



Luxembourg: new government announces important social policy measures

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The programme of the new government (December 2018) includes a number of important social policy proposals. Among them: a working time reduction, a minimum wage increase, a revision of the general costly living allowance, a new indexation mechanism for family allowances, the generalised third-party payer system in healthcare and free public transport.

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Description

After the elections of 14 October 2018 and 6 weeks of negotiations, the three coalition parties concluded their governmental programme and presented it on 11 December 2018 to the Parliament.

The programme includes a number of important social policy proposals for reforms. Among the most significant are the following:

- 1) A working time reduction of two days per year, increasing by one extra day the minimum vacation time provided by law, as well as introducing a new holiday, Europe Day, on 9 May. The government also plans to introduce more flexibility to working time and organisation.
- 2) An increase in the minimum wage (SSM – salaire social minimum) of €100 net per month. It seems that the major part of this net increase will be provided through tax relief. It is at the moment not clear whether the SSM increase of 1.1%, put in place on 1 January 2019 as a result of the indexation system, is included in the overall increase or whether the latter will be over and above this.
- 3) An improved general costly living allowance (AVC - Allocation de vie chère). The government presents this as a means to combat in-work poverty but has not yet provided any details.
- 4) A change in the indexation of family allowances, which (unlike salaries, pensions and other social

transfers) have not been indexed to living costs since 2006. The government announced that a new indexation mechanism will be introduced by the end of the legislature, i.e. in 2023.

5) The generalised third-party payer system in healthcare. Currently, the patient pays the full doctor's fees and is reimbursed afterwards by the health insurance. In some cases, for social reasons only, the third-party payer principle applies. After a successful petition to the parliament, calling for a generalised third-party payer principle, the Social Security Minister announced a technical solution on 30 January 2019: the doctor will be paid immediately via a smart card, and the patient will also immediately get back the part reimbursed by the health insurance. This system will be operational within three years.

6) Free public transport. The announcement of this measure has already received a lot of attention in the international press. It is described as being a social measure rather than a way to encourage people to use public transport. The Transport Minister is not expecting that the number of public transport users will increase. At the moment, most of the implementation details are still to be defined.

Outlook & commentary

The opposition parties as well as some in the press are questioning whether the governmental programme is not too ambitious or expensive, and if public finances could withstand an economic

downturn, which could happen as a result of Brexit, international trade conflicts and other insecurities.

The introduction of two additional days off and of a minimum wage increase is not welcomed by the entrepreneurs' association (UEL – Union des entreprises luxembourgeoises).

The largest trade union (OGBL) is challenging the announced increase of the SSM as not high enough, asking for a 10% increase (more than €200), while the workers' Chamber (CSL – Chambre des Salariés Luxembourg) is arguing in favour of a 12.5% increase in order to lift workers earning the SSM out of income poverty (set at 60% of the median income, in line with the EU definition).

The OGBL (together with the civil servants' union CGFP) is unhappy with the proposed adaptation mechanism for family allowances, as they think it comes too late (it was already granted by the government in 2014 through an agreement with the trade unions) and does not go far enough.

The generalised third-party payer principle for doctor's fees had been urgently called for by several actors, such as the trade unions, patient representatives and civil society organisations, but the doctors' association was strongly opposed to the idea. There have not yet been reactions to the recent announcement of a technical solution.

The specialised transport trade unions FNCTTFEL and Syprolux are against the introduction of free public transport, because they fear it will lead to staff reductions (although the government is assuring that there will be no dismissals), as well as less care for the means of transport and infrastructure among transport users (people tend to have less respect for cost-free items); they are also arguing that it is a bad moment to introduce this measure because the transport system is not ready for it. There is not sufficient capacity, and the railway company in particular is undergoing major changes and investment during the next few years.

At this stage, details are available on only two of the planned measures:

- on 23 January 2019, the Transport Minister announced that public transport will be free of charge from 1 March 2020;
- on 29 January 2019, the Minister of Labour tabled in Parliament a draft law to increase the minimum vacation time by one day per year, and introducing the 9th of May, Europe Day, as a new holiday.

It is therefore difficult at the moment to foresee how the societal and political discourse will evolve and which specific measures will be implemented.

Further reading

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