



EU Network of Independent Experts on Social Inclusion Assessment of the implementation of the European Commission Recommendation on active inclusion

A Study of National Policies

Luxembourg



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A Study of National Policies

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**COUNTRY REPORT - LUXEMBOURG** 



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### 1. Summary

#### Comprehensive policy design

In Luxembourg, there is not a formalised policy having the title of active inclusion, including all three strands in one integrated strategy. But one can see clearly that many policy changes in different domains during recent years go in the direction of the European recommendation on Active Inclusion. Also, in its 2012 National Reform Programme and in the 2012 National Social Report Luxembourg government claims to have an active inclusion policy in the framework of the social protection and assistance system linked to the minimum income scheme.

It reminds of the moderating influence of social transfers on the intensity of poverty. All together, the at risk of poverty rate remains high in Luxembourg, while the material deprivation rate is very low and the low work intensity rate is relatively low. Luxembourg government compensates partly the difference between the level of the minimum income (RMG) and the European poverty threshold by income advantages linked to its integration measures, and by advantages in kind.

Luxembourg government is making great efforts for more and better labour market participation, both on the side of excluded citizens and on the side of (potential) employers. Personalised accompaniment, guarantees for income improvement when taking up a job, different forms of (wage) subsidies, job integration and organising socially useful activities for those furthest from the labour market are the strategies followed.

With the introduction of local social offices, Luxembourg realises a right to social accompaniment, which should ensure the access to all relevant services, including those facilitating access to employment. Much attention is given to better education and the fight against school dropout. The housing issue remains the biggest challenge. In spite of measures taken, the access to quality and affordable housing remains a problem.

#### Integrated implementation

A number of legislative and administrative initiatives have been taken to enhance the integrated implementation of the different strands of active inclusion policies. In practice however, there seems room for improvement in the integrated implementation of the three strands of Active Inclusion. Examples of good practice are to be found in the cooperation between the world of education, youth work and employment. A second example of integrated approach can be found in the care for children at primary school age, both serving a better start in life for all children and better facilities for working parents: the compulsory local plans for "peri-school" accompaniment.

#### Local authorities and other relevant actors

Luxembourg is a small country where distances are small, also between central and local government levels. Many measures and services are implemented by the central administration, sometimes via decentralised offices. But municipalities also play an important role. They are involved, often via covenants, in local social support, in housing, in the organisation of public utility jobs for jobless people, in socioeducational initiatives.

In general, Luxembourg has a good tradition in cooperation and dialogue between government and societal partners. Social partners and the broader civil society are



regularly consulted on new measures and regulations. Luxembourg government actively supports EAPN Luxembourg as the organisation representing people at risk of poverty or exclusion and their support NGOs. NGOs do also take an active part in the implementation of active inclusion policies, in many cases as service deliverers contracted or subsidised by government.

#### Impact of measures

The Luxembourg minimum income benefit remains below the European at risk of poverty threshold. The number of minimum income (RMG) beneficiaries in Luxembourg represents 3.8% of the population. The at risk of poverty rate was 14.5% in 2010. But the transfers are moderating the intensity of poverty. Minimum income beneficiaries have the obligation to participate in one of the job integration measures. The activation tendency increases, but implementation seems not be able to follow.

Access to the labour market is not particularly easy in Luxembourg. But the actual increased activity rates of women and older workers seem to indicate that labour market measures start to become effective. Also the increased number of participants in employment measures seems to indicate the effectiveness of a more personalised approach, as announced. The unemployment among youth remains a big challenge.

The measures taken in recent years in the framework of services could be characterised as follows: decentralisation, focused on vulnerable population groups, outreaching, personalised accompaniment, cooperation between sectors and services. Also, a unit for gender related issues has been set up in all ministerial departments. More staff has been recruited and trained for the employment agency and for the social offices. But impact is difficult to assess yet. Also, in the new constellation, practitioners say that it is not always clear who does what. Child care places are increasing at a rapid pace, cooperation in the educational field is improving, and housing measures are implemented. But overall, social partners, NGOs and users do feel that not sufficient means are mobilised for a smooth implementation of the measures.

#### Financial resources

Overall, one could say that Luxembourg government continued to invest in the social domain, in spite of the financial and economic crisis. However, the investments diminished (while the needs increased) as the crisis progressed.

Budgets for job integration activities increased with some 22% since 2008, but this increase is some 10% lower than the overall increase of public expenses. NGOs organising job integration activities for the most vulnerable target groups saw their financing improved.

Luxembourg government spends less on employment policies than the EU average. But it increased its budget with 46% between 2007 and 2010. The staff of the employment agency increased and an investment is made for the newly created Labour Market Observatory. Nevertheless, all observers (including the Minister of Labour and Employment) consider the financing of employment services to be insufficient.

Social Offices provide extra financial support for specific needs of their users. This seems more in particular needed to compensate for the high housing cost burden, for which the other measures seem not adequate enough.

Both public and private initiatives are making use of the ESF. An important part of the budgets goes to training activities for workers (including social professionals); another



part is used for innovative job creation initiatives including jobless people. A growing part goes to what could be called active inclusion priorities.

### Monitoring and evaluation

Luxembourg government has a strong tradition in the monitoring and analysis of the economic and social situation. It closely monitors the social situation based on data, provided and analysed by Statistics Luxembourg (STATEC). Monitoring data are also presented by ministries and public agencies. More in dept analyses are made by research centres, often commissioned by government. Social partners and some NGOs make regularly good quality analyses of the social situation. But Luxembourg has no social impact assessment system, although some first steps are undertaken to prepare for such system. In the field of active inclusion, the labour market observatory could introduce an integrated evaluation approach.

#### Recommendations

- A sustained effort is recommended to come to a more comprehensive approach and integrated implementation and to a better balance between the importance given to each of the three strands of active inclusion.
- Special attention should go to the provision of means for the implementation of the measures taken.
- The study and debate on the appropriateness of the existing minimum income level should be continued. Use could be made of the expertise of persons experiencing poverty.
- The housing issue has to remain high on the (implementation) agenda.
- At EU-level, the identification of good active inclusion strategies and practices should be used for mutual learning among countries. Attention for the improvement of active inclusion should find a place in the country specific recommendations of the European semester.





### 1. Integrated comprehensive strategies

In Luxembourg, there is not a formalised policy having the title of active inclusion, including all three strands in one integrated strategy. But one can see clearly that many policy changes in different domains during recent years – both in design and implementation – go in the direction of the European recommendation on Active Inclusion.

### 1.1 Comprehensive policy design

In its 2012 National Reform Programme<sup>1</sup> and in the 2012 National Social Report<sup>2</sup> Luxembourg government claims to have an active inclusion policy in the framework of the social protection and assistance system linked to the minimum income scheme (Revenu Minimum Garanti).

#### Income

First of all, it reminds of the moderating influence of the minimum income scheme (and other social transfers) on the intensity of poverty. Indeed, between 2009 and 2010 the poverty rate before social transfers has increased (from 44% to 45% before all transfers and from 27.0% to 29.1% without pensions). On the contrary, the poverty rate after social transfers decreased from 14.9% to 14.5%. This could be also an indicator for the growing importance of redistribution incomes in the overall household income. The difference of poverty rates between Luxembourg nationals and foreigners remains nevertheless important. Among Luxembourg nationals the poverty rate stood at 7.8%, against 19.6% for other nationalities. Both population categories saw their poverty rate decrease in 2010. Looking into the combined social exclusion indicator, it reaches 22.3% among the 0-17 year age group, against 17.1% for the total population, 17.5% for the age group 18-64 and 6.1% for the 65+. Women are somewhat more touched than men (17.7% against 16.5%). Among Luxembourg nationals in adult age (+18 year) 11.2% is at risk of poverty or social exclusion against 21.5% among other nationalities. Among citizens from outside the EU27, the combined indicator stands even at 38.6% against 18.6% for EU-27 citizens.

The poverty rates find a mirror in the (increasing) numbers of applications for the guaranteed minimum income (Revenu Minimum Garanti). According to the annual reports of the Service National de l'Action Sociale (SNAS)<sup>4</sup> the number of households applying for the minimum income increased from 2175 in 2008 to 3271 in 2011 (an increase of more than 50% between 2008 and 2011). The number of persons to consider in these households increased from 3671 to 5375 (+46%). To interpret these figures, one has to take into account the increase in partial unemployment due to measures for combating the economic crisis. Also, in August 2008 the eligibility criteria for the minimum income have been enlarged for EU-citizens, and some more generous accompanying measures could have attracted more people to the minimum income scheme. Relating these figures to the decrease in poverty rates, they could confirm the growing importance of social transfers in the household income. In 2011

<sup>1</sup> Gouvernement du Grand-Duché de Luxembourg (2012). Plan national pour une croissance intelligente, durable et inclusive - Luxembourg 2020 - Programme national de réforme du Grand-Duché de Luxembourg dans le cadre du semestre européen 2012. Gouvernement du Grand-Duché de Luxembourg: Luxembourg, p. 53

<sup>2</sup> Gouvernement du Grand-Duché de Luxembourg (2012). Rapport Social National 2012. Luxembourg.

<sup>3</sup> Id., ibid. p. 5

<sup>4</sup> Available from: http://www.snas.etat.lu/



the number of households receiving a benefit in the framework of the minimum income scheme was 9931 against 7606 in 2008 (+30.6%).

All together, the at risk of poverty rate remains high in Luxembourg, while the material deprivation rate is very low and the low work intensity rate is relatively low. Moreover, the three indicators are not much overlapping. But there is difference of opinion about the adequacy of the European at risk of poverty threshold in the Luxembourg situation. Some experts say that the threshold is particularly high because of the importance and specific labour market position of cross-border workers.<sup>5</sup> In its 2009 report on social cohesion, STATEC makes an interesting contribution to this debate by comparing different possible thresholds and by making an exercise on a budget based threshold. But finally, the choice of a threshold remains a political decision for which public support (of specific stakeholders and the citizens in general) is crucial. Therefore, STATEC suggests including the public in the methodology to produce such threshold. As illustrated by the report of a meeting with civil society representatives in October 2011, the debate on the poverty threshold and a related fair minimum income is going on in Luxembourg. Also EAPN Luxembourg would like to see a real analysis of basic needs of different groups at risk of poverty, relating this to the current minimum income (RMG), in order to better adapt it to the needs of vulnerable persons and households.8

Even taking into account the specificities of the Luxembourg situation with its high proportion of cross-border workers ( $\pm 43\%$  of the work force), which might have an influence on the poverty threshold, the social protection system for people depending on the minimum income scheme and for low wage earners deserves attention. Indeed, the minimum income for a single person is  $\leq 1283.24$  (04/2012) while the poverty threshold (60% of median income) stood at  $\leq 1337.33$  in 2010. A couple with two children can receive a minimum income of  $\leq 2158.16$ , while the poverty threshold here was  $\leq 2880.41$  in 2010. The target of 6000 people to lift out of poverty or social exclusion by 2020, set by the Luxembourg government is rather low in this perspective.

At the other hand, Luxembourg government compensates partly the difference between the level of the minimum income (RMG) and the European poverty threshold by its integration measures. People with the so-called integration benefit - who are participating in a professional integration programme – receive the equivalent of the minimum wage. Also, people with income from work below the minimum income level, receive a complementary benefit, while the income from work is only taken into account (the minimum income eligibility test) as far as it exceeds 30% of the minimum income level. An example to illustrate this: A person lives together with his/her partner and two children. The RMG is calculated at 2158.16 €. But this person also has a paid job with an average gross monthly income of 1800 €. To calculate the complementary allowance, this monthly wage will only be taken into account after deduction of 30% of the RMG (i.e. 2158.16 x 0.30 = 647.45 €). In this example the income from work will count only for 1.800 - 647.45 = 1152.55 €. To define the complementary allowance, one has to deduct this amount from the RMG, i.e. 2158.16 - 1152.55 = 1005.61 €. The household income from work and RMG (excluding all other possible benefits) will thus be: 1800 + 1005.61 = 2805.61 €.

<sup>5</sup> See e.g.: Berger, F. et al. (2010). La pauvreté des enfants au Luxembourg. CEPS: Differdange.

<sup>6</sup> STATEC (2010). Rapport travail et cohésion sociale. Cahier Economique, nr. 111. STATEC: Luxembourg.

<sup>7</sup> Ministère de la Famille et de l'Intégration (2011). Rapport de la réunion du 20 octobre 2011 - Consultation de la société civile en vue de la prochaine réunion du Comite de Coordination Tripartite. (not published)

<sup>8</sup> EAPN Luxembourg (2011). Commentary note to the draft NRP of November 2010. (not published).



#### Inclusive labour markets

The 2012 NSR also refers to the personal accompaniment of minimum income claimants towards employment, seen as the best way out of poverty. It mentions two financial incentives for activation: employers can get subsidies to provide jobs for minimum income claimants and RMG beneficiaries can take up a job without losing automatically their RMG rights (up to 130% of the RMG). The NSR sees the activation of minimum income beneficiaries as a particular challenge and refers also to the NRP in which the activation of minimum income beneficiaries in general and of young beneficiaries in particular is formulated as a priority for action by the Service National de l'Action Sociale (SNAS).

It is clear that Luxembourg government is making great efforts for more and better labour market participation. Both on the side of excluded citizens and on the side of (potential) employers measures are taken to support the targets set. Personalised accompaniment, guarantees for income improvement when taking up a job, different forms of (wage) subsidies, job integration and organising socially useful activities for those furthest from the labour market are the strategies followed.

In the English summary of its Note de Conjoncture 2011-3, published in November 2011<sup>9</sup> however, Statistics Luxembourg (STATEC) describes the employment situation as follows: "As elsewhere in Europe and in line with the current slowdown, the Luxembourg labour market has started to decline. The 2nd quarter of 2011 was marked by an upturn in unemployment and a loss of momentum in paid employment. All the available indicators confirm this trend. Temporary work, one of the main leading indicators of the labour market, has been slowing since the third quarter of 2010, with a high number of businesses going bankrupt in early 2011 and partial unemployment rising towards the end of the year. Furthermore, average working hours started to stabilise in the second quarter of 2011, after sustained growth over a number of quarters. Thus, the unemployment rate, which had been trending downwards in the 1st quarter, is set to continue growing in the coming months and will average 6% for 2011, the same level as in 2010. As employment is expected to slow gradually, the brunt of the impact on annual unemployment figures will be felt in 2012. Alongside the recent slowdown, a number of other more structural or underlying trends are worth mentioning. As in most European countries, the activity rate among young people in the Grand Duchy of Luxembourg is decreasing, probably indicating their withdrawal from the labour market. Thus, unemployment in Luxembourg would appear to be becoming increasingly structural, due to an ever growing mismatch between employment supply and demand."10

The unemployment rate reached 5.9% by the end of 2011, and remained stable since then. This is the figure given by STATEC (Statistics Luxembourg). According to Eurostat data, the unemployment rate stood at 4.8% in 2011 (against 4.6% in 2010). Also, the percentage of people living in households with very low work intensity decreased between 2009 and 2010 (from 6.3% to 5.5%. The EU average = 10%). It is one of the lowest of EU-27.

<sup>9</sup> STATEC (2011) La situation économique au Luxembourg - Évolution récente et perspectives. Note de Conjoncture n° 3-2011. Luxembourg: STATEC.

<sup>10</sup> STATEC (2011) Note de Conjoncture No 3-2011 - Growth forecasts revised downward in a difficult international context. Statnews, nr. 27/2011, Studies and forecasts, 24/11/2011. Luxembourg: STATEC, p. 2.

<sup>11</sup> STATEC (2011) Conjuncture Flash March 2011. Luxembourg: STATEC, p. 4.



#### Quality services

As to the third pillar of Active Inclusion policies, access to quality services, the 2012 NSR mentions the right to social accompaniment, which should ensure the access to all relevant services, including health care, (free) public transport and cheap language courses for RMG beneficiaries. It repeats also the voucher system for a number of hours free of charge child care in order to facilitate access to employment.

The service pillar of the Active Inclusion policies as described in the 2012 NSR is somewhat underdeveloped and limits itself to social support by the Social Offices and the access to child care. It could be more comprehensive by including also education, housing and some health care issues (which are now developed separately). It seems to reflect a vision on Active Inclusion, where the pillars are not equally important, with the employment pillar highest in the hierarchy.

In the field of education, the target set on early school leaving will probably be reached and great efforts are done to continue beyond that target. More in general, educational performance and better transition from school to working life is a major priority of the government and gets strong support from the stakeholders.

The cost of housing and housing exclusion is seen by most social partners and NGOs (including EAPN Luxembourg) as being one of the major challenges in the fight against poverty and social exclusion in Luxembourg. Although the Luxembourg government recognises the issue and has taken (or planned) several measures to improve the situation, it seems that housing exclusion would merit a more central place in social inclusion policies. The first annual report about the activities of the newly established social offices mentions housing as the most important financial support item: almost 24% of financial support from the social offices is for housing costs, and another 11.45% goes to support for energy costs. These amounts are complementary to the regular support mechanisms. Also, the civil society organisations in the field of poverty and social inclusion represented in EAPN Luxembourg, witness a continuing precarious housing situation for low income groups. Moreover, they have the impression that a lack of staff in the relevant institutions is hindering the smooth implementation of recent measures to tackle the problem.

#### 2.2 Integrated implementation

According to the Ministry of Family and integration, a number of legislative and administrative initiatives have been taken to enhance the integrated implementation of the different strands of active inclusion policies.<sup>15</sup>

The collaboration between the Service National de l'Action Sociale (SNAS – national social service – responsible for the activation of minimum income benefit claimants) and the Fonds National de Solidarité (FNS – national solidarity fund – responsible for the attribution of the minimum income) consists of regular exchange of data and information needed for a smooth activation accompaniment. Also, a common interpretation of specific minimum income regulations has been realised between the two divisions.

<sup>12</sup> Ministère de la Famille et de l'Intégration (2011). Rapport de la réunion du 20 octobre 2011 - Consultation de la société civile en vue de la prochaine réunion du Comite de Coordination Tripartite. (not published)

<sup>13</sup> Gouvernement du Grand-Duché de Luxembourg (2012). Plan national pour une croissance intelligente, durable et inclusive - Luxembourg 2020 - Programme national de réforme du Grand-Duché de Luxembourg dans le cadre du semestre européen 2012. Gouvernement du Grand-Duché de Luxembourg : Luxembourg, p. 55

<sup>14</sup> Notes taken at EAPN Luxembourg's 7th participatory meeting for social inclusion - April, 19 2012.

<sup>15</sup> Ministère de la Famille et de l'Intégration (2012). Rapport d'activité 2011. Luxembourg, p. 212-218. See: http://www.mfi.public.lu/publications/rapports-activite/rapp\_act\_2011.pdf.



The integration trajectory of persons depending on the minimum income benefit is organised in close collaboration between the SNAS and other public institutions such as the *Administration de l'Emploi* (ADEM – employment agency), the *Institut National des Langues* (INL – national language institute) and the *Service de l'accompagnement social* (the social accompaniment service). Each new minimum income applicant is invited for an information meeting, at the end of which an individual declaration to collaborate is signed. The personalised accompaniment is then organised by the regional SNAS office, starting with the elaboration of a re-integration contract. In theory, such contract should ensure the fully integrated implementation of the active inclusion policy at an individual level, since each person has a referee who can guide to, or mobilise the appropriate service needed at each point in time. SNAS organises regular meetings with its regional staff in order to keep them updated on new regulations and integration possibilities, such as public and private initiatives for (job) integration activities.

In practice however, there seems room for improvement in the integrated implementation of the three strands of Active Inclusion. The challenges can be situated at two levels:

- The degree to which each institution or organisation involved is well organised and has the adequate means to deliver;
- The quality of the cooperation between all actors involved.

The housing issue is one example where the government took a number of improvement initiatives, such as the *Agence Immobilière Sociale* (AIS – social estate agency) and the fight against homelessness. But the means to adequately tackle the social housing shortage and the high housing cost burden for low income households are by many actors considered to be insufficient.<sup>16</sup>

Also, several social actors consider the reform of the employment agency towards more personalised accompaniment to progress rather slow and not so much serving the people furthest from the labour market. Efforts for people depending on the minimum income scheme are mostly done by SNAS and by private not for profit institutions (NGOs). Particularly problematic seems to be the situation of certain categories of youth (NEET – not in education, employment or training), ex-psychiatric patients, drug addicts, and more in general persons with multiple problems. Only locally based initiatives for public utility activities seem to integrate these persons (in top of their regular users).

In the field of social accompaniment the recent creation of local social offices has been welcomed by all actors. But in practice, the different actors involved in social work with vulnerable population groups still have to find the most adequate way to cooperate.

Examples of good practice in the field of integrated implementation are to be found in the cooperation on youth between the world of education, youth work and employment. The 2011 NRP mentioned:<sup>17</sup>

<sup>16</sup> See i.a. remarks by the workers chamber (CSL) representative at a meeting with government in October 2011; notes taken at the EAPN Luxembourg meeting in April 2012; interview with the director of CNDS who is also president of EAPN Luxembourg.

<sup>17</sup> Gouvernement du Grand-Duché de Luxembourg (2011). Luxembourg 2020 - National Reform Program for the Grand Duchy of Luxembourg under the Europe 2020 Strategy (Courtesy translation), p.44



- Developing an information platform on the perspectives of the young and the development of methods of cooperation between actors will allow an individualized follow-up to take place. The follow-up indicators that will be used are the number of young people monitored under the individualized assistance program and the number of visits recorded on the internet site.
- By extending the SVO capacities, double the number of young can benefit from the mechanism that will kick off in 2011. It will be evaluated by an external organization. The monitoring indicators to be used will be the number of candidates, the number of young people actually participating in the program, the number of young people returning to school or taking up a training program with the SVO and the number of young people entering the labour market following their volunteer service.
- A qualitative study will be carried out among young people who have participated in the SVO program, existing data will be analysed, potential players who can improve knowledge regarding the difficulties of transition will be recognized and specific projects and achieved projects will be identified.

A second example of integrated approach is taken from the care for children at primary school age, both serving a better start in life for all children and better facilities for working parents. The council of ministers has approved a proposal for a new regulation on the collaboration between primary schools and social-educational services at local level, such as pre- and post school facilities (*maisons relais*), child care and day care facilities. The proposal consists of an obligation for the municipalities to present annually, together with the school(s), a plan for local "perischool" accompaniment (PPL – *Plan Périscolaire Local*). This plan has to include following activities and services:

- Activities to give children access to a library, to musical animation and initiation, to sports animation and initiation;
- Activities in the fields of social, affective, cognitive, linguistic and psycho-motorial development;
- Collective study facilities to offer children a possibility to do their homework in an autonomous way;
- Accompaniment of the actual homework if children cannot do this alone;
- Providing meals for the children;
- Accompaniment of children before and after school hours.

#### 2.3 Vertical policy coordination

Luxembourg is a small country (2586 km2) with a total of 511840 inhabitants (2011). The population has grown considerably during the last decade (+16.6% since 2001). Distances are small, also between central and local government levels. Many measures and regulations are implemented by the central administration. Some of the instances have decentralised offices, such as the employment administration (ADEM) and the social administration (SNAS).

At the same time, municipalities have an important role to play in Luxembourg, and their role is becoming more important also in the framework of active inclusion. In several domains, central and local governments have signed agreements (some also

<sup>18</sup> Information provided by an official of the Ministry of Family and Integration.



with third parties) for a more coordinated implementation of policies and/or service delivery.

One example are the before mentioned local plans for "peri-school" accompaniment (see section 2.2). Here the central government took the initiative to stimulate local partners for more and better cooperation. The municipalities played also an important role in the creation of child care places in the framework of national policies for the conciliation of work and private life. In this domain, there is close collaboration with the organisation of municipalities (Syvicol). For the smooth organisation of child care vouchers collaboration has been organised with the inter-municipal organisation for information treatment (*SIGI – Syndicat Intercommunal de Gestion Informatique*).<sup>19</sup>

With the recent creation of local social offices, agreements have been signed between central government, the social offices and the municipalities. It is stipulated in these agreements that the three contract parties create a cooperation platform.

Municipalities play also an important role for the reintegration activities of minimum income beneficiaries. The organisations and institutions (mostly NGOs) having signed a contract with central government for the accompaniment of minimum income beneficiaries performing public utility tasks have to count on municipalities and other (local) instances to create concrete work opportunities. These are i.a. found in the important sector of tourism, e.g. the installation and maintenance of cycle tracks and footpaths. But these organisations also count on the general public, since they often also collect and sell second hand goods or grow vegetables.

Finally, central government regularly consults and/or meets local governments and their organisation<sup>20</sup> to discuss new measures and regulations. They are more in particular consulted during the preparation of the NRP. Ad hoc meetings are organised on specific issues. Examples of social topics on which recently meetings between central government and individual municipalities or with their organisation took place are: social housing, gender equality, the housing of asylum seekers.

In order to better involve local government, Luxembourg participates in a European project called "EU 2020 going local" for the exchange of good implementation and communication practices at local and regional levels. Also, government, together with the most important cities and urban regions, created an information platform for urban policy (CIPU, Cellule d'information de la politique urbaine). This platform is not only involved in the implementation, but also in the formulation of the NRP, as far as the role of cities and regions is concerned.

With the growing importance of a local approach in different domains of inclusion (housing, social support, education, jobs) differences between policies of municipalities are becoming more obvious. And so does the need for coordination, for exchange and mutual learning. For the local social offices such processes are starting. In general, initiatives in this domain should be multiplied or extended. In some cases, users and professionals do not know exactly who does what. Also, users have difficulties to accept (perceived) differences in treatment between localities.

<sup>19</sup> Ministère de la Famille et de l'Intégration (2012). Rapport d'activité 2011. Luxembourg, p. 120 20 Syndicat des Villes et Communes Luxembourgeoises (Syvicol: http://www.syvicol.lu/accueil-actualite)



### 2.4 Active participation of relevant actors

In general, Luxembourg has a good tradition in cooperation and dialogue between government and societal partners. Social partners are regularly consulted on new measures and regulations, within the so-called tripartite (government – workers unions – employers' organisations). Government also organises regular consultations with the broader civil society when it comes to major policy decisions and programmes. In its preparation of the social inclusion chapter of the NRP and of the NSR, Luxembourg government also consulted in October 2011 with social partners, local social offices and all relevant NGOs. A report of the meeting has been made available, which facilitates the follow up by the participants.<sup>21</sup> In the framework of the National action plan on integration and against discrimination, the government also published separately the outcomes of such consultation. This is a good initiative, because it gives the stakeholders the possibility to assess the upcoming policy initiatives against these consultation outcomes. It would be recommendable also to include evaluation consultations in the policy process to complete this policy cycle.

Luxembourg government actively supports EAPN Luxembourg as the organisation representing people at risk of poverty or exclusion and their support NGOs. Ministers and other government representatives take an active part in the meetings organised by EAPN Luxembourg, to discuss the current policies and to listen to new requests and concerns about the actual implementation of policies. At the 2012 meeting for instance both the Ministers of Family and Integration and of Health and Social Security were present, as well as a representative of the Minister of Housing. They listened to the outcomes of workshops and discussed these with the participants.

The stakeholder involvement could be further developed by giving a more structural and official "place" for consultation and evaluation by stakeholders in the formal "policy cycle". This would serve the transparency and help stakeholders to better see the impact of their commitments.

NGOs do also take an active part in the implementation of active inclusion policies, in many cases as service deliverers contracted or subsidised by government. This is more in particular the case for the most vulnerable categories, such as lone parent families, early school leavers, asylum seekers and refugees, drug addicts, expsychiatric patients, homeless people, older workers with low education,.... But also beyond government demand NGOs are taking care of people "falling through the safety net". NGOs see this as an important aspect of their role. They also help people finding their way to and in "the system". Some of the major players in this respect are Caritas, Inter-Actions and CNDS.<sup>22</sup> The latter e.g. has more than 100 paid staff and includes several locally based initiatives in the field of accompanied housing and public utility work.<sup>23</sup>

<sup>21</sup> Ministère de la Famille et de l'Intégration (2011). Rapport de la réunion du 20 octobre 2011 - Consultation de la société civile en vue de la prochaine réunion du Comite de Coordination Tripartite. (not published)

<sup>22</sup> See the respective web sites: www.caritas.lu; www.inter-actions.lu/; www.cnds.lu

<sup>23</sup> Interview with the director of CNDS.



# 3. Description and assessment of the impact and cost effectiveness of measures introduced or planned under the 3 strands

In 2009, Luxembourg government's measures related to employment and social inclusion were essentially meant to combat the consequences of the financial and economic crisis. Several of the measures included in this programme were already planned before the crisis became obvious, but have been included in and or adapted to the total package. The essence of the measures included was to keep up the purchasing power of citizens, with special attention for the most vulnerable, to alleviate financial and administrative burdens for businesses, to preserve existing employment and to speed up public investments to support private business. All together these were measures increasing public spending to combat the impact of the crisis and not measures to decrease public spending.

In May 2010 a new series of measures were announced to come into force in 2011. These measures could be seen as the follow-up of the Programme for Stability and Growth adopted by the government in January 2010. These were the first austerity measures, including solidarity taxation, and a reduction of family allowances. But certain "social" items on the budget were preserved, more in particular in the fields of education, childcare and housing.

An austerity plan as part of the "Euro Plus Pact" was announced in the 2011 NRP: a stronger economic policy coordination for competitiveness and convergence. This encompasses the delaying of the automatic wage indexation, the stability of social contributions, the neutralization of the increase of the minimum wage (SSM), administrative simplification and infrastructures, the reform of the Labour Administration (ADEM), an increase of the co-financing rate of the State's portion of lifelong learning, the reform of the pension scheme and the bolstering of the stability of the financial sector.<sup>25</sup>

The 2012 NRP continues the policy directions of previous years: decrease of expenditure, but preservation of specific social policy (in the broadest sense) budgets. It takes the country specific recommendations (CSR) of the European Council as starting point. In terms of social inclusion this concerns more in particular the pension reform and youth unemployment.

#### 3.1 Adequate income support

The number of minimum income (RMG) beneficiaries in Luxembourg was 19,433 in 2011. This represents 3.8% of the population. The at risk of poverty rate stood at 14.5% in 2010. The gap between these two figures is probably partly compensated by free of charge services for the most vulnerable: childcare vouchers, free public transport, rent subsidies, etc. Nevertheless, the gap is important, also when looking at the actual gap between the at risk of poverty threshold and the minimum income benefit level.

Analysing the poverty figures over time, the Chamber of Workers (CSL) comes to the conclusion that the increase of poverty since 1995 is alarming, more in particular for certain categories such as one parent households. Moreover the persistence of poverty

<sup>24</sup> See:

http://www.chd.lu/wps/portal/public/DossiersThematiques?WCM\_GLOBAL\_CONTEXT=/wps/wcm/connect/Contents.public.chd.lu/st-www.chd.lu/sa-actualites/sa-dossiersthematiques/dossier+crise

<sup>25</sup> Gouvernement du Grand-Duché de Luxembourg (2011). Luxembourg 2020 - National Reform Program for the Grand Duchy of Luxembourg under the Europe 2020 Strategy (Courtesy translation), p. 7.



is of concern, since half of the people at risk of poverty remain in that situation for a long time.<sup>26</sup>

But the transfers are clearly moderating the intensity of poverty, as they compensate for the increase of the poverty rate before transfers (see section 2.1 under the heading income). Moreover, in spite of the economic crisis and the austerity plans, the minimum income benefit level slightly increased since 2008. Between 2008 and 2011 it increased with almost 12%: from  $1146.50 \in 1283.24 \in 12$ 

The minimum income benefit remains below the European at risk of poverty threshold. There is an ongoing discussion in Luxembourg of what a correct minimum income would be. This discussion is intimately linked to that of a correct poverty threshold, since the European threshold does not take into account the specific situation in Luxembourg with its huge proportion of cross border workers and their specific position on the labour market.

Minimum income beneficiaries have in principle the obligation to look actively for a job (registration at the employment agency ADEM), and to participate in one of the job integration measures, i.e. either a practice placement in a company or an activity of public utility. Exceptions are made for persons with specific care obligations or in specific physical or psychological conditions. In 2011 2180 persons were not exempt from the obligation to participate in work integration measures. Only 63.3% of these persons did effectively participate in an activity. The absolute number of participants increased considerably between 2007 (835 = 64.8%) and 2011 (1380), but the number of non exempted people increased even more. The activation tendency increases, but implementation seems to remain behind. The reason can be the lack of available work integration places or the shortage of personalised accompaniment possibilities. In terms of integration places, recent signature of covenants with NGOs who are organising locally based, often small scale activities adapted to the most vulnerable people are signs of efforts to increase the potential.

Since the integration activities for minimum income beneficiaries are temporary, an important number of activities come to an end within one year. It is interesting to see how many of these lead to an employment contract. For the year 2011 this was the case for 18% of the persons ending an integration activity (12.3% are subsidised contracts). 27.9% of the persons, whose activity ended, moved to another activity: 32.2% among women against 23.8% among men.

The 2012 NSR sees the activation of minimum income beneficiaries as a particular challenge and refers also to the 2012 NRP in which the activation of minimum income beneficiaries in general and of young beneficiaries in particular is formulated as a priority for action by the *Service National de l'Action Sociale (SNAS)*.

#### 3.2 Inclusive labour markets

A comparative study about labour market access by Ian Begg et al. comes to the conclusion that Luxembourg is among those countries where access to the labour market is not particularly easy.<sup>28</sup> According to the authors, the Luxembourg labour market could all together be characterised as inflexible, putting emphasis on job security for workers (with permanent contracts), but as to these security aspects of flexicurity there are also major differences with for example Denmark once somebody falls into unemployment. The duration and levels of unemployment benefits are very different (shorter and regressive). In that sense, there is security for the insiders.

<sup>26</sup> Chambre des Salariés (2012). Panorama Social 2012. CSL: Luxembourg, p. 122.

<sup>27</sup> Ministère de la Famille et de l'Intégration (2012). Rapport d'activité 2011. Luxembourg, p. 223.

<sup>28</sup> Beg, I. et al. (2010). Medium-term Employment Challenges. CEPS/INSTEAD: Differdange.



Outsiders have more chance to remain unemployed or to enter into temporary employment, than to find a stable job.

In 2009-2010 Luxembourg government enlarged considerably the possibilities for partial unemployment, in order to maintain people in employment. The labour market measures by Luxembourg government in recent years concentrate on the increase of participation rates among women and older workers, and on education outcome and the employability of youth. The actual increased activity rates of women and older workers seem to indicate that the measures start to become effective. Also the increased number of participants in employment measures seems to indicate the effectiveness of a more personalised approach, as announced.

Several social inclusion measures are supportive for the overall labour market objectives and, if looking at their progress in 2011, most of these are currently actively implemented, including the increase of staff to realise the implementation:

- more activation of minimum income claimants (although there is no clear tendency yet in the activation rates);
- awareness actions concerning childcare possibilities and childcare vouchers;
- several measures to improve the educational performance and better transition from school to work are implemented, more in particular the information and cooperation among different actors is improved, resulting in growing participation of youth in professional orientation and work experience activities.

In the 2012 NRP, more attention is given to poverty among one parent families, more in particular from the perspective of work intensity in households. The implementation of several measures to improve the educational performance, the employability and the labour market position of youth continues and is extended, including the increase of staff to do the actual field work among young people.

The employment rate target is set at 73% by 2020 and 71.5% by 2015. In 2011 the employment rate reached 69.8%, which was a decrease against the 2010 rate of 70.7%. Until then the employment rate increased for several years. The specificity of the Luxembourg labour market makes it not easy to reach the target, since employment growth can easily be absorbed by more inflow of cross border workers (currently some 43% of the labour force). In that light, the small increase foreseen seems realistic. A closer monitoring of the progress through the newly established labour market observatory has started.

Luxembourg has a number of job integration measures adapted to different situations. One of the indicators for the activation effort is the number of people taking part in these measures. The 2010 annual report of the employment administration (ADEM) gives an overview of the evolution since the year 2000. The participant numbers increased from 2109 in 2000 to 3978 in 2006, after which it decreased to 3097 in 2009. In 2010 however the number increased again to 3843. The most important increase took place in a measure for unemployed youth (*Contrat d'initiation emploi*), which reflects the policy priorities.<sup>29</sup>

The political importance given to different measures is also reflected in the budgets. Overall, Luxembourg employment policies are somewhat more "active" than the EU-27 average. In 2010, 29% of the employment budget was spent on active policies (24% in EU-27). Of the budget for active policies, 75.4% was spent on employment

<sup>29</sup> ADEM (2011) Les activités de l'administration de l'emploi en 2010. Ministère du Travail et de l'Emploi: Luxembourg, p. 37



incentives<sup>30</sup>, 13.4% on direct employment creation, but only 9.1% on professional training (against 42.6% in EU-27) and 0.2% on stimulating entrepreneurship (against 6.8% in EU-27).<sup>31</sup>

The employment administration ADEM is being under reform the last couple of years: Better locally based, more outreaching, personalised accompaniment. But there is still room for improvement when looking at the reach of the employment agency (ADEM). About one third of unemployed persons (ILO definition) did not register as jobseekers at the employment agency. And of the underemployed part time workers only 14% did so. At the other hand, underemployment in Luxembourg only represents 1.7% of total employment in Luxembourg, which is one of the lowest rates in EU-27.<sup>32</sup> In the framework of the newly established employment observatory (RETEL), the Minister of Labour and Employment recognised that Luxembourg employment policies could be more active if one compares with other countries having also low unemployment figures. He mentioned the fact that Luxembourg even spent important budgets to make people leave the labour market (occupational invalidity and early retirement). At the same time, the Minister recognised that the "activation services" are underfinanced.<sup>33</sup>

#### 3.3 Access to quality services

The measures taken in recent years in the framework of services could be characterised as follows:

- more decentralisation;
- more and better focused on vulnerable population groups;
- more outreaching;
- more personalised accompaniment;
- more and better cooperation between sectors and services.

In general, one could say that Luxembourg government, in its first wave of economic crisis measures (2009-2010) increased the expenses in a number of social policy domains, such as childcare (budget increase of 32%: more places, less expensive for low income groups), youth protection and support to families. It also created conditions for improved cooperation between services for specific target groups such as youth and older workers and a reform of the labour exchange services has started. Last but not least it made (financial) investments in new local social offices and care structures.

Looking into the annual reports of some social support service deliverers in Luxembourg, it is clear that the number of users has increased for certain services while for others the numbers of users stabilised. Although the work load of the services increased, they do not report so far major difficulties in the provision of services, but they all insist on maintaining the efforts and budgets in this field.

Two major reforms have taken place: the reform of the employment administration towards a real employment agency and the creation of local social offices by law.

<sup>30</sup> But an important part of this (34.3%) was for compensation benefits in the framework of occupational invalidity.

<sup>31</sup> Regards N° 7/2012. Regards sur les politiques de l'emploi. Luxembourg: STATEC, p. 3-4

<sup>32</sup> Regards N° 10/2012. Regards sur le halo du chômage, Luxembourg: STATEC, p. 3

<sup>33</sup> See: http://www.europaforum.public.lu/fr/actualites/2012/05/retel-conference-mondorf/index.html.



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 all ministerial departments. It also extended the range of gender-related training courses offered by the National Administrative Training Institute (INAP), which organizes all forms of training for public employees at state and municipal level.<sup>34</sup>

The following sections will discuss some recent measures in major domains of social policy.

#### Employment

The reform of the employment administration (ADEM) into a real employment development agency has been confirmed by the government when it adopted a proposal of law for the creation of the *Agence pour le Développement de l'Emploi* in December 2010. The law came into force on January 18, 2012.<sup>35</sup> The reform touches more in particular the procedures for dealing with and accompanying the users, both employers and job seekers. The agency has been reorganised into three units:

- The department for employment development and training of job seekers;
- The department for internal organisation;
- The department for population groups with specific needs (youth, women, handicapped persons).

The government decided also to put 30 extra staff at the disposal of the agency, in order to enable the correct functioning of the regional offices within the new philosophy of ADEM. By the end of 2010 a new procedure for accompaniment of job seekers has been introduced. It ensures a more prompt interview with a consultant after registration, and it asks for a more active search attitude in a shorter time span. At the other hand, administrative procedures have been simplified.

By creating the employment observatory RETEL, one of the objectives was to have a better and timely knowledge of labour market dynamics to facilitate the prospective work of the employment agency, among other relevant partners.

The results of all this are not very clear yet. As mentioned in other sections, the renewed increase of participation rates in certain employment measures, and the steady increase in activity rates of women and older workers could partly be a result of new approaches of the employment agency and of other actors.

#### Social support

The most important element in this domain was the creation from 2011 onwards of 30 local social offices, following the Act on Social Support. Measure 5 of the 2011 NRP refers to these offices: The intensive use of the new network of 30 local social services to be put in place, starting from January 2011 onwards, and of their renewed functioning. This includes better, standardized registration and follow-up tools, as well as more personalized servicing and accompaniment in order to create poverty and

<sup>34</sup> Gouvernement du Grand-Duché de Luxembourg (2008). National strategy report on social protection and social inclusion 2008-2010. Luxembourg, p. 15

<sup>35</sup> See: http://www.legilux.public.lu/leg/a/archives/2012/0011/a011.pdf

<sup>36</sup> See: http://www.legilux.public.lu/leg/a/archives/2010/0206/a206.pdf



exclusion prevention dynamics at local level. This all is based upon the right to social support for all citizens.

The local social offices could become a crucial instrument for tackling poverty and social exclusion, if they succeed in reaching out to the most vulnerable population groups, but also in an early stage to the categories at risk of precarisation. Also, the cooperation between these services and other private and public actors will be a crucial success factor. They could become the nodal point between the regional offices of the national social service (SNAS – responsible for job integration schemes of minimum income beneficiaries), the regional offices of the employment agency (ADEM), the private service deliverers in the field of job integration, child care etc., housing services and health care structures. It is clear that the instrument as such is most appropriate, and its functioning will have to be monitored closely. Coordination and mutual learning between the social offices is starting up and would certainly help to avoid too great differences in approach, which are feared by user groups.

#### Child care

In order to facilitate the conciliation between work and private life, Luxembourg increased considerably the possibilities – in numbers, accessibility and affordability – for child care in recent years. The number of places multiplied almost by five between 2004 and 2011: from 7712 to 37833. As to the child care providers, the most important increase took place in commercial child care and in child care by individual "parental assistants". 37

Child care for children between 0-12 years is paid via child care vouchers (CSA – *Chèque Service Accueil*). Persons with very low income can have a number of hours free of charge. At the beginning of 2012, 62993 subscriptions had been registered. This means that some 81% of all children in this age group living in Luxembourg subscribed to the vouchers. This means an important increase against previous years: 69.3% in 2011 and 55.4% in 2010. In 2011, the parents of 1821 children received a special arrangement for the vouchers. This also was an increase compared to the previous years. Since September 2009, the child care vouchers can also be used to pay for municipal music schools and for participation in sport organisations. If one counts the number of actual users of the vouchers, the Ministry of Family and Integration estimates it at 52.3% of the population in the 0-12 year age group.<sup>38</sup>

#### Education

Under the heading of education, the 2011 NRP tackles the issue of early school leavers as well as the issue of tertiary education rates. Although also the latter is important for (the level of) labour market participation, we consider the first as the most important in relation to the risk of poverty and exclusion.

Luxembourg developed a measure to differentiate between temporary and permanent early school leavers. The first stood at 10.7% in 2007-2008; the latter was somewhat higher, namely 11.2%. Luxembourg government's target in this field is in line with the EU average target of keeping the number of early school leavers under 10%. With the special efforts already done and announced this target can be considered as realistic (but not over-ambitious).

<sup>37</sup> Ministère de la Famille et de l'Intégration (2012). Rapport d'activité 2011. Luxembourg, p. 120 38 Ministère de la Famille et de l'Intégration (2012). Rapport d'activité 2011. Luxembourg, p. 124-126



It is clear that Luxembourg has two specific obstacles to tackle: the high number of immigrants and the complex language situation (Luxembourgish, French, and German). At secondary schools courses are given alternately in German and in French. The average number of pupils with foreign nationality in public schools in Luxembourg reaches 41% and continues to increase (e.g. 34.6% in the school year 2000-01).<sup>39</sup>

Since 1988, the measures to promote the integration of foreign pupils are coordinated by a special division of the ministry of education, who also monitors the actual situation. According to the 2010 national report on the situation of youth the participation of migrant youth in education and their educational attainment is a matter of concern for experts in Luxembourg an at international level. Reasons for this low educational performance are sought in the overall lack of resources of migrant youth and in the particular linguistic situation (with three national languages) often causing a weak start for migrants.

This phenomenon also shows through the numbers of early school leavers, which are particularly high for youth with Portuguese, Italian and Cape Verdean nationality. But with the generations the situation is clearly improving. Between the first and the second generation of Portuguese immigrants for instance the difference of educational attainment is striking.<sup>42</sup> In the first generation, the number of persons with only primary school level is between 84% and 93%; in the second generation it decreased to 32%. The number of persons with tertiary education level increased from 0 to 3% in the first generation to 10% in the second.

To confront these challenges and to fight dropout trends, the government has already taken different measures, it organized several pilot projects and intends to continue along the lines of reforms recently undertaken. Among these measures and projects two initiatives have to be mentioned because of their potential impact in relation to population groups at great risk of poverty and exclusion:

- The specific approach of newcomers in remedial classes, relay classes and classes for professional integration;
- The creation of a so-called second chance school, which should enable school dropouts to get a new entrance to education.

For the near future, the NRP 2012 will focus its youth employability programme on the improvement of education and training and on better orientation of youth.

The outcomes of these initiatives will certainly be closely monitored. But their success will largely depend on the intensity and the quality of cooperation between different public and private actors, such as the school social services, the local social offices, employment agencies, the minimum income administration (SNAS), NGOs and employers. One example of good practice in the education domain has been mentioned under section 2.2. on integrated implementation: the local plans for "perischool" accompaniment.

<sup>39</sup> These and following figures come from: Ministère de l'Education nationale et de la Formation professionnelle (2011). Rapport d'Activité 2010. Luxembourg: Le Gouvernement du Grand-Duché de Luxembourg

<sup>40</sup> Service de la scolarisation des enfants étrangers. See: http://www.men.public.lu/sys\_edu/scol\_enfants\_etrangers/index.html

<sup>41</sup> H. Willems et al. (2010). "Zentrale Aspekte zur aktuellen Lebenssituation der Jugendlichen in Luxemburg", in Rapport national sur la situation de la jeunesse au Luxembourg. Luxembourg : Ministère de la Famille et de l'Intégration, p. 149-150.

<sup>42</sup> F. Berger (2008). Zoom sur les primo-arrivants portugais et leurs descendants. Vivre au Luxembourg. Chroniques de l'enquête PSELL-3/2006, (49), 1-2.



#### Housing

The cost of housing and housing exclusion is one of the major challenges in the fight against poverty and social exclusion in Luxembourg. The Luxembourg government recognises the issue and has taken (or planned) several measures to improve the situation. Affordable and accessible housing for vulnerable groups has been the reason for developing a social real estate agency ( $agence\ immobili\`ere\ sociale\ -\ AIS$ ). The issue is also stressed by the social partners, employers' and workers' unions alike. Luxembourg has a high rate of house owners and a limited stock of social rent housing. Among people in rent housing, the at risk of poverty rate is the highest in Europe, i.e. almost 30%. But also among house owners, there is an important risk of poverty when the household income suddenly decreases due to unemployment of family incidents.

Measure 6 of the social inclusion chapter in the 2011 NRP is about housing exclusion: Together with NGOs and local authorities, the government will establish a national integrated strategy against homelessness. Also, an inventory of all social rent houses will be made. Finally, a proposal for a housing and Rent Allowance Act has been prepared at government level in December 2010. The objective would be to temporarily support people not able to reimburse housing mortgages or housing rent, because of sudden decrease in income due to economic or personal events. The proposal is still under discussion because of its temporary character.

The first annual report about the activities of the newly established social offices mentions housing as the most important financial support item: almost 24% of financial support from the social offices is for housing costs, and another 11.45% goes to support for energy costs. These amounts are complementary to the regular support mechanisms. Also, the civil society organisations in the field of poverty and social inclusion represented in EAPN Luxembourg, witness a continuing precarious housing situation for low income groups. Moreover, they have the impression that a lack of staff in the relevant institutions is hindering the smooth implementation of recent measures to tackle the problem.

The 2012 NSR mentions the preparation of a law proposal to promote sustainable housing and living. The aim would be to create environmental friendly neighbourhoods with social and generational mixture of residents and also a mixture of functions. Also, public promoters will be called upon to increase the offer of moderately priced houses for families with children. The subsidies, both for rental houses and for owners will be maintained for the lower income groups. Also the (up to 100%) interest subsidy on loans for necessary (energy saving) renovation are maintained. A covenant has been signed with the municipalities to stimulate the increase of the housing stock, also in view of the population growth. A covenant has been signed with some 103 municipalities, in order to build 48,000 houses within 10 years time, which would enable a population increase of 15% in these municipalities.

Over all, social partners and NGOs mostly support the headlines of the new housing policies and measures taken by the government. But they all regret the relative slow implementation of measures, apparently due to budget limits and bureaucracy. According to many stakeholders, access to (quality) housing is one of the most

<sup>43</sup> Gouvernement du Grand-Duché de Luxembourg (2012). Plan national pour une croissance intelligente, durable et inclusive - Luxembourg 2020 - Programme national de réforme du Grand-Duché de Luxembourg dans le cadre du semestre européen 2012. Gouvernement du Grand-Duché de Luxembourg : Luxembourg, p. 55

<sup>44</sup> Notes taken at EAPN Luxembourg's 7th participatory meeting for social inclusion - April, 19 2012.

<sup>45</sup> See: Ministère de la Famille et de l'Intégration (2011). Rapport de la réunion du 20 octobre 2011 - Consultation de la société civile en vue de la prochaine réunion du Comite de Coordination Tripartite. (not published)



important challenges for the government. As stated by the workers chamber representative, only 2-3% of the housing stock is social housing, while the at risk of poverty rate turns around 14%. Also, a representative of Caritas mentions the limits in the functioning of the newly created social housing agency (AIS - Agence Immobilière Sociale): "with more staff, this agency could manage some 500 housing units". Government representatives from their side stress the importance to create synergies between the AIS and for example social offices to alleviate the administrative burden and to optimize human resources. All stakeholders insist on complementary measures to alleviate the housing cost burden and to improve the quality of housing: subsidies for renters and for owners, better control of the housing market, increasing the (social) housing stock.

#### Health

A major reform of the health care system has been introduced by law at the end of 2010.<sup>46</sup> The law was meant to improve both the financial and quality control of the system. It should also preserve good quality health care for low income groups and it should limit the impact of the economic crisis.

In the domain of long term care an evaluation of the so-called "dependency insurance" has been started. The aim here is to come to a better coordination between home care, short term residential care and long term care.<sup>47</sup>

The high costs of health care are a returning point of concern at EAPN Luxembourg meetings. Also the NGOs involved in job integration initiatives mention the fact that many users of these initiatives have i.a. health problems and difficulties with the access to the health system. Also Caritas mentions the need for the introduction of a "third payer" for people who cannot pay the doctor's bill (and avoid medical treatment). The NRP 2012 mentions that the 30 Social Offices spent a total of  $\mathbb{C}$  2,221,000 in 2011 on financial support, of which 13.62 was spent for health costs. The "third payer" principle will be implemented in January 2013.

On the other hand, since more than 10 years the government makes great efforts to improve the life of homeless drug addicts.<sup>51</sup>

<sup>46</sup> See: http://www.legilux.public.lu/leg/a/archives/2010/0242/a242.pdf#page=2

<sup>47</sup> Gouvernement du Grand-duché de Luxembourg (2012). Rapport Social National 2012. Luxembourg, p. 11

<sup>48</sup> See e.g. EAPN Luxembourg (2010). 5e Rencontre participative pour l'inclusion sociale. Rapport de la conférence du 16 et 22 mars 2010 à Luxembourg. Luxembourg: EAPN Lëtzebuerg.

<sup>49</sup> Interview with the director of CNDS.

<sup>50</sup> D. Schronen & R. Urbé (eds.) (2010) Sozialalmanach 2010 - Schwerpunkt: Aus der Krise in die Armut? Luxembourg: Caritas, p.44

<sup>51</sup> Interview with the director of CNDS



### 4. Financial Resources

#### 4.1 National resources

Overall, one could say that Luxembourg government continued to invest in the social domain, in spite of the financial and economic crisis. However, the investments diminished as the crisis progressed. The first wave of crisis measures (2008-2009) was in great part meant to keep up the purchasing power of citizens and to keep unemployment down by public investments (to support also private business) and by enlarging possibilities for partial unemployment.

From 2010 onwards, austerity plans were made to decrease public spending, but selective investments continued, essentially to support the increase of activity rates of women, older workers and youth. Also, increase of investment in housing is maintained, since the shortage of (social) housing (and related housing cost burden) is seen as a major challenge for Luxembourg (see also the introduction to chapter 3).

#### Income and Social Inclusion

At individual level, although the minimum income (RMG) remains below the at risk of poverty threshold, the minimum income level has been increased every year, and as already mentioned, its level is compensated partly by provisions in nature and by the fact that persons in job integration programmes receive the equivalent of the minimum wage.

As to the budget to organise the job integration activities and the benefit for participants, the national social service (SNAS) receives  $3,119,062 \in$  in 2012. This is an increase of almost 22% against 2008. The overall state expenses increased with some  $33\%.^{52}$ 

Through contracts with NGOs for the organisation of job integration activities, government has improved the financing of these activities. For very vulnerable target populations for instance the accompaniment ratio has been fixed at 1 to 4 instead of 1 to 5.

#### **Employment**

In 2010, Luxembourg government spent 514 million € on employment policies, 1.2% of GDP. This represents an increase of more than 46% compared to 2007. The increase was most important in 2009, due to the increase of unemployment and the measures for partial unemployment. In 2009, the EU-27 average was 2.2% of GDP (Luxembourg 1.3%). One third of these expenses are for active employment policy (incentives to work and to recruit, training, job integration...) and 63% are for passive policy (unemployment benefits ...). Of the active measures, 75% goes to employment incentives. <sup>53</sup> Budgets for 2012 have been oriented more in particular to youth (transition from school to work, work experience, NEET) and to lifelong learning.

In the framework of the reform of the employment administration, ADEM received budget for 30 extra consultants (and their internal training). Also, several new regional employment agency offices did open their doors.

<sup>52</sup> Budget 2008 and 2012: see: http://www.legilux.public.lu/leg/a/archives/2007/0236/a236.pdf (p. 4238) and http://www.legilux.public.lu/leg/a/archives/2011/0266/a266.pdf#page=3 (p. 4523)



Finally, the start of the Labour Market Observatory has to be mentioned, for which government foresees a national budget of  $500,000 \in \text{in } 2012$ . The total budget for the first three years is  $1.8 \text{ M} \in (\text{co financed by the ESF})$ . One of the aims of it is (on the basis of improved monitoring) to increase the adequacy and efficiency of labour market policies.

It is difficult to assess the impact of the budget increase and the reform of ADEM yet. There are no assessment studies available about this. It is clear however that Luxembourg still spends relatively little budget on employment policies, even compared to countries with similar low unemployment figures (such as Austria and the Netherlands). But the country is making up for this the last few years. In any case, one can see a growing activity rate of women and older workers. Also the participation rate in employment measures is increasing again, after some decrease in previous years.

#### Services

First of all, the newly created local **social offices** get an annual budget of 17 million  $\in$  to insure their functioning. Half of that budget comes from central government, the other half from the municipalities.<sup>54</sup> Part of that budget goes to financial support for the users of the service (2,221,000  $\in$  in 2011). This financial support is often needed because the minimum income is not sufficient to cover some punctual costs, but also to compensate for the high housing costs (more than 23% of all financial support was for housing).

In the field of **education**, important reforms have been announced and started in order to improve the performance at all levels, and to fight against early school leaving. The total budget of the Ministry of Education reached 1,173 M $\in$  in 2011. This represented an increase of more than 30% compared to 2008. This is considerably higher than the increase of some 23% in the total expenses of the government for the same period. The total budget for education is even considerably higher. It reached already more than 1,358 M $\in$  in 2009. In this overall figure are included the budgets of other ministries, of municipalities and other public actors.

A proper assessment of the outcomes of the different measures is not (yet) available. As mentioned before, it seems that the target set for the fight against school dropout will be reached.

In 2011, the government invested some 53.6 M€ in the access to **house** ownership. Also in the field of rented housing, important measures support the creation of housing and should improve the affordability. The creation of a social real estate agency (AIS – *Agence immobilière Sociale*) should improve the access. A covenant has been signed with municipalities for the building of some 47,000 houses within the next 10 years. But according to several stakeholders, in the short run, the lack of staff in the services related to the housing measures prevent from a smooth and fast implementation.

For **child care**, an annual budget of approximately 196 M€ is foreseen from 2012 onwards. This budget should be sufficient to steadily increase the number of places in different structures. In 2011 the ratio of number of places vs. population 0-12 year

<sup>54</sup> Gouvernement du Grand-Duché de Luxembourg (2012). Plan national pour une croissance intelligente, durable et inclusive - Luxembourg 2020 - Programme national de réforme du Grand-Duché de Luxembourg dans le cadre du semestre européen 2012. Gouvernement du Grand-Duché de Luxembourg: Luxembourg, p. 55

<sup>55</sup> Ministère de l'Education Nationale et de la Formation (2012) Les chifres clés de l'éducation nationale – statistiques et indicateurs – année scolaire 2010-2011. Luxembourg, p. 92 and 95.



was 48.69%. The increase of places between 2010 and 2011 was 17%. In this domain also, Luxembourg made up in recent years for a rather weak child care infrastructure. This is clearly related to the activity rate of women.

#### 4.2 Use of EU Structural Funds

It is more in particular the European Social Fund (ESF) which is used in the framework of active inclusion. Both government bodies and NGOs make use of it. In the operational programme 2007 – 2013 the priorities are presented in three categories, following closely government's priorities, such as increasing the activity rate of women, older workers and youth:

- Improve the access to the labour market and sustainable integration (38.4% of the budget);
- Increase the adaptability of workers and companies (38.4% of the budget);
- Strengthen the human capital (19.2% of the budget).<sup>56</sup>

More in particular the first priority relates to active inclusion. When looking at the projects approved, there are a number of projects for job integration activities of people (very) far from the labour market. These projects are mostly locally based and organised by NGOs: collection and selling of second hand goods, production of furniture for public space (e.g. for tourist walking trails), growing vegetables. As described in previous sections, these NGOs are contracted by the Ministry to implement public job integration programmes. The ESF funding is used to complement the income from these programmes and other sources. The multiple financing also gives the possibility to work with persons falling between different measures. <sup>57</sup>

The ESF funding is also used to co finance public initiatives such as the labour market observatory and some training programmes organised by the employment development agency ADEM.

### 5. Monitoring and evaluation

Luxembourg government has a strong tradition in the monitoring and analysis of the economic and social situation. It closely monitors the social situation based on data, provided and analysed by Statistics Luxembourg (STATEC). Two times a year, STATEC publishes a Conjuncture Note, in which it analyses the economic situation, including labour market and employment data. Every year also a report on employment and social cohesion is published (Rapport travail et cohésion sociale). In this report, the most recent data on employment, poverty and social exclusion/inclusion are brought together and analysed.<sup>58</sup> In principle these are not policy impact assessments, although they refer to specific policy measures when looking for explanations of the evolution of certain indicators. Furthermore, the Observatory on Competitiveness regularly monitors the economic situation according to a set of indicators, including social cohesion indicators.

<sup>56</sup> Ministère du Travail et de l'Emploi (2007). Programme Opérationnel de l'intervention du Fonds Social Européen au Grand-duché de Luxembourg au titre de l'objectif compétitivité régionale et emploi – période de programmation 2007 – 2013.ESF operational programme 2007-2013. Luxembourg, p. 21. See:

http://www.fse.public.lu/documentation/Documents\_offciels\_2007-2013/Document\_officiel/po.pdf 57 See for the approved projects: http://www.fse.public.lu/projets/Operations20072013/index.html 58 See for the reports of STATEC: http://www.statistiques.public.lu/fr/publications/index.html



Each Ministry publishes also an annual activity report in which the performance on different aspects of its fields of competence is described. Such report is also published by different public agencies and services.

In different policy fields related to equal opportunities and integration, national action plans have been presented in recent years, in which (ex post) social impact assessments are mentioned. Also, the gathering and presentation of data are continuously improved in order to increase the assessment potential. One example is the gender breakdown of all statistical data related to employment and social inclusion.

Moreover, research institutes financed (e.g. CEPS<sup>59</sup>) or commissioned by the government (e.g. Luxembourg University) regularly publish more in depth analyses and evaluations on specific topics. Examples of these are a study on child poverty by CEPS<sup>60</sup> and a study on the situation of Luxembourg youth by the university<sup>61</sup>.

Finally, many nongovernmental stakeholders such as the employers' organisation UEL<sup>62</sup>, the workers chamber CSL<sup>63</sup> and Caritas<sup>64</sup>, produce studies and evaluation reports of good quality on economic and social topics.

EAPN Luxembourg contributes to the evaluation of policies by organising an annual meeting in which it discusses the current combating poverty and social inclusion policies and suggests priorities for the future. Government officials and often also ministers participate in these meetings.

#### Social Impact assessment

Luxembourg has no social impact assessment system in place. In a study for the European Commission it is mentioned that Luxembourg is one of two EU member states where "No IIA system or similar arrangement to assess social impacts is in place". The study mentions that in Luxembourg "A new or revised system was being planned at the time the information was compiled" (early 2009). Until today, such system is not yet in place.

The fact that there is currently no social impact assessment, does not mean however that Luxembourg government does not take social impacts into account when preparing new measures in the framework of fiscal consolidation and / or the overall Europe 2020 targets. A good example is the pension reform, where an important criterion for a new system will be that it should not lead to an increase in poverty among the elderly.

There exists an impact evaluation form (Fiche d'évaluation d'impact) to be used and filled out by officials when preparing new legislation, but this form does not include social impact questions, except for the gender equality issue that recently has been included. Nevertheless, the basic principles of the impact assessment as it is described on the web page of the Department for Administrative Simplification (State Ministry)<sup>66</sup> are in line of what also could be expected from a social impact assessment system.

<sup>59</sup> See: www.ceps.lu

<sup>60</sup> Berger, F. et al. (2010). La pauvreté des enfants au Luxembourg. CEPS: Differdange.

<sup>61</sup> Rapport national sur la situation de la jeunesse au Luxembourg. Luxembourg : Ministère de la Famille et de l'Intégration.

<sup>62</sup> See: http://www.uel.lu/index.php/fr/publication

<sup>63</sup> See: http://www.csl.lu/publications-csl

<sup>64</sup> See: http://www.caritas.lu/publications/publications/96

<sup>65</sup> The Evaluation Partnership & Centre for European Policy Studies (2010). Study on Social Impact Assessment as a tool for mainstreaming social inclusion and social protection concerns in public policy in EU Member States – Final report. London: TEP/CEPS, p. 17.

<sup>66</sup> See: http://www.simplification.public.lu/mieux-legiferer/index.html



They include, that the impact assessment should be part of the whole decision making process and not just a "pro forma" act at the end of it. The impact assessment should be based on adequate data and studies and involve all relevant stakeholders.

In 2010, a conference and one day workshop about Poverty Impact Assessment took place, at the initiative of the Ministry for Family and Integration and the National Service for Social Action (SNAS), in order to raise awareness about the importance of impact assessment among policy makers and civil servants. Within the administration, a few initiatives (e.g. using of micro simulation models) are taken to be prepared for impact assessment.

#### Integrated approach?

If looking more specifically into active inclusion, a more comprehensive approach of monitoring and evaluation can be found in the NRP and NSR, in which different domains of the social and economic situation and policies are brought together. However, the analyses *presented* in these documents are not *produced* in an integrated way so far. All relevant stakeholders are regularly consulted and the outcomes of these consultations are used in the framework of preparing the NRP and NSR. In several cases, the reports of such consultations are published, which facilitates the follow up by the stakeholders involved. According to the 2012 NRP the involvement of stakeholders in its monitoring seems to be ensured.

An example of a more integrated monitoring approach is the inter-ministerial working group monitoring the social impact of the crisis. The working group consists of representatives from the Ministry of Family and Integration and the Ministry of Social affairs. The working group is co-ordinated by the Service National de l'Action Sociale (SNAS – National Service for Social Action) and the Inspection générale de la sécurité sociale (IGSS – General Inspection of Social Security).

Another example is (or could become?) the newly created Labour Market Observatory (RETEL). It is not fully clear yet to what extend this observatory will include a societal perspective in its monitoring of the labour market. During a conference in May 2012 a number of interesting questions were formulated to be answered in order to make such an observatory a success. Summarising:

- Can a public policy evaluation culture be developed in Luxembourg and what will become the place of such evaluation in the administration?
- How could such evaluations be made useful for social partners and what would be their role in these?
- Will there be not only ex post, but also ex ante evaluations?
- Will the quantitative evaluations be completed by more qualitative ones?<sup>67</sup>

There are also examples of ad hoc evaluations going in the direction of a more integrated approach. Such evaluation is currently taking place on the extra income support for minimum income beneficiaries taking part in a job integration scheme. The basic question is whether such scheme improves both the income situation and the chances on the labour market. The evaluation report will be available in the course of 2012.68

<sup>67</sup> See: http://www.europaforum.public.lu/fr/actualites/2012/05/retel-conference-mondorf/index.html 68 Evaluation of article 13, paragraph 3 of the RMG regulation.



However, a systematic integrated monitoring and evaluation of active inclusion policies does not exist. Therefore, the evaluations of the three strands should be brought together and be conducted from each other's perspective.

### 6. Policy recommendations

Integrated active inclusion strategies

- The Luxembourg regulations on the minimum income scheme always included activation measures. The last few years they have been intensified and accompanying services are developing accordingly. The 2012 NSR included a presentation of Active Inclusion measures following the three strands. This is a next step to a more integrated and comprehensive approach. However, active inclusion seems to be seen as one pillar of social inclusion policies, while it could be the other way round. Such approach would be even more comprehensive and integrated.
- 2. (Further) development of a social impact assessment system would be recommendable. As to policy evaluations, these should be done from the perspective of each of the three strands. It seems that currently not all three strands are seen as equally important. The evaluation of labour market policies e.g. should be done also from the perspective of decent income provision and access to services. The newly created labour market observatory (RETEL) should take into account or clearly relate to aspects of the prevention of poverty and exclusion, as well as gender equality issues.
- 3. In general, a number of important measures have been taken, or are on their way, to improve the situation of vulnerable population categories, and more in particular their position on the labour market. But also, attention is given to the reach out and the quality of social and financial support services. This includes measures in the fields of activation, education and school performance, more personalised services (employment, social care, social work), better access to housing and health care, improved monitoring. It is crucial that these initiatives continue and receive sufficient means (also staff) for their delivery.

#### Income

- 4. Luxembourg Active Inclusion strategies focus on labour market participation and work intensity in households as the way to lift people out of poverty or social exclusion. However important, figures on in work poverty show that for specific categories of the population, this is not sufficient. Among Portuguese workers (among which most have a full time job) for instance, the at risk of poverty rate is above 20%. More separate attention for income issues would be recommendable, more in particular for specific categories of migrant workers, recent immigrant groups and one parent households.
- 5. Study and debate on the appropriateness of the minimum income level (RMG) should be continued. This could include the issue of the high European at risk of poverty threshold in relation to the specific Luxembourg situation (many cross border workers with a specific labour market position and thus within the income distribution).



#### Labour market

- 6. The 2012 NRP and NSR describe the initiatives taken to bring people back to the labour market (active inclusion) and the (conciliation) services to accompany these, but it would be helpful if the estimated impact on the at risk of poverty rate of the different measures would be included. This could provide a more precise reasoning behind the target set for lifting people out of poverty or social exclusion.
- 7. Improvement of cooperation and chain approaches between the minimum income administration and the employment administration at the one hand, and between different public and private services at the other hand are developing but remain a challenge. Specific agreements about and tools for the development of such cooperation and chain approaches should be further developed. Activating measures seem not to reach sufficiently the most vulnerable people (especially women) depending on the minimum income scheme. Educational levels will have to be increased in order to better prepare people for better paid jobs.

#### Services

- 8. Housing exclusion is mentioned in many recent policy documents as a priority but civil society organisations (social partners and NGOs) have the impression that the initiatives taken in the framework of new policy measures do not get sufficient priority (e.g. lack of staff) to reach their objectives.
- 9. Coordination and mutual learning between different actors in the field of social support has been developed the last few years. It has started also among the newly created social offices. This process could be extended to include also social support officers from NGOs, and make use of the expertise of people experiencing poverty or social exclusion.

#### EU-level

- 10. At EU-level, the identification and dissemination of good practices in terms of integrated policy strategies and approaches could be helpful.
- 11. More attention for Active Inclusion issues in the country specific recommendations would be very welcome.
- 12. Activities on awareness raising and mutual learning in social impact assessment should be intensified.



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### **Summary Tables**

### Table 1

To what extent has an integrated comprehensive active inclusion strategy been developed in Luxembourg?												
	Comprehensive policy design			Integrated implementation			Vertical policy coordination			Active participation of relevant actors		
	Yes	Somewhat	No	Yes	Somewhat	No	Yes	Somewhat	No	Yes	Somewhat	No
For those who can work		Х			х		Х			Х		
For those who cannot work		x		x			x				x	

### Table 2

To what extent have active inclusion policies/measures been strengthened, stayed much the same or weakened since 2008 in Luxembourg?

Adequate income support

Inclusive labour markets

Access to quality services

	Adequate income support			Inclusive labo	ur markets		Access to quality services			
	Strengthened	The same	Weakened	Strengthened	The same	Weakened	Strengthened	The same	Weakened	
For those who can work	х				x		х			
For those who cannot work	x				x		x			

