



# ESPN – Flash report

## 2015/38

### Reform of family allowances in Luxembourg

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July 2015



**EUROPEAN COMMISSION**

Directorate-General for Employment, Social Affairs and Inclusion  
Directorate D — Europe 2020: Social Policies  
Unit D.3 — Social Protection and Activation Systems

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<b>Theme:</b>	<i>Family policy, Children and Youth, Education</i>
<b>Title:</b>	<b>Reform of family allowances in Luxembourg</b>
<b>Category:</b>	<i>Tabled Policy measure</i>
<b>Abstract:</b>	An important change in the family allowance system in Luxembourg is expected for January 2016. While the amount of the allowance for subsequent children is currently progressive, an equal amount will then be granted for new-born children. Families with more children will thus receive lower levels of allowance. In view of the size of the reform, it would be very useful if a careful joint impact assessment of this reform and other reforms in family policy could be carried out and if the implementation of these various reforms could be timed accordingly.
<b>Description:</b>	<p><b>Policy context</b></p> <p>Currently, family allowances in Luxembourg are progressive, i.e. they increase with the number of children. Moreover, a so-called “child bonus” (<i>boni pour enfant</i>) was introduced in 2008. Also, an extra age-related allowance is given for children between 6-11 years and for +12 year olds.</p> <p>It should be noted that the automatic increase of family allowances in line with the increase in the cost of living (<i>indexation</i>) was abolished in 2006 and that the allowances have not been adapted since then.</p> <p>The government, as well as the current opposition and civil society organisations, insist on the fact that different elements of family policies have to be considered as interrelated. Therefore, elements such as the education allowance, the parental leave system and childcare provisions are part of the debate. The education allowance has been abolished from the end of June 2015, while the parental leave system will become more flexible and accessible for persons with precarious jobs (probably as from 2017). Also, the availability of early childhood education and care is increasing, but there are still serious shortages and the cost is relatively high. The government announced, however, that it will make childcare free of charge for all 1 to 3 year old children during school hours.</p> <p><b>Planned change in family allowances</b></p> <p>The Luxembourg government announced an important change in the family allowance system as a way of simplifying and modernising the system. For new-born children, the amount of the allowance, including the so-called “child bonus” (<i>boni pour enfant</i>) will be €265 per month and there will be no difference between the amount received for the first child and subsequent children. The age-related allowance will slightly increase.</p> <p>For large families, this will make a considerable difference. A family with three children, for example, will receive almost €240 less in basic family allowance per month. The change is to be implemented in January 2016.</p> <p>An argument put forward by the government to support the reform, which is based on the results of a Swiss study (Gerfin et al, 2009), is that the cost of children does not increase with their number. Another argument is that a pro-birth policy is no longer needed in Luxembourg in view of the important and continuous population growth.</p>

<p><b>Outlook &amp; Commentary:</b></p>	<p>Even though it is certainly useful that the government draws on the results of the 2009 Swiss study, it is questionable whether or not this evidence in itself is sufficient to justify the family allowances reform. In our view, given the size of the reform, the government should base it on more evidence, namely:</p> <ol style="list-style-type: none"> <li>1. A study which would take into account the specific situation in Luxembourg (for example, its high housing cost burden). This study would analyse the costs of children, and could make use of the study on reference budgets which is currently being finalised (Gouvernement du GDL, 2015).</li> <li>2. An ex ante <i>joint</i> social impact assessment of the various reforms in the area of family policy and how they interrelate. The timing of the introduction of these various reforms should then be adapted on the basis of the outcomes of this assessment.</li> </ol> <p>The reaction of trade unions and Caritas to the reform point to the same direction (see <i>Further reading</i> below, references 4 and 5).</p> <p>The government's argument about the cost of children, based on the 2009 Swiss study, is disputable on three aspects: (1) it does not take into account the specific situation in Luxembourg (e.g. particularly high housing costs); (2) it uses inappropriate equivalence scales for calculating the cost of a child in a household; and (3) it does not take into account the Swiss conclusion about a much higher age-related allowance supplement. It is for these reasons that a specific Luxembourgish study on the issue would be very welcome.</p> <p>In addition to the above elements, the trade unions are asking the government to re-introduce a cost-of-living indexation into the system, arguing that since 2006 families have already suffered a significant loss of income.</p> <p>Both the trade unions and Caritas combine their criticism of the new family allowance system with attacks on other family policy issues. They point to the fact that the education allowance has been abolished from the end of June 2015, while the reform of the parental leave system will probably come into force only in 2017. The education allowance could be used as an alternative for households not able to use the parental leave system. The latter will become more flexible and accessible for people with precarious jobs, but in the meantime they will suffer most from the difference in timing of the different reforms in the area of family policy.</p>
<p><b>Further reading:</b></p>	<ol style="list-style-type: none"> <li>1. For details on the family allowance system, see: <a href="http://www.guichet.public.lu/citoyens/fr/actualites/2014/10/14-budget-2015/index.html">http://www.guichet.public.lu/citoyens/fr/actualites/2014/10/14-budget-2015/index.html</a>.</li> <li>2. Gerfin, M., Stutz, H., Oesch, T., Strub, S. (2009). <i>Kinderkosten in der Schweiz</i>. Neuchâtel: Eidgenössisches Département des Innern (EDI) &amp; Bundesamt für Statistik (BFS): <a href="http://www.bfs.admin.ch/bfs/portal/de/index/news/publikationen.html?publicationID=3528">http://www.bfs.admin.ch/bfs/portal/de/index/news/publikationen.html?publicationID=3528</a>.</li> <li>3. Gouvernement du Grand-Duché de Luxembourg (2015). <i>Rapport Social National 2015</i>. Luxembourg: MFI, p. 12: <a href="http://www.mfi.public.lu/publications/Solidarite/RSN-2015.pdf">http://www.mfi.public.lu/publications/Solidarite/RSN-2015.pdf</a>.</li> <li>4. OGBL (2015). <i>Prestations familiales - L'OGBL demande d'urgence une entrevue avec le gouvernement</i>. Press release, June 18, 2015: <a href="http://www.ogbl.lu/blog/prestations-familiales-logbl-demande-durgence-une-entrevue-avec-le-gouvernement/">http://www.ogbl.lu/blog/prestations-familiales-logbl-demande-durgence-une-entrevue-avec-le-gouvernement/</a>.</li> </ol>

	<p>5a. Georges, N., Schronen, D. &amp; Urbé R. (eds.) (2015). <i>Sozialalmanach 2015</i>. Luxembourg: Caritas (p. 40-41).</p> <p>5b. Caritas (2014). <i>Warum Caritas Luxemburg die Einführung einer Abgabe zur Finanzierung der Kinderförderung begrüßt</i>: <a href="http://www.caritas.lu/Actualités/Warum-Caritas-Luxemburg-die-Einführung-einer-Abgabe-zur-Finanzierung-der-Kinderförderung-begrüßt">http://www.caritas.lu/Actualités/Warum-Caritas-Luxemburg-die-Einführung-einer-Abgabe-zur-Finanzierung-der-Kinderförderung-begrüßt</a>.</p>
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