social cohesion, in *Cahiers économiques*, 106, STATEC, 2007
- ¹²⁹ *Baromètre AXA de la retraite*, 2007
- ¹³⁰ Laws of 25 July 2002, 21 December 2004 and 1 July 2005
- ¹³¹ Source: Eco-health, OECD 2008
- ¹³² Asylum seekers whose applications have been rejected are categorised as persons living in Luxembourg without a residence permit, who are not entitled to social assistance.
- ¹³³ Life expectancy at birth, by sex (ind HC-P4a)
- ¹³⁴ Individual’s perception of health (ind HC-S2)
- ¹³⁵ Infant mortality rate (ind HC-S3a)
- ¹³⁶ <http://www.pickereurope.org/>

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- ¹³⁷ <http://www.conseil-scientifique.lu/>
- ¹³⁸ Source: Eco-health, OECD 2008, vaccination rate of children against DTP (ind HC-P6)
- ¹³⁹ Source: Eco-health, OECD 2008, vaccination rate of children against measles (ind HC-P6)
- ¹⁴⁰ Vaccination rate of people aged 65-plus against flu (ind HC-S4)
- ¹⁴¹ Breast-cancer screening rate (ind HC-S5)
- ¹⁴² Cervical-cancer screening rate (ind-HC-P7)
- ¹⁴³ Infant mortality, ind HC-S7
- ¹⁴⁴ Source: AWG, total health expenditure as a percentage of GDP (ind HC-P12)
- ¹⁴⁵ Source: Eco-health, OECD 2007 total health expenditure per head of population in PPP (ind HC-P11)
- ¹⁴⁶ Source: Share of health expenditure from public insurance and private insurance (ind HC-C3)
- ¹⁴⁷ Source: 'Ageing' group projections for expenditure on acute care as a percentage of GDP (ind HC-P14)
- ¹⁴⁸ 'Information system on social protection and health'
- ¹⁴⁹ www.statsecu.etat.lu
- ¹⁵⁰ The Tripartite Coordination Committee includes both members of the Government and representatives of employers' and trade-union associations.
- ¹⁵¹ <http://www.chd.lu/servlet/ShowAttachment?mime=application%2fpdf&id=701821&fn=701821.pdf>
- ¹⁵² http://www.mss.public.lu/publications/dependance/etude_satisfaction.pdf
- ¹⁵³ <http://www.legilux.public.lu/leg/a/archives/2004/0023/a023.pdf#page=5>
- ¹⁵⁴ Source: SHA 2007
- ¹⁵⁵ Total spending on long-term care as a percentage of GDP (ind HC-P13)
- ¹⁵⁶ Projections for public spending on long-term care as a percentage of GDP (ind HC-P15)