

Luxembourg: new social improvements and innovations

ESPN Flash Report 2021/64

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In October 2021, the government announced various measures, including on social benefits, education and housing policies, to take effect in the course of 2022. Implementation of the first of these has now begun.



Description

In his declaration on the State of the Nation delivered on 12 October 2021, the Prime Minister made a number of announcements regarding social benefits, education and housing policies (GL 2021):

1. Social benefits: In Luxembourg, an automatic wage and salary adjustment to consumer prices used to be applied also to pensions and other social transfers. However, since 2006, all family benefits had been excluded from this mechanism. The government programme of 2018 (GL 2018) reintroduced regular adjustment of child benefits in line with consumer prices (Urbé 2021) which will be implemented from January 2022. Two further measures are now planned.

The first is an increase in the “High-cost-of-living” allowance (Allocation de vie chère [AVC]), which is granted to low-income households to compensate for high subsistence costs (e.g. energy costs). The AVC currently amounts to €1,452/year for a single person, increased by €363 for every additional person (adult or child) in the household, with an upper limit corresponding to five persons (i.e. €2,904 per year). To alleviate the consequences of the COVID-19 crisis, the government had exceptionally doubled the AVC, only for the year 2020; it then increased it by 10% from 1 January 2021. Prior to this, the AVC had remained unchanged since 2009. The government has now decided to further increase it from 1 January 2022 - by €200 for a single person, augmented by €50 for every additional person in the household, up to 5 persons per household (GDL 2021).

The second measure announced is the provision of a free hot meal in primary and secondary schools for children from low-

and middle-income households as from 2022. To date, only children living in households receiving the minimum income (REVIS) or classified as “in a precarious situation” by the competent social office were benefitting from free school meals at pre-primary and primary school; all other children received a state contribution towards the cost of the meal, based on their household income.

2. Education and childcare: In Luxembourg, low-income households are able to access early childhood education and care (ECEC) free of charge or at a very low cost, via childcare vouchers. Universal, free access to crèches for up to 20 hours a week was introduced in 2017 for all children aged 1 to 4, during the 46 school weeks. This measure will now be extended to children aged 5 to 12, so that for all children between 1 and 12 years old, free childcare in day care centres (Maisons relais) will be provided from 7am to 7pm during school terms (MENEJ, 2021).

Efforts to provide the best possible support to pupils will be intensified through the introduction of free homework help in primary schools across the country. Over the next few months, the government plans to hold discussions with the partners concerned to develop high-quality provision.

In order to promote artistic development of children and adolescents, the lower cycle of music teaching (i.e. at least the first four years of music lessons) offered in public local music schools will be free as from the 2022/3 school year.

In addition, a subsidy will be introduced for households which cannot afford fast internet access, in order to ensure a good connection for all; this turned out to be essential during the pandemic and will be increasingly important for future schooling.

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3. Housing: In addition to other initiatives, such as the "Housing Pact 2.0" (Pacte logement 2.0) voted in parliament in July 2021, the government has announced the construction of 8,200 additional housing units by public developers, by 2025.

As part of a reform of property tax, future taxation was announced to tackle speculation on undeveloped building land and empty housing, and a register of all apartments and houses will be created.

Finally, the law on housing assistance will be updated (Urbé 2020).

Outlook and commentary

The government proposal (draft law) related to the re-indexation of child benefits sets out regular adjustments from 2022 onwards. While the unions welcome this proposal, they are also demanding compensation for the adjustments that have not been made since 2014; this would require an adjustment of 7.7% (CSL 2020).

As to the AVC, the government initiative will mean an increase of almost 14% for every household

compared with the amounts for 2021.

Regarding the various measures related to education and day care, the government explains that their purpose is to improve support to vulnerable households and to ensure equal opportunities for every child (MENEJ, 2021). These measures are important steps towards the objectives of the European Union Recommendation establishing a European Child Guarantee (Council Recommendation (EU) 2021/1004) of 14 June 2021, although the government has not explicitly linked the measures to this major EU commitment regarding child well-being.

Regarding policies in the housing sector: The corresponding law on tax speculation should be available in the next twelve months. New policies in the housing sector are welcome, because of the housing situation, and especially since rents and prices have been rising dramatically for many years (14.5% in 2020, STATEC 2021).

All these measures are very welcome, even if some of them come late and others do not go far enough.

Further reading

CSL - Chambre des salariés Luxembourg (2020), *Projet de proposition de loi concernant la revalorisation des prestations familiales*, Luxembourg.

GL - Gouvernement luxembourgeois (2018), *Accord de coalition 2018-2023*, Luxembourg.

GL - Gouvernement luxembourgeois (2021), *Déclaration du gouvernement sur la situation économique, sociale et financière du pays 2021* (Discours sur l'Etat de la Nation), Luxembourg.

GDL - Grand-Duché de Luxembourg (2021), *Règlement du Gouvernement en Conseil du 19 novembre 2021 relatif à l'octroi d'une allocation de vie chère au titre de l'année 2022*, Journal officiel du Grand-Duché de Luxembourg, Mémorial A, No 828 du 26 novembre 2021, Luxembourg.

Housing Pact 2.0 ([Pacte logement 2.0](#)).

MENEJ - Ministère d'Éducation nationale, de l'Enfance et de la Jeunesse (2021), Staark Kanner, MENEJ homepage.

STATEC (2021), *Vers une progression moins forte des prix du logement?*, Conjoncture Flash Juin 2021, Luxembourg.

Urbé, R. (2020), *New housing initiatives in Luxembourg*, *ESPN Flash Report 2020/08*, European Social Policy Network (ESPN), Brussels: European Commission.

Urbé, R. (2021), *Luxembourg: the government announces a rise in child benefits*, *ESPN Flash Report 2021/19*, European Social Policy Network (ESPN), Brussels: European Commission.

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