



ESPN Thematic Report on Social Investment Luxembourg

2015

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EUROPEAN SOCIAL POLICY NETWORK (ESPN)

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Social Investment
Luxembourg
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Summary

- There is no explicit reference to the Social Investment Package in Luxembourg's government documents, although many policy initiatives could be seen as inspired by a social investment approach. A more explicit adoption of a social investment approach is recommended.
- Most of the measures taken and announced by the new government continue on from previous years, but the focus on budget control and on labour market integration is strengthened. Fiscal consolidation seems to be dominant over social protection. Budget measures in family and employment benefits, as well as in dependency insurance, point in that direction. Trade unions, non-governmental organisations (NGOs) and grassroots organisations have expressed their great concern. The government has made no overall social impact assessment of budget and tax measures.
- Since 2005, Luxembourg has made great efforts to catch up with **early childhood education and care (ECEC)**, in terms of its availability, affordability and educational quality. However, to provide a sufficient number of places still remains a challenge. Luxembourg is the highest spender per inhabitant on **family benefits** in the EU, but this investment decreased by some 11% between 2008 and 2012. The creation of the "Maisons relais pour enfants" and of a national service for assistance to parents and children has been a great step forward in **parental services**, but Luxembourg still has too many children in institutional care.
- To support **parents' labour market participation**, childcare, long-term care and leave schemes are important. Childcare remains costly in Luxembourg, but low income households can get it (partly) for free. Also, universal free childcare during school hours has been announced. The investment per inhabitant in childcare is increasing and is among the highest in the EU. Luxembourg's dependency insurance gives dependent persons and their carers the possibility to organise professional care if needed. Maternity and parental leave schemes are well provided and equal for both partners, but financial compensation for parental leave is not generous. Paternity leave is non-existent.
- Unemployment benefits, the minimum income scheme, active labour market policies and social services are major policy areas to **address social and labour market exclusion**.
- Unemployment benefits are relatively high, but are limited in time in Luxembourg, and the financial support for unemployed persons accepting a job with a lower wage is set to decrease.
- The minimum income in Luxembourg is below the at-risk-of-poverty threshold, but social transfers play an important role in limiting the intensity of poverty. In view of the housing cost challenge, the reform of the minimum income scheme, including a separate component for actual housing costs, is a positive development. Also, the construction of reference budgets will help to gain better insight into the situation of the most deprived.
- Luxembourg invests less than the EU average in active labour market policies, but over the last few years great efforts have been made in this area, through a major reform of the employment agencies, more personalised guidance, and improvement in youth employment services and the Youth Guarantee Plan. Fewer exemptions from employment obligations among minimum-income beneficiaries and the possibility of having more than one person per household participating in employment measures should also help the activation process. Both the areas of education and training and of lifelong learning remain important challenges for Luxembourg. More sense of urgency in educational reforms (in order to give migrant youth better chances) and in the age-management initiatives of companies and institutions would be helpful here.

- The creation of local social services in 2011 has been an important step forward in creating a nodal point for social support, while the financial support by these services points to the necessity for reform of the minimum income scheme.
- Overall, Luxembourg has many initiatives going in the direction of a social investment approach, but fiscal consolidation has become more dominant over the last year, and the fear is that this will slow down the implementation of social investment policies, rather than speed it up.

1 Assessment of overall approach to social investment

This report assesses the degree to which the Luxembourg government is responding to the social investment approach, expressed in the European Commission's Social Investment Package as follows: "Social investment involves strengthening people's current and future capacities. In particular, social investment helps to 'prepare' people to confront life's risks, rather than simply 'repairing' the consequences." The social Investment Package combines and completes a number of previous European policies and recommendations, such as the recommendations on Active Inclusion (2008) and on Investing in Children (2013).

Luxembourg had elections in 2013 and a new government came to office in December 2013.¹ The government programme places great emphasis on structural reforms in many domains, including public finances, taxation and social transfers. It is seeking "more for less". The government has announced some 250 measures to cut the public deficit and to stabilise state finances. The objective is seen as "dusting off" the state (*dépoussiérer l'Etat*).² A complete screening of all budgets has been announced, and related to this, social security expenditure is explicitly mentioned: "The dual objective of the expenditures screening effort is to achieve substantial gains in public expenditures in the areas of the central government, the local government and social security by 2018 and to improve the quality and effectiveness of public policies."³

Most of the measures announced by the new government in the 2014 National Reform Programme (NRP) and National Social Report (NSR) continue on from previous years, but the focus on budget control and on labour market integration is strengthened.

There is no explicit reference to the Social Investment Package in government documents. But the ongoing implementation of social policies responds implicitly to a social investment approach. In particular, the following initiatives ought to be mentioned. Most of these are discussed throughout this report:

- Investment in children, their wellbeing and development has been boosted through the creation of so-called "Children's Houses" (Maisons Relais pour enfants) and the local plans for "peri-school" accompaniment.
- The integration and education of youth have been fostered through a special service for migrant pupils within the Ministry of Education and special integration classes; through a Youth Pact and a Youth Guarantee Plan; and through the ongoing educational reforms.
- Many initiatives have been taken to improve the employability of youth, women and older workers and to boost their employment rate, including: an increase in ECEC places and an improvement in their affordability for low-income groups; a decrease in the number of minimum-income beneficiaries exempt from employment obligations; better personalised advice and guidance; pension reform and an age-management plan to be developed by companies; and an improvement in the life-long learning (LLL) strategy.
- Improvements in the income and living conditions of the most vulnerable are sought through a "National strategy against homelessness and housing exclusion" and a concrete pilot project based on the "housing first" principle; reform of the minimum income scheme and the construction of reference budgets; improvement in access to healthcare through the third-party payer; and a project financed by the Fund for European Aid to the Most Deprived.

¹ The government includes three political parties: the Demokratesch Partei (DP – Democratic Party – liberal party), the Lëtzebuurger Sozialistesche Aarbechterpartei (LSAP – Luxembourg Socialist Workers Party – socio-democratic party) and Déi Gréng (The Green – environmental party).

² See: <http://www.quichet.public.lu/citoyens/fr/actualites/2014/10/14-budget-2015/index.html>

³ Gouvernement du Grand-Duché de Luxembourg (2014), National Plan for Smart, Sustainable and Inclusive Growth – Luxembourg 2020 – National Reform Programme of the Duchy of Luxembourg under the European Semester 2014. Gouvernement du Grand-Duché de Luxembourg, p. 11.

In the current discourse, however, fiscal consolidation seems to be dominant over social protection. A number of measures, e.g. in family and employment benefits and in relation to dependency insurance seem to point in that direction. It is too early to see how the balance between fiscal consolidation, social investment and social protection will look like under the new government. It would be helpful if the government explicitly adopted a social investment approach within its social policies, both to assist in making adequate policy choices and to monitor their impact.

The trade unions recently cautioned about the cumulative social impact of the different budget measures. They warned of the loss of disposable income for many workers and their families and are calling on the government to renegotiate the whole package.⁴ The assessment by the European Anti-Poverty Network (EAPN) Luxembourg of both the 2014 NRP and the new government's programme goes in the same direction.⁵ As far as we could see, there is no overall (cumulative) calculation of the income consequences for different population categories and income levels. We should expect the government to make such a calculation in the framework of an ex ante social impact assessment, just as it does for the consequences for public finances.

Moreover, it is not yet clear whether the current government will show more sense of urgency than previous governments in the implementation of social policy measures to face some of the major challenges, such as the shortages in housing and the housing cost burden for low-income groups, the effectiveness of personal accompaniment on the labour market, the educational performance and the employment opportunities for older workers. The slow implementation of social inclusion measures (in the broadest sense) was indeed an important criticism of most social partners and civil society organisations in recent years. Social investments will certainly continue in Luxembourg, but the fear is that the budget control measures will slow down the implementation of social policies, rather than speed it up.

2 Assessment of specific policy areas and measures/instruments

2.1 Support for early childhood development

Luxembourg has a relatively high child poverty rate: the rate for those at risk of poverty or social exclusion (AROPE) reached 26% in 2013, an increase of more than 5 percentage points over 2008. At the same time, severe material deprivation among children remains low (2.4%), as does the number of children living in jobless households (4.5%).⁶

2.1.1 Early childhood education and care

In Luxembourg, compulsory pre-school starts at the age of four. Up to the age of three, parents have a choice of different forms of private and public ECEC. Between three and four, there is also the possibility of pre-school education. An important development has been the introduction of the so-called *Maisons Relais pour Enfants* (Children's Houses). They are meant to provide working parents with flexible care arrangements that can be booked by the hour. The *Maisons Relais* are supposed to serve in particular the so-called educationally disadvantaged population, whose children are less present in institutional ECEC facilities. For this reason, they have to provide educational quality on their own with a combination of non-formal and

⁴ See e.g. Dury, P. (2014), "Onfair, asozial an ondemokratesch!" in *Soziale Fortschrëtt*, No. 3/2014. Luxembourg: LCGB.

⁵ EAPN (2014), *From Austerity to Inclusive Growth – what progress? EAPN Assessment of the National Reform Programmes 2014*. Brussels: EAPN.

⁶ Bouget, D., Frazer, H., Marlier, E., Sabato, S. and Vanhercke, B. (2015). *Social Investment in Europe: A study of national policies*, Annex 3. Brussels: European Commission, European Social Policy Network (ESPN), Tables A5 to A8.

informal learning programmes. Finally they provide access to leisure, sport and cultural activities offered by the local community.⁷

When the *Maisons Relais* started in 2005, there was a total of 8,000 places available, including 64 places for children up to the age of three.⁸ By the end of 2013, the number of places in *Maisons Relais* had reached 31,974, including 2,928 places for 0–3-year-old children. The total number of ECEC recoded places for children aged up to three had reached 12,859, most of them in private, for-profit centres (8,290). The total figure for 0–3-year-old children, however, was probably higher, because there were also 3,130 children aged 0–12 (no detailed breakdown is available) cared for by so-called parental assistants (in their homes). The total number of places for 0–12-year-old children actually reached 46,377, which represents an increase of almost 9% between 2012 and 2013. Private, for-profit ECEC places increased by almost 20% between 2012 and 2013 to reach 9,194 places, and 49.8% of all children aged 0–12 were using one of the arrangements.⁹ According to Eurostat, in Luxembourg 48% of all children under three years of age attended formal childcare, which is well above the EU average (28%), and also neighbouring countries: the same percentage as in Belgium and higher than in France (40%) and in Germany (24%).¹⁰ Among children aged 3–4 years (compulsory school age), however, Luxembourg's percentage is 80% – lower than the EU average (83%).¹¹

For low-income households there is the possibility of free ECEC places via childcare vouchers. The number of households that receive services under the Revenu minimum garanti (RMG) law and that include one or more children under the age of 13 totalled 2,468 at the end of 2013.¹² Universal, free access to ECEC has been announced for children aged 1–3 during school hours.¹³

The budget for this provision continues to increase: the budget for free ECEC places in 2013 exceeded the budget for 2012 by 33%.¹⁴ This policy is encouraged by studies showing that the availability and accessibility of ECEC facilities play an important role in the labour market participation of women.¹⁵ NGOs, which also play a role as service providers, still consider the number of places available to be inadequate.¹⁶

Childcare investment per inhabitant is increasing in Luxembourg (after a decrease between 2008 and 2009) and reached almost €470 in 2012 (all schemes).¹⁷ This is one of the highest amounts in Europe (after Norway and Denmark).

2.1.2 Family benefits

Luxembourg is the highest spender on family benefits in the EU, i.e. almost €2,600 per inhabitant in 2012, though this amount decreased by more than 11% between 2008 and 2012.¹⁸ Family allowances have not been adapted since 2010 and the

⁷ Honig, M.-S. and Haag, C. (2012), *Education and Care for Children in Luxembourg – Taking Stock*. Luxembourg: Ministère de la Famille et de l'Intégration, p. 16.

⁸ Honig, M.-S. and Haag, C. (2012), *Education and Care for Children in Luxembourg – Taking Stock*. Luxembourg: Ministère de la Famille et de l'Intégration, pp. 16–18.

⁹ Ministère de la Famille, de l'Intégration et à la Grande Région (2014), *Rapport d'activité 2013*. Luxembourg: Ministère de la Famille, de l'Intégration et à la Grande Région, pp. 119–123.

¹⁰ Bouget et al. (2015), Annex 3, Table A3.1.

¹¹ Bouget et al. (2015), Annex 3, Table A3.2.

¹² Gouvernement du Grand-Duché de Luxembourg (2014), *National Plan for Smart, Sustainable and Inclusive Growth – Luxembourg 2020 – National Reform Programme of the Duchy of Luxembourg under the European Semester 2014*. Gouvernement du Grand-Duché de Luxembourg, p. 52.

¹³ See: <http://www.guichet.public.lu/citoyens/fr/actualites/2014/10/14-budget-2015/index.html>.

¹⁴ Gouvernement du Grand-Duché de Luxembourg (2013), *Strategic Social Reporting 2013*. Luxembourg: Ministère de la Famille et de l'Intégration

¹⁵ See e.g. Bousselein, A. (2010), *Disponibilité locale des structures collectives d'accueil de jeunes enfants. Etat des lieux et lien avec l'emploi des mères de jeunes enfants*. Differdange: CEPS Instead.

¹⁶ See e.g. group interview with Caritas collaborators on 24 July 2013.

¹⁷ Bouget et al. (2015), Annex 3, Table A1.

¹⁸ Bouget et al. (2015), Annex 3, Table A2.

government announced an important change in the system. For newborn children, the amount of allowance, including the so-called “child bonus” (*boni pour enfant*) will be €265 per month and there will be no difference between the first and subsequent children.¹⁹ For families with more children, this will make an important difference (e.g. families with three children will receive almost €240 less per month). At this stage, the government is waiting for the advice of the State Council (*Conseil d’Etat*) on whether two parallel systems can be allowed by the Constitution.

2.1.3 Parenting services

The development of the *Maisons Relais* is a strong element for more integrated care of children and support for parents, including care of children with special needs. They could be a nodal point in family support if they use their full potential. Not all of them, however, do use the possibilities offered by legislation.

A national service for assistance to parents and children with psycho-social problems was created in 2008, the *Office National de l’Enfance* (ONE). This service has both a preventive and a curative task.²⁰

In Luxembourg, prevention work with children before and outside school is addressed by pre-school assistance, targeted at handicapped children, and especially children with retarded development and behavioural problems. It is a challenge for the regular system of care and education to open up educational opportunities for these particularly vulnerable children.²¹ The 2012–2014 Youth Pact refers to a new Act of 2011, which provides opportunities for adaptations in order to facilitate access to, and participation in, regular secondary education for pupils with a chronic disease or a handicap.

According to the 2014 annual report of the ombuds-committee (ORK), 1,256 children are in institutional care or with foster families.²² The ORK also asks for greater respect for the right of contact between parents and their children who are in institutional care. According to the Luxembourg UNICEF committee, Luxembourg has one of the highest figures for children placed in welfare institutions.²³ The number of children placed in institutional care could perhaps be reduced and – according to children’s rights agents – their situation should be improved.

2.2 Supporting parents’ labour market participation

To support (the most vulnerable) parents’ participation in the labour market, the Luxembourg government has, for several years now, concentrated on:

- Facilitating the reconciliation of work and family life by:
 - a. Continuously increasing the number of ECEC places (for children aged 0–12 years);
 - b. Improving the affordability of ECEC places (childcare vouchers for free or very low cost for low-income groups);
- Promoting employability and job search among women, in particular among single mothers and women who are dependent on the minimum income scheme, by:
 - c. Promoting their participation in employment measures;
 - d. Increasing the activation rate among minimum-income beneficiaries;

¹⁹ See: <http://www.guichet.public.lu/citoyens/fr/actualites/2014/10/14-budget-2015/index.html>

²⁰ See: <http://www.mfi.public.lu/administrations/ONE/>

²¹ See: <http://www.mfi.public.lu/administrations/ONE/>

²² Ombuds-comité fir d’Rechter vum Kand (2014), *Rapport 2014 au Gouvernement et à la Chambre des députés*. Luxembourg: Ombuds-comité fir d’Rechter vum Kand, p. 102.

²³ See: <http://www.humanium.org/en/luxembourg/>

- e. Awareness raising about possibilities and costs of ECEC services.

2.2.1 Childcare

Most issues were presented in section 2.1. Important to mention here is the fact that – except for low-income households – the cost of childcare is high: 60.3% of the average wage for a two-year-old child.²⁴ It is to be expected that this creates most problems for households with an income just above the threshold for free or cheap childcare. The recently announced universal free childcare during school hours should overcome (part of) this problem.

2.2.2 Long-term care

Dependency insurance is an important instrument for responding to the needs of an ageing society. This is compulsory insurance that allows dependent people to be reimbursed for (formal or informal) care services that are not covered by health insurance. The need for the insurance has been proved, since take-up has more than doubled since it was launched: from 5,810 dependent persons in 2000 to 11,706 in 2010.²⁵ Since 1999 it has financed the need for support at home or in a residential setting. The support is defined in terms of the number of hours of care and help needed. A cash amount equivalent to the cost of the hours required is received, and this can be used to reimburse the cost of informal care undertaken by the main carer, generally a family member.

Of all EU countries, Luxembourg spends (in absolute terms) the highest amount for in-kind services per dependent person: some €33,668 per year in 2010. Not only is this full-fledged long-term care insurance a substantial response to the new risk of long-term dependency, but it is also affordable at the macro level, if properly organised. In Luxembourg only 1% of GDP is needed to finance this LTC insurance. In many cases it supports the informal carer and protects the income of those confronted with dependency; it also invites and introduces new forms of professional care, the solvency of which is guaranteed via proper financing mechanisms, quality assurance and proper working conditions for the workers involved. It also supports further and decent job creation.

Beside the financial aspects of this insurance (important deficits have been recorded in recent years) there are two social inclusion issues involved: the possibility for long term-care receivers to remain socially included, and the position of informal carers.²⁶ Involuntary part-time employment is low in Luxembourg (10.6% of total part time),²⁷ but still some 22% of those who are employed only part time offer as the main reason the need to look after children or other dependent persons (EU average 22.1%).²⁸

Overall there is a broad consensus in Luxembourg on the usefulness of dependency insurance, which supports real informal care without adversely affecting the quantity and quality of professional care.

After an evaluation of dependency insurance, the government started a debate about the financial sustainability of the system. In a debate in parliament in July 2014, several proposals for cost reduction were considered, e.g. stricter attribution, lower remunerations and other complementarities between different care systems. When cost reductions are implemented, the impact on accessibility to and affordability of long-term care should be closely monitored.

²⁴ Bouget et al. (2015), Annex 3, Table B7.

²⁵ Inspection générale de la sécurité sociale (IGSS) (2013), *Bilan sur le fonctionnement et la viabilité financière de l'Assurance dépendance*. Luxembourg: Ministère de la sécurité sociale, p. 60.

²⁶ A comprehensive overview and assessment of the current situation can be found in: Hohmann, J. and Ludwig, K. (2012), *asisp Annual National Report 2012 - Luxembourg - Pensions, Health Care and Long-term Care*. Cologne: GVG (<http://www.socialprotection.eu/>).

²⁷ Bouget et al. (2015), Annex 3, Table B4.

²⁸ Bouget et al. (2015), Annex 3, Table B5.

2.2.3 Maternal/paternal/parental leave schemes

Maternity leave in Luxembourg falls under the regime of sickness leave²⁹ and lasts for 16 weeks, which is somewhat below the OECD average of 18 weeks.³⁰ Parental leave has existed since 1999 and is an individual (non-transferable) right for each parent to have 6 months' full-time (consecutively) or 12 months' half-time leave, paid at a flat rate of €1,778.31 (full time) or €889.15 (part time) per month. This is less than the minimum wage (€1,921.03).³¹ There is no statutory entitlement to paternity leave. Employees are entitled to "leave due to extraordinary circumstances" (*congé extraordinaire*), which gives them the right to take two days off in the case of birth or adoption of a child. The leave is paid by the employer and covers 100% of earnings.³² The parental leave is mainly taken by mothers. After the birth of their first child, 46% of eligible mothers take the parental leave; the take-up rate among eligible fathers is only 11%.³³ The total number of users of parental leave has increased markedly over the last 14 years. At the end of 1999, only 1,433 parents were on parental leave, compared to 4,077 at the end of 2013. In particular, the number of men using leave has increased dramatically, from only 90 at the end of 1999 to 1,049 at the end of 2013. The increased participation of men in parental leave is also evident in the increasing share of male users among all users, from 6.3% at the end of 1999 to 25.7% in 2013.³⁴

Luxembourg has a sound and gender-positive parental leave scheme, but at a low level of payment. The absence of paternity leave remains a challenge. The most important challenge, however, is the transition from parental leave to the availability and affordability of ECEC places.³⁵

There are a few other leave arrangements to be mentioned:³⁶

- Adoption leave (*congé d'accueil*) is eight weeks, extended to 12 weeks for multiple adoptions, paid at 100% of earnings and available to all working persons in Luxembourg who have belonged to a social security scheme for at least the six months preceding the leave.
- In the case of sickness of a child, parents with children younger than 15 years may take two days' leave per year per child (*congé pour raisons familiales*). Leave may be extended under certain circumstances; for example, in the case of a disabled child, to four days; and for a very serious and exceptional illness defined by law (such as cancer in its final stages), up to 52 weeks in a

²⁹ Hundred per cent of earnings up to a ceiling equal to five times the minimum social wage in Luxembourg (€9,605.13 per month).

³⁰ Bouget et al. (2015), Annex 3, Table B6.

³¹ For the eligibility rights and benefit levels, see:

http://www.mss.public.lu/publications/droit_securite_sociale/droit2014/droit_2014.pdf. The amounts can be found at: http://www.mss.public.lu/publications/parametres_sociaux/. The information given in Bouget et al. (2015), Annex 3, Table B6 is different. It comes from the OECD Family database. The definition of "paternity leave" as used by the OECD includes parental leave that is exclusively reserved for fathers (footnote number 3 of the table).

³² Zhelyazkova, N., Loutsch, M. and Valentova, M. (2014), 'Luxembourg country note' in Moss, P. (ed.), *International Review of Leave Policies and Research 2014*. Available at: http://www.leavenetwork.org/lp_and_r_reports/

³³ Valentova, M. and Bia, M. (2013), *Parental Leave among Single Child Parents Take-Up and Labour Market Effects: Analysis of parental leave take-up among mothers and fathers of single child and impact of the parental leave policy on women's labour market engagement*, CEPS/INSTEAD, Report for the Ministry of Family and Integration of Luxembourg.

³⁴ Ministère de la Famille, de l'Intégration et à la Grande Région (2014), *Rapport d'activité 2013*. Luxembourg: Ministère de la Famille, de l'Intégration et à la Grande Région, p. 269.

³⁵ See e.g. some comments for a European peer review at:

http://ec.europa.eu/justice/gender-equality/files/exchange_of_good_practice_fr/lu_comments_paper_fr2013_en.pdf

³⁶ Zhelyazkova, N., Loutsch, M. and Valentova, M. (2014), 'Luxembourg country note' in Moss, P. (ed.), *International Review of Leave Policies and Research 2014*. Available at: http://www.leavenetwork.org/lp_and_r_reports/

reference period of 104 weeks. The leave is paid and funded by the National Health Fund (*La Caisse nationale de santé*).

- In the case of a terminally ill close family member, a so-called “accompaniment leave” (*congé d’accompagnement*) of a maximum of five days per year and per case is possible.

But there is no leave arrangement for older dependent persons, other than the possibilities offered by the dependency insurance (see the earlier section on long-term care).

2.3 Policy measures to address social and labour market exclusion

2.3.1 Unemployment benefits

In Luxembourg, unemployment benefits are limited in time. In principle, an unemployed person receives as many months of benefit as he/she worked during the 12 months before becoming unemployed. After this period, there are several possibilities to prolong the benefit by, at most, six months. The conditions for these have to do with age, length of social insurance contributions and participation in employment measures. The level of payment is 80% (85% for persons with dependent children) of the previous wage (limited to 250% of the minimum wage). Long-term unemployment is fairly stable with one of the lowest rates in the EU (30.4%).³⁷ At the end of the unemployment benefit rights, the unemployed person is eligible for the minimum income scheme.

Luxembourg spends 1.3% of GDP on unemployment benefits, which is below the EU average; it is somewhat more than Germany, but less than France and Belgium.³⁸

The most important alteration in the unemployment arrangements proposed by the current government is that the financial support for job seekers accepting a job with a lower wage than before will be changed: instead of topping up the amount to 90% of the former wage, a ceiling will be placed on the supplement, which will last for three years, instead of four.³⁹

2.3.2 Minimum income

The guaranteed minimum income for a single person is €1,348.18 per month; for two adults and two children it reaches €2,267.39. The poverty threshold for a single person stands at €19,981 (€16,360 in purchasing power standards) per year.⁴⁰ This represents €1,665 per month. For a household with two adults and two children below the age of 14, the threshold is €41,959 per year, or €3,496 per month.⁴¹ Both thresholds are well above the minimum income level. The ultimate difference is lower because of extra in-cash and in-kind arrangements for poor individuals and households.

Social transfers continue to be crucial in lifting people out of poverty. This is shown by the difference in the at-risk-of-poverty rates before and after social transfers. The total at-risk-of-poverty rate before social transfers (pensions excluded) stood at 23.6% in 2008, at 29.0% in 2012 and at 29.4% in 2013 (against 15.9% after social transfers).⁴² This mechanism is also confirmed by the continuing growth in households receiving benefit within the minimum income scheme. In 2013, 10,208 households

³⁷ Bouget et al. (2015), Annex 3, Table C8.

³⁸ Bouget et al. (2015), Annex 3, Table C1.

³⁹ See: <http://www.quichet.public.lu/citoyens/fr/actualites/2014/10/14-budget-2015/index.html>

⁴⁰ Bouget et al. (2015), Annex 3, Table C17a and C17b.

⁴¹ Eurostat database [ilc_li01] – extracted on 08 January 2015.

⁴² Bouget et al. (2015), Annex 3, Table C13 and C14.

(with a total of 20,226 members) received such benefit, against 9,989 households (19,790 members) in 2012, an increase of more than 2%.⁴³

The Luxembourg government focuses essentially on employability and employment of the most vulnerable populations (such as single-parent households, including many immigrant households) as the way out of poverty. Although this is certainly an important priority in combating social exclusion, it is not always enough, as is shown by the in-work at-risk-of-poverty rate (11.2% in 2013).⁴⁴ Moreover, the great majority of the “working poor” are working full time. Also the employment rate among single mothers shows that an overly exclusive focus on the employment of vulnerable populations will not be enough to reach the target.

The Luxembourg government has announced its intention to adapt the minimum income (RMG) for single-parent families. Also, it has submitted a project to be financed under the Fund for European Aid to the Most Deprived. The proposal was recently approved and will receive almost €4 million European co-financing. Specific attention to the income protection of certain population categories (particularly the Portuguese and non-EU residents, being the most at risk of poverty) will remain necessary.

A reform of the minimum income scheme is on its way. The new benefit will consist of different components, i.e. a component for basic necessities per person, a component for fixed costs per household, a component for the real cost of housing, and a component for dependent children. Such a scheme could provide a better answer to the challenges of specific population categories and problematic issues (such as the housing cost burden), but the government should avoid limiting the autonomy of minimum-income recipients.

The construction of reference budgets has started. This is a positive development because it could help to define a country-specific deprivation bottom line. It could also feed into a discussion about a correct national poverty threshold, and thus the adequacy of the current minimum income scheme. It should be seen as one poverty indicator alongside others, and not as one to replace them.

2.3.3 Active labour market policies

Luxembourg invests less than the EU average in active labour market policies, i.e. 0.459% of GDP in 2011, less than a third of the amount spent by the best performer, Denmark.⁴⁵

Job-search assistance

To improve the functioning of the labour market, Luxembourg is investing in improving guidance services by:

- Reform of the employment agencies (ADEM) and more personalised guidance;
- Personalised guidance and advice for minimum-income beneficiaries;
- Improvement of youth employment services through the Youth Guarantee programme;
- Availability of social services at the local level (creation of local social offices).

Programmes to increase employability through forms of subsidised employment play an important role in Luxembourg. People in such programmes are not counted in the unemployment figures. In 2010, the number of such persons increased by 24%, compared to 2009, after an important decrease over the previous three years. In 2011 and 2012, the increase continued (+9.8% in 2011 and +8.8% in 2012) to reach 4,763

⁴³ See: <http://www.snas.public.lu/Documentation/Rapports%20SNAS/Rappact2013.pdf>, p. 217 and <http://www.snas.public.lu/Documentation/Rapports%20SNAS/Rappact2012.pdf>, p. 9.

⁴⁴ Bouget et al. (2015), Annex 3, Table C15a.

⁴⁵ Bouget et al. (2015), Annex 3, Table C3.

persons.⁴⁶ It decreased in 2013 to 4,375 (-8.1%), about the level of 2012. According to Eurostat, participants' rate in labour market programmes fluctuates dramatically from year to year. In 2011 it stood at 55%.⁴⁷

In order to stimulate minimum-income beneficiaries to (re-)integrate into the labour market, the cooperation between the *Service National de l'Action Sociale* (national social action service – SNAS) and the national employment agency has been strengthened over the last few years. Also, the number of beneficiaries exempt from the obligation to be available for the labour market or for specific employment measures has continued to decrease. In 2013, 1,490 minimum-income beneficiaries were registered at the national employment agency (ADEM) and 1,440 participated in different employment measures. This represented 61.8% of non-exempt beneficiaries. While the number of occupational integration activities has increased considerably over the last decade (+72% since 2007), the 2013 activation rate decreased compared to 2012, because of the important reduction in the number of persons exempt from integration activities.⁴⁸ The number of persons exempt because of childcare obligations has decreased dramatically since 2011 – by almost 40%, to reach 118 persons in 2013. But women (mostly single parents) still form the great majority (77 persons). In order to further increase the participation rate in employment measures, it will be permissible for more than one person per household to participate in such measures; up until now that has been forbidden.⁴⁹

Education and training

In spite of a generally good performance in the number of early school leavers (less than 10%), there remains an important challenge in education and training in Luxembourg. Particularly immigrant young people (more than 40% of the school-age population) face difficulties in integrate into general secondary education.

Educational reforms continue to be debated and partly implemented. Also, the integration and re-integration measures for early school leavers are being continued: guidance centres, second-chance schools, and a "return to school" pilot project.⁵⁰ If the early school leaving rate stabilises at under 10%, the government will modify the target in 2015 (mid-term towards 2020). A proposal for a legislative act on financial support for tertiary education has been prepared.

One of the problems in the educational system is the use of three basic languages. Educational reforms and a debate about languages are going on, but a greater sense of urgency is required if concrete steps are to be taken.

Life-long learning

The participation of adults (18–64) in education and training (last four weeks before the survey) is, at 19.4% in 2013, somewhat higher than the EU average of 16.2%; it is also higher than in the neighbouring countries of Belgium and Germany, but lower than in France. It has remained more or less stable since 2009.⁵¹ The Luxembourg

⁴⁶ ADEM (2013), *Les activités de l'agence pour le développement de l'emploi en 2012*. Luxembourg: Ministère du Travail et de l'Emploi, p. 41.

⁴⁷ Bouget et al. (2015), Annex 3, Table C4.

⁴⁸ Ministère de la Famille, de l'Intégration et à la Grande Région (2014), *Rapport d'activité 2013*. Luxembourg: Ministère de la Famille, de l'Intégration et à la Grande Région, pp. 221–222.

⁴⁹ Gouvernement du Luxembourg (2014), *Rapport Social National 2014*. Luxembourg: Ministère de la Famille, de l'Intégration et à la Grande Région, p. 6.

⁵⁰ Gouvernement du Grand-Duché de Luxembourg (2014), *National Plan for Smart, Sustainable and Inclusive Growth – Luxembourg 2020 – National Reform Programme of the Duchy of Luxembourg under the European Semester 2014*. Gouvernement du Grand-Duché de Luxembourg.

⁵¹ Bouget et al. (2015), Annex 3, Table C11.

government has announced its intention to improve its strategy for LLL and includes it in the obligation placed on companies to devise an age-management plan.⁵²

Social services

The creation of local social services from 2011 onwards has provided an important improvement in the opportunities for tailor-made and personalised guidance. They can be a nodal point for linking different public and private services for social and labour market inclusion; however, according to NGOs, there is still much room for improvement in this respect. According to their annual reports, social services also play an important role in complementary financial support for low-income households. In particular, the extra support to alleviate the housing cost burden should be mentioned. In 2013, financial support for housing costs represented 27% of all financial support from the social services. And another 9% has been used to cover energy costs.⁵³ This financial support also points to the fact that general income support is inadequate in many cases. This is an extra argument for continuing the study of reference budgets and the reform of the minimum income scheme.

⁵² Gouvernement du Grand-Duché de Luxembourg (2014), *National Plan for Smart, Sustainable and Inclusive Growth – Luxembourg 2020 – National Reform Programme of the Duchy of Luxembourg under the European Semester 2014*. Gouvernement du Grand-Duché de Luxembourg, p. 24.

⁵³ Gouvernement du Luxembourg (2014), *Rapport Social National 2014*. Luxembourg: Ministère de la Famille, de l'Intégration et à la Grande Région, p. 5.

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