

Luxembourg: the Government announced a bundle of social policy measures at the end of November 2020

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At the end of November 2020, the Government announced a number of social measures. These include an increase in the minimum wage as well as in the minimum income and the "high-cost-of-living" allowance. An extension of the flexible reduced-working-hours regulation and the implementation of new services by the National Health Fund were also announced.



Description

Following the Government meeting of 20 November 2020, the Prime Minister announced a number of social measures:

1) Minimum wage (*salaire social minimum* - SSM): After the most recent increase in the SSM on 1 January 2019, the Government announced a new increase of 2.8% as of 1 January 2021, from €2,141.99 to €2,201.93 per month. The Prime Minister declared that this adjustment would be economically difficult, but was needed in view of the situation of the poorest in the country. The related draft law (No. 7719) was adopted by Parliament on 9 December.

2) Minimum income (*Revenu d'inclusion sociale* - Revis): As has happened almost every time previously, the SSM increase will be accompanied by a rise in the Revis, which will also increase by 2.8% from 1 January 2021. The related draft law (No. 7722) was adopted by Parliament on 9 December 2020.

3) Compensation for companies in sectors that have been most seriously affected by the COVID-19 pandemic, to help them bear the financial burden resulting from this increase in the SSM. The related draft law (No. 7718) was adopted by Parliament on 17 December 2020.

4) "High-cost-of-living" allowance (*Allocation de vie chère* - AVC). The AVC will also increase from 1 January 2021, by 10%. It is currently set at a yearly amount of €1,320 for a single person, increased by €330 for every additional

person (adult or child) in the household, with an upper limit corresponding to five persons (i.e. €2,640 per year). To alleviate somewhat the consequences of the COVID-19 crisis, the Government had already decided, on 20 May 2020, to double the AVC for the year 2020.

On 18 November, other government members had already announced further measures related to their ministerial portfolio:

5) The reduced working-hours (or partial-unemployment) regulation: At the end of October, the Government had agreed in principle to extend the duration of this regulation, but the details still needed to be clarified with the social partners. After these clarifications, the Minister of Labour and the Minister of Economic Affairs confirmed to the press that the regulation would be extended until 30 June 2021, and presented the details agreed upon.

6) Sickness and maternity insurance: The so-called "*Comité quadripartite assurance maladie-maternité*" - a round table of all the stakeholders (together with the Government and the National Health Fund (*Caisse Nationale de Santé* - CNS), the social partners and health system providers) - met to examine the financial situation of the sickness and maternity insurance, including the State financial contribution for measures relating to the COVID-19 crisis covered by the CNS. The Minister of Social Security reiterated that the improvements and new services planned for 2021, in particular in terms of visual aids, psychotherapy and dentistry, will soon be implemented.

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Outlook and commentary

Regarding point 1) above (increase in the minimum wage), Article L.222-2 of the Labour Code states that every two years the Government must present a report to the parliament on general wage development and, if applicable, a draft law to adapt the SSM to this increase. The respective report and draft law (No. 7719) were tabled in Parliament on 24 November. Since the report states that the average hourly wage increased by 2.8% between 1 January 2018 and 31 December 2019, the SSM should also increase by the same percentage.

The report states that since about 61,000 workers are paid a wage equivalent to the SSM, the total annual additional cost for all Luxembourg companies is estimated at €54.3 million. However, the business association (*Union des entreprises luxembourgeoises* - UEL) argued that this additional cost would in fact be more than €60 million, placing too great a burden on companies, especially in sectors that have already suffered badly from the COVID-19 pandemic (e.g. hotels, restaurants and cafés, as well as retail and transport).

The unions expressed their outrage that the UEL could use the COVID-19 pandemic to penalise the hardest hit workers, both socially and economically, by holding up increases in their wages. This wage adjustment is only a staggered adjustment of the statutory minimum wage in line with general wage development. In addition, the unions highlighted, the Government also provides extraordinary aid to companies, and covers the cost of the minimum wage increase in sectors

particularly affected by the containment measures (OGBL & LCGB 2020).

In its opinion on the draft law related to the most recent increase in the SSM (2019), the workers' chamber (*Chambre des Salariés Luxembourg* - CSL) had calculated that the SSM should have been increased by 10% (rather than 0.9%). It did not reiterate this claim in its opinion on the 2020 draft law (No.7719), but highlighted that the method used to calculate the SSM increase in fact slows that increase down, as the best-paid 5% of salaries are not taken into account when determining the evolution of the average salary.

Concerning point 2) above (increase in the minimum income), in its opinion on the draft law proposing to increase the Revis after the last SSM increase in 2019, the CSL had stated that even the combined effect of the Revis and family allowances was insufficient to protect beneficiary households against the risk of poverty. Again, it did not repeat this statement in its opinion on the 2020 draft law (No.7722), but highlighted that the Revis should be increased by 4.35% instead of 2.8%, as it has fallen increasingly far behind the SSM.

On point 4), an increase in the AVC was already foreseen in the 2018 coalition agreement. This increase is crucial, as the amount of the AVC did not change at all between 2009 and 2019. The 10% increase announced had already been considered in the context of the upcoming CO2 tax, in order to reduce the additional cost for vulnerable households. It will therefore not really represent a structural increase in the AVC.

Further reading

Chambre des Députés (2020), Projets de loi No. 7718, 7719 and 7722, Luxembourg.

Union des entreprises luxembourgeoises (UEL)

Onofhängege
Gewerkschaftsbond Lëtzebuerg (OGBL) & Lëtzebuurger Chrëschtliche Gewerkschaftsbond (LCGB) (2020), Gegen den skandalösen Angriff der UEL auf den gesetzlichen Mindestlohn (25 Nov. 2020): <http://www.ogbl.lu/blog/gegen-den-skandalosen-angriff-der-uel-auf-den-gesetzlichen-mindestlohn/>

Gouvernement luxembourgeois (2020), Summary of the work of the government Council of 20 Nov. 2020, downloaded on 25 Nov. 2020.

Urbé, R. (2020), Luxembourg: new government announces important increase in the minimum wage, ESPN Flash Report 2019/20, European Social Policy Network (ESPN), Brussels: European Commission.

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