



Public administration characteristics and performance in EU28:

Luxembourg

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1 SIZE OF GOVERNMENT¹

The expenditure of the Luxembourgish public sector is with a share of 42.12% of total expenditure (as a % of GDP) relatively high as compared to the other EU Member States. Luxembourg is characterized by a rather centralized state structure (the country has no intermediate level of government) and a relatively high central government expenditure (72.64%). Between 2010 and 2015 the local government share remained rather stable at around 11%.

Luxembourg is a front runner in the European Union (EU) as regards key financial data. Public debt is with 22.09% of GDP among the lowest in the EU (although slightly rising), while the Grand-Duchy is characterized by the lowest budget deficit (1.6%) in the Union. These data also remain rather stable and the budget deficit is raising less rapidly than in the other EU countries. Public investment (in % GDP) remains lower than is the case with the best performers, while it slightly decreased between 2010 and 2015.

Table 1: General government budget data

LUXEMBOURG	2010	EU 28 Rank	2015	EU 28 Rank	Δ Value	Δ Rank
Total expenditures (in % GDP)	44.38	20	42.12	19	-2.26	+1
Central government share (%)	72.98	11	72.64	11	-0.34	0
State government share (%)						
Local government share (%)	11.83		10.96			
Public investment (in % GDP)	4.74	7	3.96	12	-0.78	-5
Debt in % GDP	19.90	2	22.09	3	+2.19	-1
Deficit in % GDP	-0.7	2	1.6	1	+2.3	+1

Sources: AMECO, Eurostat

Public sector employment is in Luxembourg with 24.80% (of total labour force) relatively high as compared to other EU Member States. The same also refers to general government employment. These values also remain rather stable between 2005 and 2011 or they show in other words that the size of public employment has not considerably changed in relation to the development of the total labour force. During this period, Luxembourg has – as opposed to many other EU Member States – not reduced the size of government employment through recruitment freezing or/and downsizing.

Government employment in 2015 was 38 275. The allocation of staff between central government and local government very well illustrates the centralized structure of the Luxembourgish state. The share of central government is 78,37% as compared to a share of 13,40% for local government.

LUXEMBOURG	2016
(1) General government employment*	38275 (2015)
thereby share of central government (%)	78,37%
thereby share of state/regional government ² (%)	----- ----
thereby share of local government (%)	13,40%

¹ The content of this report only obliges the author and not the Ministry of Civil Service and of Administrative Reform of Luxembourg.

² Luxembourg has no intermediate level of government

(2) Public employment in social security functions	199
(3) Public employment in the army	472
(4) Public employment in police	2070
(5) Public employment in employment services	380
(6) Public employment in schools and day-care	12 905
(7) Public employment in universities ³	----- --
(8) Public employment in hospitals ⁴	----- --
(9) Public employment in core public administration calculated (1) minus (2)-(9)	22 249
(10) Core public administration employment in % of general government employment (10)/(1)	58,13%

Sources: Ministry of Civil Service and of Administrative Reform; STATEC, the Official Statistics Portal, Luxembourg.

*General government employment excludes public corporations.

2 SCOPE AND STRUCTURE OF GOVERNMENT

2.1 State system and multi-level governance

Luxembourg is a centralized unitary state with no intermediate level of government. The only decentralized level of government are the 105 municipalities, whose territorial autonomy is anchored in article 107 of the Constitution and whose fiscal autonomy is settled in the articles 99 and 102 of this same document. The Grand-Duchy is also subdivided into districts and cantons which have however no decision-making power and no own competencies. They correspond to purely deconcentrated territorial subdivisions such as is for instance the case with the administration of road works and road buildings and the administration of the environment. Major tasks and missions of the municipalities are laid down in a law of 13 December 1988 and in special laws which define their tasks in the fields of primary education, water supply and distribution, land use, social welfare and protection of the environment. Municipalities operate under the supervision of the Ministry of the Interior.

Major responsibilities of the municipalities⁵ include the following:

- Land use planning and land allocation;
- The issuing of police decrees in order to maintain public order;
- The organization of pre-school;
- Drinking water supply and wastewater treatment;
- Waste disposal;
- The protection against noise and air pollution;
- The building and maintenance of the public roads network as well as the issuing of municipal traffic decrees;
- The administration of the population register;
- The social assistance office;
- The cemetery administration.

³ Employment of the University of Luxembourg is not considered to be part of public employment, The great majority of employees of the university are employed under the status of private employees.

⁴ Employees in hospitals are not considered as public employees.

⁵ Kommunalreform und Bürgerbeteiligung im Grossherzogtum Luxemburg', presentation given by Jean-Marie Halsdorf, Minister of the Interior, Luxembourg, in the context of a workshop in Trier on 7th February in 2012, p.2.

Besides these basic public services, certain municipalities offer additional services such

Government level:	Legislation	Regulation	Funding	Provision
Central government/ Local government				
-Defence	Central government	Central government	Central government	Central government
-External Affairs	Central government	Central government	Central government	Central government
- Internal Affairs	Central government	Central government	Central government	Central government/ Local government (F)
-Justice	Central government	Central government/ Local government (A)	Central government	Central government/ Local government (A)
-Finance/Tax⁶	Central government	Central government	Central government/Local government	Central government/ Local government
-Economic Affairs	Central government	Central government	Central government	Central government
-Environmental protection	Central government	Central government	Central government	Central government/ Local government (B)
-Health	Central government	Central government	Central government	Central government
-Science and research (incl. universities)	Central government	Central government	Central government	Central government
-Social welfare	Central government	Central government	Central government	Central government/ Local government (D)
-Public utilities (transport, water, electricity)	Central government	Central government/ Local government (C)	Central government	Central government/ Local government (C)
-Education	Central government	Central government	Central government	Central government/ Local government (E)

as day care facilities for children, retirement homes, infrastructure for cultural and sports events and local public transport.

Major income sources of the municipalities are a basic funding by the central state and the occupational tax (*Gewerbsteuer*).

⁶ The occupational tax (*Gewerbsteuer*) is levied by the local level.

- A) The municipalities have the competence to issue police decrees in order to maintain public order;
- B) The municipalities should protect residents against noise and air pollution;
- C) The municipalities are responsible for the building and maintenance of the public roads network as well as the issuing of municipal traffic decrees; they are responsible for drinking water supply and wastewater treatment;
- D) The municipalities are responsible for the management of social assistance offices;
- E) The municipalities are responsible for the organization of pre-school;
- F) Land use planning and land allocation;

The size of Luxembourgish municipalities varies to a large extent. As compared to the largest municipality, the city of Luxembourg, which counts 114 090 (2016) inhabitants, many of the other municipalities of the Grand-Duchy are much smaller and count less than 3000 inhabitants. In the past, these municipalities more and more faced problems to offer the whole range of services to citizens in an adequate way. Hence, this challenge has led – already since a decade – to the creation of so-called municipal syndicates, or associations of municipalities, whose major purpose is to jointly offer services for instance in the fields of waste management, water supply, sports and leisure activities etc.. During the last decade, the number of municipal syndicates has constantly risen. This trend also reflects the steady and fast growth of the population of Luxembourg, which goes hand in hand with a growing demand in services (e.g. housing, infrastructure) and puts under pressure the traditional administrative structure and particularly some tiny local entities with very limited resources. In this precise context, the topic of performant municipalities, which guarantee the same high level of services across the whole country and which function efficiently, remains high on the agenda. Major reform discussions and topics include further on the redefinition of administrative structures such as the enhancement of municipal mergers⁷, and the relations between the central state and the local level such as the reform of the municipal finances aiming at more stable local finances.

Innovative public administration reform initiatives remain rather limited at the local level.⁸ Big reform projects in the fields of HR and organizational management are usually launched at the level of the central public administration, before being adopted at the local level. This is for instance the case with the big reform package 6457 which was adopted in March 2015 and which introduced management by objectives by promoting the development of strategic work programmes at organizational and individual level. Most of the guidelines developed at central level were taken over at the local level (in a slightly adapted version).

State structure (federal - unitary) (coordinated – fragmented)	Executive government (consensus – intermediate – majoritarian)	Minister-mandarin relations (separate – shared) (politicized – depoliticized)	Implementation (centralized - decentralized)
Unitary	Consensus	Separate Slightly politicized	Centralized

⁷ More than half a dozen of municipal mergers have so far been implemented.

⁸ With perhaps the exception of some municipalities such as the city of Luxembourg.

2.2

Structure of executive government (central government level)

The Luxembourgish government is composed of 19 ministries and the Prime Minister's Office. A ministry is led by a Minister and in some cases a state secretary⁹ (political position) who works under the authority of the Minister. At the administrative level, ministries are staffed at the highest hierarchical level with General Administrators (*administrateurs généraux*), First Advisors of Government (*Premiers conseillers de gouvernement*) and Advisors of Government (*conseiller de gouvernement*).

At a first level, the ministries are subdivided into 'divisions', 'directorates', 'directorates-general', 'services', depending on the ministry.¹⁰ As compared to a 'head of an administration with a separate management structure' (see below), the 'head of a directorate' or the 'head of a division' enjoys in general less managerial autonomy. These leaders also do not establish a work programme for their unit as is the case of the former ones.

In a general way, it is distinguished within government between three types of administrative entities¹¹ which are characterized by a different level of managerial autonomy:

1. The general services (*'services généraux'*) which are placed under the responsibility of a ministry. General services don't have a legal personality; they have however a certain managerial autonomy, which is based on a legal act including a description of their mission. Examples are the tax administration and the customs administration.
2. The services with a separate management structure (*'service à gestion séparée'*), are in so far different from the general services as they are responsible for setting-up an own budget. Hence, as compared to the general services, they possess a certain financial autonomy. An example is the Center of Information Technologies (CTIE).
3. The public agencies or *établissements publics*, which are decentralized services of the state. Public agencies are separate legal entities and they possess - as compared to the other two types of administrations - more managerial flexibility and a higher degree of financial autonomy. Public agencies are mandated through a legal act to manage specific public services and thus aim to cover specific needs of the general interest. The Minister is not (directly) responsible for the daily executive management of public agencies. He/she however is indirectly responsible for the managerial efficiency of *établissements publics*, since he/she is responsible for their funding. Hence, the Parliament must for instance approve their budgetary accounts by a legal act. Examples of *établissements publics* are the university of Luxembourg, the Institute of health, the savings bank (*'Caisse d'Épargne de l'État'*), the post office as also many cultural institutions such as the Philharmony.

The *établissements publics* are supervised by a board of governors¹² which is composed by representatives of the state and by qualified persons of the field of expertise of the agency.

Luxembourg is characterized by a rather high level of centralization and a strong state tradition, which is partly due to the small size of the country. Although some reforms

⁹ A state secretary is a politically appointed position. A state secretary is appointed by the Grand-Duc on the advice of the Government. They however, don't have individual competences (*'attributions'*), but their competences cover those of the minister under whom they work. In practice, they share the work with their minister and they possess a 'delegated signature'.

¹⁰ For more information, see the following website

<http://www.annuaire.public.lu/index.php?idMin=>

¹¹ OECD, La procédure budgétaire au Luxembourg: analyse et recommandations, Paris 2013, p.16.

¹² The members of the board of governors are appointed by the Council of Government (*'Gouvernement en Conseil'*).

aiming at a certain decentralization have taken place, such as the introduction of the status of the 'service à gestion séparée', the trend towards agencification has remained very limited. The organization and structure of the state as well as the financial management have basically not changed.

In the Grand-Duchy, the Center of Government concept is not applied. It is interpreted in a broad sense and institutions providing support to the supreme executive authority are first of all the State Ministry and the Preparatory Cabinet of High Level Representatives of the ministerial departments¹³. According to recent research, the centre of government is -with an estimated number of 100 full-time public employees- relatively small.¹⁴ Its major functions are rather limited and include the following: Firstly, the support to activities of the Cabinet (e.g. the planning and preparation of government meetings, the provision of legal expertise for the preparation of the documents presented to the government meetings) and secondly, the overall monitoring of policy development (e.g. national strategic planning, coordination of the policy planning and legislation).

The internal management of ministries is characterized by a rather top-down culture and a high involvement of top managers such as the General Coordinator or Director General in nearly all the decisions.¹⁵ Despite this rather top-down culture, the working style is pragmatic and can be described as combining formal and informal practices.

Core processes of the Luxembourgish public administration such as recruitment, selection or also the management of the budget are characterized by a formal procedure. Hence, the development, management and monitoring of the budget is in Luxembourg a rather formal process. It is subordinated to a clear procedure and tight calendar, which is running from April to October (submission of the budget to the Parliament). Cornerstones of this procedure are the following:

- The issuing of the budgetary guidelines ('*circulaire budgétaire*') in May.
- The preparation of budgetary proposals by ministerial departments and their submission to the general inspectorate of finances (IGF) ('*inspection générale des finances*') of the Ministry of Finance during April-May.
- The analysis of budgetary proposals by the IGF and their finalization during interdepartmental meetings with line ministries (by using the method of contradictory exams of the budgetary proposals) (May-June).
- The preparation of the meetings dedicated to the budget of the Council of Government during June-July.
- The finalization of the draft budget by the Council of Government in September.
- The submission of the budget to Parliament in October.

The budgetary guidelines ('*circulaire budgétaire*') are a key tool in this process, which are developed by the ministry in charge of the budget. They set up the contextual framework for the development of the budgetary proposal at ministerial level and contain the political guidelines (e.g. budgetary strategy and objective) and technical guidelines (e.g. macro-economic hypotheses and forecasts on inflation).

The budgetary procedure is characterized by the key relevance of the ex-ante control, which is carried out by the Directorate of the financial control ('*direction du contrôle*

¹³ The Preparatory Cabinet is composed by the highest administrative representatives of the 19 ministries or in other words by the Directors General or the General Coordinators. Its major task is to prepare the meetings and decisions of the Council of Government.

¹⁴ Safege B., EUPAN Presidency of Latvia, Report on Centres of Government in the EU Member States, 2015, p. 14, p. 42, p. 109ff.

¹⁵ This may however vary according to ministerial departments. So far, there is no research on this issue.

financier’) Hence civil servants of this directorate – a service of the Ministry of Finance – are located in the 19 ministries. They are however not reporting to the hierarchy of the 19 ministries, but to the Ministry of Finance. This procedure gives them a high degree of independence. Their major tasks are to authorize all liabilities on the one hand and on the other hand all payment orders. Hence all liabilities and payments in all ministries must be approved by them. Financial controllers also verify the legal regularity and they make sure that payment orders are correctly booked.¹⁶

Financial management practices of the administrations and services of the state, which may also cover performance aspects and the instruments used, are audited by the national court of auditors. This institution each year develops a general report on the accounts of the state for the Parliament. Moreover, the court can also present on its own initiative findings on specific areas of financial management in special reports.¹⁷

The Court of Auditors has become a key watchdog in the field of financial management. Since its reform in 1999, which aimed at a stronger ex-post control through for instance introducing the competence to verify the effective management of taxpayers’ money, capacities in the field of independent oversight bodies have been strengthened. Through its special reports screening the management of the “établissements publics”, it can for instance point the finger to mismanagement, abuse of public money and the disrespect of procedures and hence increase political pressure.

During the last twenty years, it was the creation of the Ombudsman in 2003, which strengthened (besides the court of auditors) the institutional capacities in the field of independent oversight and accountability mechanisms. Since 2003, each citizen can address a complaint with regard to the functioning or a decision of a state/local administration or an “établissement public”. The ombudsman can however only act after the concerned citizen has personally intervened at an administration or has contested a decision. Through its recommendations, it can gain some influential power and inspire change and public administration reform.

The Ministry of Civil Service and of Administrative Reform (MFPRA) is responsible for the development, coordination and implementation of administrative reform. It is the MFPRA which drafts the legislation in this field, which is then presented to the Council of Government. Further tasks of the MFPRA include guidance, counselling as well as the monitoring of the implementation of reform initiatives. The strategic orientation of the reform programme is in essence laid down in the Governmental Programme.

The development, management, implementation, monitoring and evaluation of reform initiatives (including the introduction of new tools) require a high level of expertise and know-how on the one hand and on the other hand a high number of resources in order to make sure that these reforms are effective and work in practice. These requirements are a huge challenge for small administrations (as is the case with Luxembourg), which are characterized by limited resources and limited expertise due to the fact that public employees are first of all generalists. Moreover, ministerial departments are characterized by a high level of heterogeneity as regards know-how, expertise, capacity and competencies in the fields of organizational and HR management. Hence, the level of quality and of the implementation of administrative reform varies to a large extent across Government.

¹⁶ OECD, 2013, p.47ff.

¹⁷ For more details, see the following website <http://www.cour-des-comptes.lu/cour/fr/en/index.html>

3 KEY FEATURES OF THE CIVIL SERVICE SYSTEM

3.1 Status and categories of public employees

The Luxembourgish civil service (*'fonction publique'*) is composed by civil servants, state employees and salaried workers who work in the general public administration (the ministries and their subordinate services) the Judiciary and administrative courts, the army and police and the educational sector.

Hence, the personnel of the civil service are characterized by three different categories of public employees¹⁸: 1. The State civil servants (2015: 64,9%¹⁹) whose employment and working conditions are regulated by the (amended) status of civil servants of 16 April 1979 and 22 June 1963. Their relationship with the State employer is governed by public law and characterized by a unilateral agreement with the State. 2. State employees (2015: 25,3%) who have a status defined by a set of alternative or additional rules to the civil servants' status.²⁰ Certain points such as continuous training or allowances are covered therein. Their relationship with the State employer is characterized by a contractual agreement and a hybrid status, which is both influenced by labour and by public law. 3. State manual workers (2015: 9,8%) whose working conditions are covered by a collective bargaining agreement and governed by private law.

The civil service is characterized by a career-based system, which according to Demmke belongs with Greece, Cyprus, Ireland, Portugal and France to the most traditional bureaucracies within the European Union.²¹ Employment rules and HRM in the public service are characterized by huge differences as compared to those prevailing in the private sector. Differences are particularly well illustrated by the following characteristics of the highly legalistic Luxembourgish system: 1. A specific recruitment system which is based on a competitive selection; 2. Career and pay progression remain to a large extent determined by seniority; 3. A high level of job security; 4. the existence of a special disciplinary legislation and administrative courts. Although current HRM reforms aim at promoting a more flexible and agile public administration by for instance introducing a more competency-based HRM, there exists no policy to systematically align practices and processes in both sectors as is done in most position-based systems. The public and private sectors remain two separate spheres characterized by different rules and values. This is for instance well illustrated by the fact that the philosophy of 'New public management' hardly played any role in the modernization process of the Luxembourgish civil service.

However, under the pressure of fast change, a much higher workload and digitalization, it can be observed that during the last decade, the Luxembourgish civil service more and more attracts and recruits people with private sector experience in order to fill positions demanding a highly specialized profile.²² Besides this growing mobility between the public and the private sector, mobility is also enhanced between other levels of

¹⁸ Employees of municipalities can also be employed under different status'.

¹⁹ Ministère de la Fonction publique et de la Réforme administrative, Rapport d'activités 2015, Luxembourg 2016, p.10.

²⁰ Although differences between civil servants and state employees are diminishing, some major differences such as the unilateral employment relationship (civil servants), the taking of an oath (civil servants), a slightly more favourable career development (civil servants), a longer and more complex recruitment procedure characterized by the concours system (civil servants) and the higher job security during the first 10 years of employment (civil servants) persist.

²¹ Demmke C., Moilanen T., Civil services in the EU of 27, Frankfurt a. M., 2010, p. 11, p. 188ff. In order to rank the 27 EU Member States, the authors distinguished between five main components: legal status, career structure, recruitment, salary system and tenure system. While each component had an equal weight within this model, each component was subdivided into one or several sub-items.

²² Unfortunately no statistics exist in this field.

government as is for instance shown by the newly introduced mobility between the local level and the level of the central public administration.

3.2 Civil service regulation at central government level

The regulation of the civil service is based on the status of civil servants of 1979 (the law of 16th April 1979) on the one hand and on the other hand on the state civil servants' remuneration regime (the law of 22th June 1963). These legal documents have since then been regularly and continuously adapted to new social and economic developments. For the first time in the history of the Luxembourgish civil service, these two basic legal texts have introduced unified rules for state civil servants and partly for state employees in the fields of civil service access, rights and obligations of civil servants, career progression, promotion, training, ancillary activities, employment and working conditions, right of leave, holidays, remuneration, right to strike, personnel representation, disciplinary legislation. Since then, these unified rules are laid down in a single and coherent legal framework. The development of this 'Luxembourgish Charta of civil servants' –as it is sometimes called, is on the one hand inspired by German and French public service law and on the other hand by the 'status of the European public service' which was developed between 1963 and 1967. The fundamental principles of the public service law are moreover anchored in the articles 30, 31, 35, 54(2) and 110 of the Constitution such as for instance the obligation to take an oath, rules regarding the incompatibility with other functions as also the principle that state civil servants can only be deprived from their office, or pension rights or distinctions by the way of law or in other words have to be validated by law.

Since 1979, the content of the civil servant's status has been regularly updated to a fast changing societal, socio-economic and technological context. Major modifications until 2015 primarily included the introduction of more attractive working conditions and work arrangements such as the following: the introduction of more flexible working time arrangements and possibilities to work 25%, 50% or 75%²³, enhanced rights for maternity leave and part-time employment in order to better reconcile professional and family life, the introduction of different types of leaves such as leaves for professional development, health issues, family reasons etc., the possibility to benefit from telework, an enhanced consideration of health at work by strengthening capacities in the fields of occupational medicine and psychology, by introducing a delegate for promoting equal opportunities, and by strengthening measures against discrimination and mobbing. Last but not least salaries have been regularly improved through favourable pay negotiations with trade unions.²⁴

The most far-reaching and extensive reform²⁵ of the civil service regulation in terms of impact on the personnel and organizational management, occurred in 2015 with the adoption of the principle of 'management by objectives'²⁶, the introduction of an evaluation system for civil servants and the introduction of a procedure in case of insufficient performance, which makes it possible to dismiss civil servants for lack of performance in very rare cases.

²³ Possibilities for part-time work have been further extended to options of 90%, 80%, 75%, 70%, 60%, 50% 40% in the latest framework agreement between the state and the "Confédération Générale de la Fonction Publique" (CGFP).

²⁴ It is particularly the salaries of the lower grades (secondary school) and the salaries at the start of the career which are attractive as compared to the private sector.

²⁵ Before 2015, reforms to the civil service regulation have been punctual and were spread over a longer period.

²⁶ Key elements of the management by objectives methodology are the development of a three-year working programme which contains the priority objectives and projects to be achieved and implemented by the ministry and which are cascaded down from organizational level to individual level during individual staff interviews.

As these examples show, the civil service regulation has been submitted to regular revisions, which have entailed modifications to the original text of 1979. Hence, during the last 37 years, the original legal text has fundamentally changed its form and shape through numerous amendments, additions, new articles and the suppression of some texts, sentences etc. It has in essence become more complex and last but not least also more difficult to read due to the mixture of nitty gritty details with basic principles, rules and concepts. In order to ensure an optimal comprehension of this basic text, it would surely be helpful to improve its coherence and consistency through a codified version.

Reforms to the civil service regulation in essence reflect European trends and developments, although they were often not so far-reaching. In this sense, it was never discussed to abandon the status of the civil servant and to 'privatize' the employment and working conditions of public employees. Until nowadays, a key challenge of the reforms of the civil service regulation remains their implementation into the daily personnel and organizational management.

The civil service regulation laid down in the status of civil servants is binding for all civil servants and state employees of the central public administration.

3.3 Key characteristics of the central government HR System

The HRM system of the central public administration is characterized by a rather centralized structure. Major HRM functions are located in one central body, the Ministry of Civil Service and of Administrative Reform (MFPPRA), which is in charge of setting the rules of the general HRM policy for all public employees of the central public administration (recruitment and selection rules, promotion, appraisal, training, career management, remuneration, and pensions). The MFPPRA is the key actor responsible for the management of the whole state personnel as well as for HRM reform. Hence, in the framework of objectives set by the Government, it acts both at the strategic and operational level by for instance drafting legislation, developing guidelines for implementation, by carrying out training, etc.

However, decisions to hire personnel are made by the Council of Government, on the advice of a Commission, called the Savings and Rationalization Commission (SRC). Each year, the SRC sends, via the Prime minister, a circular to the ministerial departments and the administrations, inviting them to detail their requirements for additional personnel. The SRC examines these proposals and submits recommendations within the budgetary law to the Prime Minister. The recruitment of civil servants is done by way of competitive examination organized by the MFPPRA. The final selection of the successful candidates is made by the different ministerial departments in collaboration with the MFPPRA.²⁷

There exists in Luxembourg no separate executive civil service system being characterized by different employment conditions and a different HRM management system. However, in 2005²⁸, some specific appointment rules have been introduced for certain top civil service positions and particularly the principle of the 7-year term nomination with the possibility of renewal. In this legal act of 2005, it has also been laid down that top managers (e.g. directors-general and directors etc.) should possess managerial and leadership competencies to be regularly appraised. So far, this clause has not yet been implemented.

So far there are also no specific recruitment and selection rules for senior civil servants. Top managers are 'recruited' upon a proposal of the Minister of the department, which

²⁷ Irish EU Presidency Study (2013), Structure of the Civil and Public Service of the EU Member States, p. 90ff.

²⁸ Loi du 9 décembre 2005 déterminant les conditions et modalités de nomination de certaines fonctions occupant des fonctions dirigeantes dans les administrations et services de l'État.

should be validated by the Council of Government. They are appointed by the head of State. Most often, they are 'recruited' among internal civil service staff.

Social dialogue and social partnership are rather strong in the Luxembourgish public service and have a long tradition. At the level of the central Government, the state employer's interests are represented by the Ministry of Civil Service and Administrative Reform (MFRA), while the CGFP (*Confédération Générale de la Fonction publique*) plays on the employees' side the most important role. Although working conditions are defined unilaterally by law, social dialogue plays in practice a most significant role. No important reform initiative in the field of personnel policy and organizational management can be adopted without the consent of the CGFP – the only representative trade union in negotiations about statutory changes. The strong role of the social partnership and dialogue in the public service is also underlined by the fact that no law concerning statutory changes can be adopted without having beforehand consulted the Chamber of civil servants and state employees. Its 27 members are elected every five years by public employees in general elections. Members of the CGFP hold a majority of seats. There is also a legal obligation in Luxembourg to put in place collective agreements once they have been adopted.

According to both research²⁹ and experience, average tenure of top civil servants (General Coordinator, Director-General, Director) is generally rather long (more than 9 years) in the Luxembourgish civil service as compared to other EU Member States. They usually serve different coalition Governments. However after the last elections in 2013, which led to a radical political change³⁰, some top civil servants at general coordinator level and director-general level had to step down due to disagreements with the political level, while they were replaced by more 'loyal' top civil servants. Although Luxembourgish Ministers cannot rely on a political cabinet, top civil servants are nominated upon their proposal. They have moreover the possibility to nominate 1-2 advisors whom they trust as First Advisor to the Government (*Premier Conseiller de Gouvernement*), which corresponds to a political nomination. According to a law of 2005 concerning the nomination modalities of top civil servants, the mandate of this group of civil servants can be terminated in case of a persistent disagreement between the Government and the top civil servant about the execution of their mission. At the general level of the public service, patronage is limited for civil servants posts through the formal civil servant's recruitment procedure, which is characterized by a competitive examination. At current stage, Luxembourg doesn't so much face the problem of patronage, but more the problem of finding the right person for the right position in the civil service.

As noted above, collective bargaining and pay negotiations are quite significant in the Luxembourgish public service. Pay negotiations take place every 2-3 years.

As an ILO report notes³¹, 'Public sector salaries, allowances and salaries are established by index points. The annual value of 100 index points was determined by the modified law of 22 June 1963, which established the numerical value of the salaries of civil servants...Furthermore, Article 11 of the law of 22 June 1963 on the pay of state employees provides for periodic adaptation to changes in the cost of living.' There exists no performance oriented pay system. Salary levels for the different grades and functions are laid down in a grid which has been adopted by law.

HR system	Employment status	Differences between	Turnover
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²⁹ Ennser-Jedenastik L., Credibility and control, Agency independence and partisan influence in the regulatory state, in: Comparative Political Studies, 2015, Vol 48 (7), p. 845.

³⁰ A radical change in the sense that the Christian Democrats are since then and for the first time since long not represented in the Government.

³¹ International Labour Office, Collective Bargaining in the Public Service in the European Union, Working Paper N° 309, p.14-15.

(Career vs. position based)	(civil servant as standard; dual; employee as standard)	civil servants and public employees (high, medium, low)	(high, medium, low)
Career-based	Civil servant as standard with a growing trend of hiring more employees	Low	Low

Coherence among different government levels (high, medium, low)	compensation level vs. private sector (much higher, higher, same, lower, much lower)	Formal politicization through appointments (high, medium, low)	Functional politicization (high, medium, low)
High	Much higher (particularly at career beginning and for lower grades)	Low with an upwards trend	Between low and medium

4 POLITICAL ADMINISTRATIVE SYSTEM AND POLITICAL ECONOMY

4.1 Policy-making, coordination and implementation

Luxembourg is a Unitarian and rather centralized state with no constitutionally entrenched division of state power.³² All legislative powers are located at the central state level. There is no intermediate level of Government such as regions, *Länder* or departments in Luxembourg. The only decentralized tiers of Government are the 105 municipalities. The municipality is an autonomous community and it has a legal entity. Each municipality directly elects for a period of six years a municipal council headed by a mayor. The administration and the management of public administration reform at the local level are under the responsibility of the Ministry of the Interior.

As opposed to a majoritarian democracy, a consensual democracy is characterized by the fact, that the power at central governmental level is inclusive and shared on the basis of a coalition government, a proportionate electoral system and a multi-party system. Luxembourg is – according to this definition – a consensus democracy being characterized by coalition governments which agree on major political topics and which strive for compromise-building in case of conflict. During the last decade, the Governments were characterized by a coalition of two parties, usually with the Christian Democrats as the dominant party.³³ The strongly consensual political culture is also underlined by the fact that the electoral system of proportional representation ensures that small political groups are fairly represented.

Inclusive and consensual decision-making is further on guaranteed by a traditionally strong social dialogue being characterized by an institutionalized representation of employers' and employees' interests in important decision-making bodies. The most important aim of this often called 'Luxembourg model' is to safeguard social peace through an adequate redistribution of the results of economic growth. This tripartism is according to Hirsch best illustrated by 'a kind of ongoing de facto policy-making

³² Pollitt CH., Bouckaert G., Public Management Reform, Oxford 2011, p. 51.

³³ Since 2013, the Government is characterized by a coalition of three parties (the Democrats (DP), the Socialists (LSAP) and the Green party without the participation of the Christian Democrats).

roundtable discussion among the Government, employers and unions representing both the public and the private sector'.³⁴

The Luxembourg political system is characterized by a strong representation of corporatist interests. Five professional chambers³⁵ ensure that professional interests are involved in the policy-decision making process: three chambers represent the interests of the employers' side and namely the chamber of trade, of crafts and of agriculture, and two chambers represent the interests of the employees' side and namely the chamber of salaried workers and the chamber of civil servants and of public employees.³⁶ The chambers are public bodies with civil law legal personality. Their members are elected for five years. The opinion of the chambers is mandatory on all legislative proposals, regulations and bills which touch upon the fields of competence of the professions represented by the chambers.

In Luxembourg citizen participation in policy decision making is in essence promoted by two instruments. The first instrument is the possibility of the Government to ask citizen's opinion in a consultative referendum, for which voting is compulsory for all registered voters.³⁷ Experience shows that subsequent governments have taken the results rather seriously by respecting the 'vox populi'. During the last twenty years, two referenda have been organized under two different governments on political issues of key relevance for the future of Luxembourg. Firstly the referendum of 7th June 2015 which asked citizen's opinion on 3 issues and particularly on the introduction of active voting rights for non-Luxembourgers to the Parliament and secondly the referendum of 10th July 2005 on the European Constitution.

The second instrument is the individual right of citizens to launch a public petition on the website of the '*Chambre des députés*' for signature. The objective of this instrument is to give a public voice to citizens³⁸, although it doesn't confer 'real' decision-making powers to them. However if a petition reaches 4500 signatures, a debate must be launched in Parliament. This procedure shows that the real impact of a petition is to start a debate about a certain topic which may become a real political topic.

The Luxembourgish political administrative system is characterized by a rather high degree of stability and continuity. The tenure of top civil servants and other civil servants is usually rather long (see also under 3) and not linked to the change of governments.³⁹ Since seniority is still an important criterion for promotion to higher positions and since there is no performance management system in place for top civil servants or other categories, mobility at all levels remains rather low – although it is slightly increasing since the last decade.⁴⁰

It can however happen in rare cases that a top civil servant has to step down because of political or other disagreement with his/her minister. In this sense and as already written in chapter 3, ministers do have a strong say as regards the appointments of top positions, without however relying on the expertise of a political cabinet.

³⁴ Hirsch M., Social partnership and tripartite arrangements work only under fair weather conditions, in: Paper presented at the Politolognetmaal, KULeuven, 28 May 2010, p1.

³⁵ Loi du 4 avril 1924 portant création de chambres professionnelles à base électorale; loi du 12 février 1964 portant création d'une chambre des fonctionnaires et employés publics.

³⁶ In 2009, the chamber of labour and for private employees was merged into the chamber of salaried workers.

³⁷ The referendum is laid down in article 51 of the Constitution.

³⁸ Between January 2014 and January 2017, 397 online petitions were launched on the website of the Parliament to be signed. However only 21 reached the needed quorum of 4500 signatures. See, 'Luxemburger Wort', 27th January 2017, p.2.

³⁹ However, during the change of Government in 2013, which brought about a coalition without the Christian Democrats after a long time, some long-tenured top civil servants were replaced under the new Government.

⁴⁰ There is unfortunately no research nor data about this topic.

Policy-making in Luxembourg happens in a very cooperative and collaborative way in the sense that many actors and predominantly political actors such as interest groups, chambers, and trade unions are involved in shaping decisions and negotiating compromises. Depending on the ministry such as is for instance the case with the Ministry of Civil Service and of Administrative Reform, consultancies and external experts also play a more and more important role by giving active policy advice.

Distribution of powers	Coordination quality (high, medium, low)	Fragmentation (high, medium, low)
Inclusive and shared	High	Low

Political economy (liberal – coordinated)	Interest intermediation (corporatist – pluralistic)	Citizen participation (strong – weak)	Policy style
Coordinated	Corporatist	Medium	Consensual

Sources of policy advice (mandarins, cabinets, external experts)	Administrative autonomy (high – medium – low)	Patronage & politicization (formal, functional) (merit – patronage) (high – medium – low)	Public Service Bargains (Agency – Trustee)	Stability (high – low – no turnover after elections)
Experts, consultancies	Rather low	Low to medium		Rather high – however: a certain turnover in the upper echelons as was illustrated by the political change during the last elections at national level

4.2. Administrative tradition and culture

The Luxembourgish administrative system belongs to the classic Continental European rule-of-law (*Rechtsstaat*) culture. The country can be classified as a conservative welfare state such as Germany and Austria and it is characterized by a highly developed social security system.⁴¹ The highly legalistic culture is influenced by particularly French, but also Belgian and German public law. It presents strong traits of the Napoleonic model such as the Roman-French legal tradition, the high significance of statutory law, the pre-eminence of the principle of legality and a strong centralized Government.⁴²

⁴¹ Kuhlmann S., Wollmann H., Introduction to comparative public administration, Cheltenham 2014, p.14.

⁴²Ibid, p.10ff.

As regards the personnel system, Luxembourg belongs in the same way as its neighbouring countries France, Belgium and Germany, to the group of European states which classify as career-based systems. Employment and working conditions are in Luxembourg – as is typical for these systems – distinct in the public and in the private sector. The small country displays other typical characteristics of career systems such as recruitment for a career and unilateral appointment for most jobs, a statutory-based career management and remuneration system which is predominantly based on seniority and high job security. Mobility between the public and private sector is rather limited, although its scope is increasing since the last decade. As opposed to Anglo-Saxon and Scandinavian states, New Public Management (NPM) and managerial reforms hardly played any role in the modernization of the public service.

Key values and principles of public administration are laid down in the Constitution and status of civil servants. They refer to traditional public values such as impartiality, neutrality and independence.⁴³ In practice these values are for instance safeguarded by a rather high level of job security, recruitment and selection based on the *concours* system, the separate careers of ministers and top civil servants and the absence of a Cabinet system. As compared to these classic public service principles, values referring to performance and efficiency criteria are only slowly entering the public administration since the reform of 2015.

It can furthermore be observed that the discretionary power of the state is rather extensive. This is to a large extent due to the fact that Luxembourg has so far no general access to information law. It is essentially up to the Government to decide about the publication/communication of administrative documents.

From the point of view of the size, the small and 'generalist' Luxembourgish public administration can, with its approximately 27 000 public officials (France counts approximately 5 million civil servants), best be compared with a regional administration of a big state. Very often, people know each other in person or meet each other over and over again in different functions, which is also favoured by the fact that civil servants frequently pass their whole career in the civil service. This contributes in practice to a rather informal style of interpersonal relationships, low hierarchies and a rather pragmatic working style.

Administrative culture Rechtsstaat, Public Interest	Welfare state (liberal, conservative, social-democratic)	Public Sector openness (open, medium, closed)
Classic Continental European rule-of-law culture (Rechtsstaat)	Conservative welfare state	Closed with a trend towards medium

Key PA Values	Managerial vs Procedural (Managerial, Mixed, Procedural)	Red Tape (regulatory density) (very high to very low)	Discretion/autonomy (high, low, medium)
Impartiality, neutrality, independence	Procedural	Medium	High discretion

⁴³ See for instance article 14 of the status of civil servants as also article 110 of the Constitution and particularly the oath to be taken by each civil servant: *'Je jure fidélité au Grand-Duc, obéissance à la Constitution et aux lois de l'État. Je promets de remplir mes fonctions avec intégrité, exactitude et impartialité.'*

Hofstede's national culture dimensions confirm the traditionally status-quo oriented administrative tradition and culture, which is characterized by a high level of continuity and stability. Hence, Luxembourg particularly scores high on the 'Uncertainty Avoidance' dimension which illustrates the country's reluctance to test unknown territories and which only adopts new ideas or also new methods and management techniques when they already have proven successful in other countries. Its score along the dimension 'Long-term Orientation' points to the pragmatic culture of the public administration and the ability of Luxembourg to adapt traditions easily to changed conditions. Finally, when comparing Luxembourg's score along the dimension on 'Power Distance', the Grand-Duchy is closer to Germany than to France as regards its respectfulness to authorities and hierarchies.

Hofstede national culture dimensions		
Dimension	Value	Average EU28
Power Distance	40	52
Individualism/Collectivism	60	57
Masculinity/Feminity	50	44
Uncertainty Avoidance	70	70
Long-term Orientation	64	57
Indulgence/Self-restraint	56	44

Sources: **Geert Hofstede's national culture dimensions**, <https://geert-hofstede.com/national-culture.html>.⁴⁴

5 GOVERNMENT CAPACITY AND PERFORMANCE

5.1. Transparency and accountability

Indicator	Value 2014	EU28 rank	Value 2016	EU28 rank	Δ Value	Δ Rank
Access to government information (1-10)	6.00	23	6.00	23	0.00	0
	Value 2013	EU28 rank	Value 2015	EU28 rank	Δ Value	Δ Rank
Transparency of government (0-100)	36.14	21	49.71	17	+13.57	+4
	Value 2010	EU28 rank	Value 2015	EU28 rank	Δ Value	Δ Rank
Voice and accountability (-2.5,+2.5)	1.56	3	1.52	5	-0.04	-2
Control of corruption (-2.5,+2.5)	2.06	5	2.12	4	+0.06	+1
TI perception of corruption (0-100)	85.00	5	81.00	5	-4.00	0
	Value 2010	EU28 rank	Value 2014	EU28 rank	Δ Value	Δ Rank
Gallup perception of corruption (%)	30.00	3	26.00	3	-4.00	0

Sources: Bertelsmann Stiftung, European Commission, World Bank, Transparency International, Gallup World Poll.

The indicators in the field of transparency and accountability illustrate a very mixed picture. As regards the first two indicators, Luxembourg's performance is much below average and also remains rather stable. The country could only improve its position in the field of transparency (+4). Luxembourg has so far no general access to information law. Access to information is limited to well defined sectoral areas (e.g. environment),

⁴⁴ Interpretation: power distance (high value = higher acceptance of hierarchy and unequal distribution of power); individualism (high value = stronger individualist culture); masculinity (high value = higher masculinity of society); long-term orientation (high value = stronger long-term orientation); indulgence (high value = indulgence)

for which there exists separate laws. It is essentially up to Government to decide about the publication/communication of administrative documents. Along these lines, a governmental guideline of 7th January 2016 lays down that civil servants should seek the agreement of their Minister, before releasing any information to media or else hand over the dossier to the press attaché.⁴⁵ Since the last decade, there have been ongoing efforts to introduce a general right of access to information and several proposals have been submitted to Parliament. The latest proposal which is under debate in Parliament and which establishes the creation of an independent Review Commission, as is the case in France and Belgium and which is inspired by the recommendations of the Council of Europe, is generally seen as a progress as compared to former proposals.⁴⁶ It has however not yet been adopted. Reasons for this delay are among others ongoing discussions about more far-reaching access to information rights for media and the search for a solution which promotes an efficient day-to-day functioning of the public administration.⁴⁷

The improvement of Luxembourg on the indicator transparency of Government in 2015 took place in the year during which the Government validated the project related to the creation of the open data portal. The declared objective of this portal – inspired by the French model – is to launch a new move in the field of transparency and first of all with regard to data produced by the administrations at national and local level. At current stage, the content of this open data portal is far from exhaustive, which corresponds to the Government's promise and strategy of a step-by-step approach of opening data to the public.

The last four indicators on accountability and level of corruption are based on perceptions. In contrast to the first two indicators, Luxembourg is among the best performers for these four indicators. The scores and ranking positions also remain relatively stable. The high rank score of voice and accountability shows that democratic institutions are functioning well and that Luxembourgish citizens are satisfied with the level of participation in policy-making. This high level of satisfaction is also underlined by the still favourable economic development, a still or again booming economy, high median wages and comparatively high level of political stability and social peace. Hence, trust in Government and political institutions in Luxembourg is particularly high as compared to all other EU Member States.⁴⁸ In the same way, the perception of corruption with regard to politicians and civil servants is much lower in Luxembourg as compared to the other EU Member States.⁴⁹ This trend helps to underpin the good performance of Luxembourg on the corruption indicator.

The slight deterioration on the indicator voice and accountability between 2010 and 2015 took place during a tumultuous period, during which the deep-rooted confidence of Luxembourgish citizens in government and its institutions was shaken by two major events. Firstly by the Luxleaks tax-shelter scandal in 2014, which is characterized by the fact that the Government had granted low tax rates to multinational companies and thus provided preferential treatment. Secondly by questionable activities of the governmental secret service (SREL), which were investigated by a special parliamentary committee. One might also mention in this context the public procurement with regard to a big

⁴⁵ Lettre circulaire aux départements ministériels, administrations et services de l'État, droits et devoirs des agents de l'État dans leurs relations avec la presse.

⁴⁶ See 'Draft bill N° 6810, Chambre des députés.

⁴⁷ Commission de l'Enseignement supérieur, de la Recherche, des Médias, des Communications et de l'Espace, procès-verbal de la réunion du 2 mai 2016, p.2

⁴⁸ In Luxembourg, 61% of respondents trust their national Government (Western European countries: is 37%). European Research Centre for anti-corruption and state-building, Hertie School of Governance, Public integrity and trust in Europe, Berlin 2015, p.10.

⁴⁹ Ebd., p.16. In Luxembourg, 45% are of the opinion that politicians are corrupt (Western European countries : 54%), while 25% are in Luxembourg of the opinion that public servants are corrupt (Western European countries: 32%).

building project in the small village of Wickrange, during which ministers were accused of favouring the bid of a company.⁵⁰

However, as the relatively minor deterioration of the indicator voice and accountability illustrates and as is confirmed by the rather stable corruption indicators, perception in these fields has not substantially changed after these events. Luxembourg could even slightly improve on the indicator control of corruption (+1), which appears to be rather high. In 2014, the Government introduced a code of ethics for Members of Government, according to which ministers and members of Government are only allowed to accept gifts up to an amount of 150 Euro. The code moreover lays down that they should disclose information on their financial interests such as financial participations, stock options, share in capital as well as on the professional activity of their spouse.

More importantly and with regard to the irregular functioning of the secret service, the Luxembourgish Parliament reacted fast by adopting in 2016 a law aiming to render the organization and functioning of this service more effective and thus preventing future illegal activities.

5.2 Civil service system and HRM

Indicator	Value 2012	EU28 rank	Value 2015	EU28 rank	Δ Value	Δ Rank
Impartiality (1-7)	3.00	14	2.75	15	-0.25	-1
	Value 2012	EU26 rank	Value 2015	EU26 rank	Δ Value	Δ Rank
Professionalism (1-7)						
Closedness (1-7)						

Sources: *Quality of Government Institute Gothenburg.*

Luxembourg is on the indicator impartiality at the European average. Impartiality of the civil service depends to a large extent on HR capacity and the HRM system and instruments in place. In the period between 2012 and 2015, HRM was characterized by a rather traditional approach in these fields. Luxembourg's performance as regards the use of modern human resources management instruments in the areas of competency and performance management was rather weak.⁵¹ Strategic management tools such as the setting of work objectives at organisational and individual level, staff evaluations, competency frameworks and in a general way more evidence-based steering tools were only introduced in 2015.

The tiny Luxembourgish public administration (in total 27.000 public employees) is characterized by very limited resources/capacity⁵², an ad-hoc, pragmatic way of day-to-day working and generalist public employees. A high number of ministries and agencies are suffering from a lack of personnel in a more and more complex political and economic context, which is characterized by an acceleration of the work rhythm and fast change on the one hand and a multiplication of work tasks on the other hand. Working styles and culture vary to a large extent in the different ministries as well as the maturity in the fields of organisational management and personnel policies. Until 2015, not every ministry had a fully developed strategic work programme and clear-cut competency profiles for all of their staff. Staffs' competences, performance and, motivation and engagement are not assessed.

⁵⁰ Sustainable Governance Indicators, Luxembourg Report 2015 and 2016 by Schneider K., Lorig W., Bandelow N.C., Bertelsmann Stiftung.

⁵¹ European Commission, Excellence in public administration for competitiveness in EU Member States, Brussels 2012, p.200ff.

⁵² In the field of European integration, Luxembourg – as a sovereign nation-state - has to fulfil for instance the same duties and obligations as its big neighbouring states France and Germany (e.g. implementation of EU directives, staffing of EU committees, working groups etc.). Thus, every civil servant is in charge of several tasks, whereas in a big State a whole team works for just one work task.

Due to the favourable economic situation, the Luxembourgish civil service had not to face painful downsizing. In contrast to most of the other EU Member States, the number of public employees is constantly growing. This is on the one hand due to the growing need for more specialized professional profiles and on the other hand to the fact that the population is constantly increasing and as a consequence the demand in the field of service delivery. Alone during the period 2011-2016, the total population increased by 12,5%.⁵³

Recruitment of ordinary civil servants is based on an anonymous merit-based competitive examination. Since it becomes more and more difficult to select enough people with the right profile to fill the vacant positions through this cumbersome procedure, more and more ministries bypass this difficulty by recruiting staff under the status of 'public employees'. Hence, the recruitment procedure for a position of a public employee is not only faster than the procedure for recruiting a civil servant, but it favours as well a better match between offer and demand through a job description, which is often better targeted at the profile described by the vacant position. However, this procedure doesn't guarantee the same high quality standards as regards objectivity and equal access as is the case with the civil servant's two-phased and anonymous selection procedure, during which all candidates participate in the selection under exactly the same conditions and under the same circumstances. Hence, this trend towards an increase of public employees being selected by a pure and often not structured interview is more prone to favouritism and subjectivity as is the case with the civil servant's procedure.

There are no formal criteria for selecting senior civil servants for the top positions of the public administration. All positions are however published in Luxembourgish newspapers and on the website. As mentioned in chapter 3, the Luxembourgish public administration is characterized by a certain politicization of the upper echelons. This is also due to the fact that the country has no cabinet system and that politicians need to rely on a small number of loyal collaborators in a system in which there is no clear separation between political and administrative positions.

5.3 Service delivery and digitalization

Indicator	Value 2013	EU28 rank	Value 2015	EU28 rank	Δ Value	Δ Rank
E-government users (%)	25.16	12	34.79	8	+9.63	+4
Pre-filled forms (%)	12.29	25	20.43	23	+8.14	+2
Online service completion (%)	63.86	20	77.86	19	+14.00	+1
	Value 2010	EU28 rank	Value 2016	EU28 rank	Δ Value	Δ Rank
Online services (0-1)	0.38	24	0.72	17	+0.34	+7
	Value 2013	EU27 rank				
Barriers to public sector innovation (%)	9.10	26				
			Value 2015	EU28 rank		
Services to businesses (%)			70.00	1		
	Value 2011	EU28 rank	Value 2016	EU28 rank	Δ Value	Δ Rank
Ease of Doing business (0-100)	66.92	22	68.81	26	+1.89	-4

Sources: European Commission Digital Economy and Society Index UN e-government Index, EU Scoreboard Public innovation, Eurobarometer num.417, World Bank Ease of Doing Business.

The indicators on service delivery and digitalization testify a remarkable upward trend of Luxembourg on all dimensions. This trend goes hand in hand with the introduction of an

⁵³ <http://www.statistiques.public.lu/fr/publications/series/regards/2016/16-16-evolution-population/index.html> (last view: 05.03.2017)

ambitious action plan in the field of digitalization. With the launching of the strategic initiative 'Digital Lëtzebuerg' the Government has been undertaking since 2014 a considerable effort to put the Grand-Duchy as a smart nation and a modern, open and highly connected state on the map of innovative countries. It demonstrates with this strategic plan a coordinated will to take up the digital challenge. The aim of the platform 'Digital Lëtzebuerg'⁵⁴ is among others to mobilize all relevant actors of the public and private sector for cross-fertilization. In this context regular meetings are taking place between key actors in the field of digitalization of the public and private sector. One priority in this context is the improvement of digital skills in the civil service such as of public sector leaders. Within this platform, a specific thematic group aims at boosting infrastructure and at speeding up the connectivity, while another group targets the upscaling of the e-administration such as for instance the online services by offering more pre-filled forms.

Along these lines, the Council of Government adopted in 2015 a set of principles aiming at a performant digital public administration. Cornerstones in this context are for instance: the principle of 'digital by default' and the principle of 'once only' whose major objective is administrative simplification. Projects are in place to fully implement both principles.

In the table, the upwards trend both of value and of rank for the first four indicators from 2013 to 2015 reflect the well targeted initiatives of the Government to speed up digitalized service delivery.

The excellent rank on the indicator services to businesses reflects the specific efforts dedicated to the target group of economic actors by offering new IT services and by simplifying their interactions with the public administration.⁵⁵

Public Sector Innovation is not only linked to digitalization, but also to innovation efforts in HRM and organizational management and in a general way to strengthening competencies for innovation. A comparison in the field of innovative HRM tools illustrates that Luxembourg pretty much lags behind in this field as compared to other EU Member States. Luxembourg displays a bad score in the ease of doing business which is linked to the fact that it still takes a comparatively long time to start a business, to register property and to get a credit.

5.4 Organization and management of government

Luxembourg scores very low in the field of strategic planning capacity in comparative perspective. The Grand-Duchy only introduced in 2015 the methodology of 'Management by objectives'⁵⁶ and strategic management tools in the state ministries and administrations. Since then, public organizations should establish a three-year work programme which lays down strategic objectives and priorities. In the small organizational entities of the public administration, the day-to-day work is very operational and ad-hoc, while being characterized by a rather short-term perspective. This is also due to the huge workload of senior civil servants and the fact that they are involved in a high number of projects. In such a context, capacities for long-term planning are limited and ministries are often not equipped with the required know-how

⁵⁴ 'Digital Lëtzebuerg' is an ongoing programme with ongoing projects such as improved online service delivery (e.g. tax administration) and an improved interactive space on My Guichet (<http://www.guichet.public.lu/myguichet/fr/index.html>)

⁵⁵ See in this context for instance the projects launched in the context of 'Einfach Lëtzebuerg' whose aim it is to improve and simplify the services to businesses. <http://www.fonction-publique.public.lu/fr/modernisation-etat/einfach/index.html>

⁵⁶ Ministère de la Fonction publique et de la Réforme administrative, La gestion par objectifs et le système d'appréciation des performances professionnelles des administrations et services de l'État, Luxembourg 2015.

for strategic and long-term planning.⁵⁷ The Institute of National Public Administration (INAP) is currently developing its training offer in the field of leadership and strategic management and particularly those programmes which target the top officials.

As compared to strategic planning, Luxembourg scores much better in the field of inter-ministerial coordination. It is among the five best performers. This very good performance also remains relatively stable during the period under revision. Different types of inter-ministerial meetings and committees such as informal and formal meetings and ad-hoc and longer termed task-forces, are playing an important role during the different phases of the decision-making process.⁵⁸ Informal coordination between colleagues of different ministries is often common and is favoured by the fact that often civil servants know each other very well in person and meet each other on a regular basis in different settings, which is linked to the close-knitted character of the Luxembourgish society. The quality of inter-ministerial coordination is moreover enhanced by the fact that Luxembourgish Ministers are often heading several ministerial departments. Hence, lesser key actors minimize the costs of coordination and require lesser coordination efforts. Under the current government, Minister Schneider is for instance Minister of the Economy, Minister of Defence and Minister of Internal Security.

Luxembourg is located in the first quartile in the field of implementation capacity. In case of big political projects of high national interest, policy implementation can function very well. Once all relevant political actors, interest groups, employers' and employees' organizations agree on the need, content and direction of a project, implementation can go fast. Research in the field of policy evaluation and implementation is however rather scarce.

Indicator	Value 2014	EU28 rank	Value 2016	EU28 rank	Δ Value	Δ Rank
Strategic planning capacity (1-10)	4.00	20	4.00	21	0.00	-1
Interministerial coordination (1-10)	8.33	5	8.00	4	-0.33	+1
SGI Implementation capacity (1-10)	7.29	7	7.29	6	0.00	+1
	Value 2012	EU26 rank	Value 2015	EU27 rank	Δ Value	Δ Rank
QOG Implementation capacity (1-7)						

Sources: Bertelsmann Stiftung, *Quality of Government Institute Gothenburg*.

5.5 Policy-making, coordination and regulation

Luxembourg is among the best performers in the field of societal consultation (4th position) – a position, which also remains stable over time. Interest groups, employers' and employees' organisations and NGO's are deeply involved in the law-making process. In case of opposition to the direction of political projects they can considerably slow down the decision-making process. Consultation is deeply rooted in the political culture and regularly takes place in numerous bi- and trilateral committees and commissions.⁵⁹ It however primarily involves the upper echelons of these organizations.

Moreover, in case of big political projects or the introduction of major innovations, the Government relies on the advice, studies and expertise of foreign experts and/or domestic consultancies and lobby groups. This large consultation and use of 'outside' knowledge and know-how largely compensates for the rather generalist Luxembourgish public administration.

⁵⁷ Sustainable Governance Indicators, Luxembourg Report 2016 by Schneider K., Lorig W., Bandelow N.C., Bertelsmann Stiftung, p. 47.

⁵⁸ Ebd., p. 50.

⁵⁹ Hirsch M., Le modèle luxembourgeois et ses limites, in : Allegrezza S., Hirsch M., von Kunitzki N., L'histoire, le présent et l'avenir du modèle luxembourgeois, Institut d'Études européennes internationales du Luxembourg, 2003, p. 139-159.

Indicator	Value 2014	EU28 rank	Value 2016	EU28 rank	Δ Value	Δ Rank
Societal consultation (1-10)	8.00	4	8.00	4	0.00	0
Use of evidence based instruments (1-10)	2.67	24	3.00	23	+0.33	+1
	Value 2010	EU28 rank	Value 2015	EU28 rank	Δ Value	Δ Rank
Regulatory quality (-2.5,+2.5)	1.69	5	1.67	7	-0.02	-2
Rule of law (-2.5,+2.5)	1.83	4	1.86	5	+0.03	-1

Sources: Bertelsmann Stiftung, World Bank.

In the traditional and classical public administration, new HR and organizational tools are introduced with a certain delay as compared to some other EU Member States such as the Nordic countries. Major reasons for this trend are limited internal specialization, the absorption by operational tasks and day-to-day business as well as change resistance. Hence, it is also not surprising that Luxembourg scores very low as regards the use of evidence-based steering and planning instruments such as Regulatory Impact Assessment (RIA). As regards RIA, its use in Luxembourg so far less sophisticated than in the EU Member States on average.⁶⁰

The highly legalistic Luxembourgish public administration scores very well on 'regulatory quality' and 'rule of law' with a slight downward trend. To a large extent spurred by businesses and SME's, administrative simplification and better regulation are since a decade high on the political agenda. This is for instance underlined by the introduction of action plans and efforts to improve the legal framework. It is also tried to involve as much as possible the relevant stakeholders in this process. This process is however rather slow and lengthy and results take time before becoming visible, which may explain the slight downward trend. In 2016 and in 2017, two major projects have been adopted in the field of administrative simplification. Firstly, a new action plan entitled 'Einfach Lëtzebuerg' and secondly, a new law entitled 'Omnibus' has been adopted, which aims to simplify and to shorten procedures in key policy fields.

Luxembourg performs slightly better on the indicator 'rule of law'. This good score is linked to the deeply rooted legalistic culture and the well-functioning constitutional state. However, according to expert opinion, court cases take far too long before being settled, because of too limited resources.⁶¹

5.6 Overall government performance

Luxembourg is a top performer on the indicator 'trust in government'. This favourable development is embedded in a context which is characterized by high GDP growth, very positive general economic parameters and a peaceful political environment. Between 2010 and 2016, these considerably high levels of trust were however somehow shaken by uncomfortable scandals in the context of the affair of the Secret Service and the Luxleaks revealing, which explain the downward move during this period.

Luxembourg scores very well as regards the performance of the public sector and the improvement of public administration over the last five years. Luxembourg is generally characterized by a rather efficient public administration, which is due to the fact that the small nation-state has to cover a high number of policies and topics with a very limited workforce. As compared to most of the other EU Member States, the Grand-Duchy has been much less hit by the financial crisis and has consequently not suffered from painful downsizing and restructuring. This development has had a positive effect on public sector performance, although the value has also slightly gone down. This might be linked to the fact that also in Luxembourg GDP growth has gone down during this period.

⁶⁰ European Commission, 2012, p. 200.

⁶¹ Sustainable Governance Indicators, 2015, p. 36.

Indicator	Value 2010	EU28 rank	Value 2016	EU28 rank	Δ Value	Δ Rank
Trust in government (%)	66.00	1	53.00	3	-13.00	-2
	Value 2011	EU27 rank				
Improvement of PA over last 5 years (%)	15.00	3				
	Value 2010	EU28 rank	Value 2015	EU28 rank	Δ Value	Δ Rank
Public sector performance (1-7)	5.89	4	5.71	2	-0.18	+2
Government effectiveness (-2.5,+2.5)	1.71	6	1.72	7	+0.01	-1

Sources: Eurobarometer 85, Eurobarometer 370, World Bank, World Economic Forum.

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