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National monitoring frameworks for public social spending

Luxembourg

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European Social Policy Network (ESPN)

**ESPN Thematic Report on
National monitoring frameworks
for public social spending**

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The European Social Policy Network (ESPN) was established in July 2014 on the initiative of the European Commission to provide high-quality and timely independent information, advice, analysis and expertise on social policy issues in the European Union and neighbouring countries.

The ESPN brings together into a single network the work that used to be carried out by the European Network of Independent Experts on Social Inclusion, the Network for the Analytical Support on the Socio-Economic Impact of Social Protection Reforms (ASISP) and the MISSOC (Mutual Information Systems on Social Protection) secretariat.

The ESPN is managed by the Luxembourg Institute of Socio-Economic Research (LISER) and APPLICA, together with the European Social Observatory (OSE).

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Summary

One of the strengths of the national **monitoring systems** in Luxembourg is that they cover a wide range. The most comprehensive ones are managed by the General Social Security Inspectorate (IGSS), namely its Annual General Report and the internet platform, Information System on Social Security and Health (ISOG). This platform provides detailed information on social protection expenditure, and the number of benefits and beneficiaries, with also for many figures a breakdown by age, income, and country of residence. The structure of ISOG differs somewhat from the European System of Integrated Social Protection Statistics (ESSPROS), in order to reflect better some Luxembourg peculiarities. In particular, maternity benefits, long-term care, and accident insurance are presented in a separate way, and not as parts of other, larger categories in ESSPROS.

Detailed data are also provided in a more piecemeal but specific way by numerous other institutions, including ministries (e.g. for social security, families, labour, housing, and health) in their respective activity reports. Other important actors are the National Health Fund (CNS), which is in charge of the general overview of the health-maternity insurance system and of dependency insurance (for long-term care); and the National Pension Fund (CNAP), which is in charge of the examination and control of pension applications (old-age, disability, widows, and orphans). The CNAP calculates and pays the amounts due and provides detailed data on pensions and on the management of the substantial financial reserve of the general pension scheme via the common Compensation Fund of the general pension scheme (FDC). Other social security institutions, such as the Accident Insurance Fund (AAA) and the Child Benefit Fund (CAE), also monitor social spending in their respective fields. The Employers' Mutuality (MdE), which is in charge of sickness leave and is managed by employers, should also be mentioned in this perspective, as well as the social offices (at the local or regional level).

Finally, the National Statistical Office (STATEC) computes and publishes the accounts of the Social Security Administrations in line with the European System of National and Regional Accounts (ESA 2010) framework, as well as additional data on social expenditure. Social partners and charitable institutions are also active in the monitoring and analysis of spending developments.

The information concerned is usually very detailed, although only that from IGSS and ISOG is fully consistent (with a similar computation of statistics, for instance). Other sources are, however, of paramount importance, in a fully complementary way.

Three types of **monitoring tools** are present in Luxembourg: first, the tools focused on social outputs or outcomes – see, inter alia, STATEC or the public employment service (Adem); second, tools centred on efficiency assessment; and third, several tools geared towards the measurement of the medium- or long-term sustainability of social protection expenditure, most notably pensions and healthcare. The National Council of Public Finances (CNFP), the independent body responsible for assessing public finances, is also active in this field. Sustainability assessment may be considered as another way to assess the efficiency, inter-generational equity, and resilience of social protection schemes.

A major weakness of the national monitoring system is that, at the moment, it does not encompass a strong evaluation and audit culture. Comparisons with foreign countries (in particular neighbouring countries) are made quite often, but mostly in an ad hoc way; and the gap between two large sets of data – social protection revenue, expenditure, and balances on the one hand, and social indicators on the other hand – is even less frequently bridged. Furthermore, the timeliness of data could be improved.

1 Country-specific monitoring frameworks for public social spending

1.1 Country-specific dedicated monitoring framework(s)

Luxembourg has several monitoring frameworks, but the most comprehensive one is the General Report on Social Security published around the end of the year by **IGSS** (*Inspection Générale de la Sécurité Sociale*), whose coverage includes healthcare, long-term care, private sector pensions (public pensions are monitored separately), occupational accident insurance, family benefits, and social inclusion (e.g. the minimum income, *Revenu d'inclusion sociale* – REVIS).

This situation is not surprising, as IGSS plays a central, co-ordinating role regarding most social protection activities in Luxembourg. The missions of IGSS can be summarized as follows.

*"The General Inspectorate of Social Security is placed under the authority of the minister responsible for social security. It helps to draft legislative and regulatory measures on social security and to supervise social security institutions. The General Inspectorate of Social Security assists social security institutions in the process of implementing good governance by referring to methods and techniques generally accepted on the basis of recognised international standards. Moreover, it carries out analyses and studies in order to assess and plan social welfare schemes both at national and international level"*¹.

Replacing the Inspectorate of Social Institutions (*Inspection des institutions sociales*), which had been created directly after the Second World War, IGSS was created in 1974 to expand, harmonise, and improve the automatic and statistical processing of all the data of the social security system, as well as to improve the means of control – being necessary not only for actuarial control, but also to provide more extensive and accurate information and in the preparation of legal reforms².

An internet version of this rich amount of information is fully accessible by the general public³. The format is about the same as the aforementioned General Report, as the platform is mostly operated by IGSS. However, the statistical information provided is even more detailed (with for instance the distribution of pensions according to benefit levels, and data on statutory, public sector pensions; see Sub-section 1.5). Another interesting feature of ISOG (*Informationssystem iwwer Sozial Ofsécherung a Gesondheet*) is the fact that its structure differs somewhat from ESSPROS, in order to reflect better some Luxembourg peculiarities. In particular, maternity benefits, long-term care, and accident insurance are presented in a separate way, and not as parts of other, larger categories in ESSPROS.

Although IGSS plays a central role in Luxembourg (for instance it also collects detailed data on employees and wages), other monitoring systems have been put in place and play a complementary role. Different ministries publish annual activity reports, with a description of activities and data related (for instance) to social protection and social inclusion – these include the Ministry of Social Security (*Ministère de la Sécurité sociale*), Ministry of Family Affairs, Integration and the Greater Region (*Ministère de la Famille, de l'Intégration et à la Grande Région*), Ministry of Housing (*Ministère du Logement*), Ministry of Health (*Ministère de la Santé*)⁴, Ministry of Labour, Employment and the Social and Solidary Economy (*Ministère du Travail, de l'Emploi et de l'Economie sociale et solidaire*),

¹ See the ISOG platform, introductory part.

² See <https://legilux.public.lu/eli/etat/leg/loi/1974/04/25/n1/jo> and https://chd.lu/wps/portal/public/Accueil/TravailALaChambre/Recherche/RechercheArchives?lqs_fmId=&lqs_dpId=1713, both downloaded on 22 January 2022.

³ See <https://iqss.gouvernement.lu/fr/statistiques.html>, downloaded on 19 November 2021.

⁴ It should be noted, however, that the most recent activity report of this ministry referred to 2018.

and Ministry of National Education, childhood and Youth (*Ministère de l'Éducation Nationale, de l'Enfance et de la Jeunesse*). Moreover, the annual State budget (the budget per se and its multi-annual version), presented around mid-October each year, contains ESA 2010 data on the Social Security Administrations, with their total revenue, expenditure (in line with the usual ESA economic classification), and balance (i.e. the contribution of Social Security Administrations to the overall official general government balance). This presentation is used quite often in publications from academics, think-tanks, and other observers. The annual State budget also refers to more institutional features, such as the transfers by central government to social security schemes (the large contribution of the State to the general pension scheme, for instance).

Other social security institutions also play a pivotal role in Luxembourg. The **CNS** (*Caisse Nationale de Santé*) is in charge of the general overview of the health-maternity insurance scheme and of dependency insurance for long-term care (*Assurance dépendance*). As regards healthcare, it is responsible for the reimbursement of health costs, and drafts the annual global budget for the health-maternity insurance and long-term care schemes (on a separate basis). It also reassesses periodically the contribution rate (based on the evolution of expenditure and of the CNS financial reserve). It provides opinions to the government as regards the calculation of the "global budget envelope" for the entire hospital sector. The CNS also publishes yearly an informative statement of revenue and expenditure (*Décompte général de l'assurance maladie-maternité*)⁵, with disaggregated data on: expenditure in cash and in kind (also administrative costs); cash payments to residents; interventions in Luxembourg and elsewhere; revenues (especially from social contributions and State transfers); the financial balance and reserve; the evolution of total expenditure over a 10-year horizon; the average contributions by patients to health costs; the major measures adopted in the course of the year covered; and the evolution of the resident and non-resident insured population (also by age). A largely similar statement (*Décompte*) is also published by the CNS once a year as regards long-term care.

In the field of pensions (the general pension scheme), the **CNAP** (*Caisse Nationale d'Assurance Pension*) examines and controls applications for pensions (old-age, disability, widows, and orphans), and calculates and pays the amounts due. This institution is also in charge of the management of the general pension scheme's financial reserve (formally under the aegis of the FDC (*Fonds de Compensation commun du régime général de pension*)). The CNAP and FDC publish (in their respective annual reports, in particular) data on the number of claims and of pensions paid – including pre-retirement and early retirement (*pension anticipée*); the evolution of the reserve; its composition by financial instruments; and the associated property incomes (this is a major revenue component of the pension system, quite volatile but frequently close to 1% of the Luxembourg GDP⁶).

The **AAA** (*Association d'assurance accident*) deals with occupational accidents and diseases. It pays the corresponding benefits (in kind or in cash). It also collects and publishes detailed data on, for instance, the number of accidents and its breakdown (by age, sector, etc.), the contribution rates by sector, and AAA revenue and expenditure (see AAA, 2020).

STATEC (*Institut national de la statistique et des études économiques du Grand-Duché de Luxembourg*) also plays a large role in the monitoring of social protection (see also Sub-section 1.4), with detailed statistics on social indicators and the establishment of national accounts (for instance the ESA 2010 data referred to above and included in the State budget documents are computed by STATEC). These aggregated data are regularly reviewed by other institutions, for instance the **Luxembourg Central Bank** in its economic bulletin (these data are also used in the elaboration of the Central Bank's macro-economic and public finance forecasts, generally published twice a year).

⁵ See <https://cns.public.lu/en/publications/decompte-annuel/decompte-am-2020.html>, downloaded on 16 November 2021.

⁶ According to FDC (2020), property incomes amounted to 1.8% of GDP in 2020.

In addition, **statutory pensions**, namely pensions paid to civil servants (State and local government) and to employees of the Luxembourg National Railway Company (*Société Nationale des Chemins de Fer Luxembourgeois*), are monitored in a separate way in Luxembourg. They are not encompassed in the IGSS General Report, but pieces of information are provided on the ISOG platform regarding the number of such pensions and their breakdown according to the amount paid – with no data on total expenditure, however. In a complementary way, the planned evolution (over five years) of expenditure is provided in the annual State Budget (annex on the Pension Fund, the entity through which most statutory pensions flow), but with no precise breakdown (similar to the one in ISOG for the general pension scheme, for instance) – this is a major information gap in Luxembourg.

The **CAE** (*Caisse pour l'avenir des enfants*) is in charge of the management and payment of Luxembourg family benefits, parental leave, and childcare-service vouchers. It publishes yearly an activity report, with data on the number of beneficiaries of family allowances, total expenditure for the six types of social benefits involved, and their breakdown by country of destination (47% of total benefits were paid to non-residents in 2020).

The social partners also contribute to the monitoring of data on social expenditure – including the Luxembourg Union of Companies (*Union des Entreprises luxembourgeoises* – UEL), the Chamber of Commerce of the Grand-Duchy of Luxembourg (*Chambre de Commerce*), the Chamber of Trades (*Chambre des Métiers*), the Business Federation (*Fédération des Industriels Luxembourgeois* – FEDIL), the Chamber of Employees (*Chambre des Salariés*), and the trade unions. Social partners provide their own analyses of official figures and are represented in many institutions (for instance the UEL, Chamber of Commerce, Chamber of Trades, and the FEDIL are represented on the Board of Directors of the MdE (*Mutualité des Employeurs*)⁷. Social partners are also active in the monitoring of public expenditure via the Economic and Social Council (*Conseil Economique et Social* – CES)⁸, which produces several reports dedicated to social (or other) issues. Social partners are also represented on the Working Group on Pensions (*Groupe de Travail pensions* – GTP), made up of representatives of social partners and the State as well as of experts in this field; the Working Group carries out regular evaluations of the general pension scheme, normally every five years (see Section 2 for more details on this monitoring tool).

1.2 Separate monitoring framework(s) linked to schemes provided by employers

In Luxembourg, sickness leave is paid by employers up to the 77th day (*Lohnfortzahlung*)⁹. But 80% of this cost is covered by a specific organisation, namely the MdE, which is itself mostly financed by contributions paid by employers, with an additional substantial government grant. Operating since 1 January 2009 under the aegis of a Board of Directors composed of representatives of employers (mostly), of the CNS and the Joint Social Security Centre (*Centre commun de la Sécurité sociale*), the MdE has its own monitoring framework, as it is not reported on in the ISOG internet platform (although it is mentioned in the IGSS General Report). A yearly budget is presented in November or December, and annual accounts are published in July. The structure of both documents is similar. The annual accounts report on expenditure (cash benefits, administrative costs, and financial charges) and revenue (the different kinds of contributions or capital income, for instance) over a three-year horizon, and on the balance sheet of the MdE. The contribution rates (four categories depending on the underlying risks) are updated each year and published on the internet platform of the MdE.

⁷ See Sub-section 1.2.

⁸ The CES is a consultative institution. It helps the government to define the economic and social orientation of the country. It is composed of social partners (representatives of employees on the one side, and of employers on the other side) and government representatives.

⁹ Or more exactly until the end of the month where this 77th day is located.

Finally, in Luxembourg **occupational pensions** are supervised by IGSS, which also has additional (more ad hoc) responsibilities for tax administration, the Financial Sector Supervisory Commission (*Commission de Surveillance du Secteur Financier*)¹⁰, and the Insurance Commissioner (*Commissariat aux Assurances*)¹¹.

1.3 Distinction between current expenditure and capital expenditure

The data provided by the different reviewing institutions usually make it possible to distinguish between current and capital expenditure. This distinction is particularly clear in the ESA 2010 accounts produced by STATEC on the Social Security Administrations, where it is even possible to distinguish gross capital formation, capital transfers, intermediary consumption, wages and salaries, and property charges and incomes. In the most recent multi-annual State budget, a new, supplementary ESA account (with the same granularity) for public hospitals (in aggregate) is provided. This is a fully welcome innovation, as the corresponding expenditure amounted to €1,108 million in 2021 – 1.6% of the Luxembourg GDP and about 9% of total social security expenditure.

For each of these sub-categories, even more disaggregated information (not entirely in line with ESA 2010) is available through the databases and frameworks detailed above.

1.4 Type of monitoring: level and outcomes

As regards outcomes, STATEC plays an active role, both in the computation of the related statistics and the monitoring of social outcomes. This is done on a regular basis on the internet site of STATEC, but also via a major and detailed yearly document (presented to the press) called Report on Labour and Social Cohesion (*Rapport travail et cohésion sociale – RTCS*)¹². The RTCS focuses on the evolution of many social indicators (in particular, equivalent disposable income by categories of the population and its distribution; risk-of-poverty indicators; and statistics on income inequalities, such as the Gini coefficient), as well as the evolution of the labour market. The report is an impressive source of data, where they are also closely analysed. The public employment service Adem (*Agence pour le développement de l'emploi*) is also active in the publication of outcomes (mostly related to employment and unemployment; see Section 2). IGSS also publishes, for instance in its General Report, specific data on outcomes, such as the number of insured people according to the risks covered, the number of hospitalisations, and statistics on absenteeism.

1.5 Level of granularity of public social spending

Plenty of information is provided on the level of spending, either aggregated (the ESA 2010 presentation) or more granular (see the numerous institutional databases). Good examples of this disaggregation, mostly of a statistical nature, are the General IGSS Report and the internet platform ISOG. The level of granularity is high (especially in ISOG), with the typical presentation centred first on the number and type of beneficiaries (by gender, age, and quite often country of residence – an extremely important feature in Luxembourg where close to 50% of employees are commuters and reside in another country), and second on the corresponding social benefits (with a distinction between in-kind and cash benefits, and between the different types of sub-benefits – for instance, allowances for parental leave and child allowances).

The most common presentation of data is in millions of euros (nominal numbers). They are frequently presented as a percentage of GDP or in terms of rates of growth by the users of statistics (e.g. social partners, the Central Bank of Luxembourg, and international

¹⁰ A public institution which supervises the professionals and products of the Luxembourg financial sector.

¹¹ A public institution which supervises the professionals and products of the Luxembourg insurance sector.

¹² STATEC (2021).

organisations – see the European Commission Country Report in the context of the European Semester, for instance).

1.6 Breakdown of public social spending

Public social spending is broken down by age group (especially on the internet platform ISOG¹³); healthcare spending by age categories; and pensions by level of pension, age at retirement, and category (i.e. old-age, disability, widows, and orphans).

However, the information provided by social security institutions is rather piecemeal, as spending categories other than healthcare and pensions are not broken down along these lines; and even in those two sectors, the information does not follow standard, pre-set (and therefore comparable) revenue or age grids.

A more systematic attempt (but for social transfers as a whole) is periodically made by STATEC, with social transfers broken down by income quantiles¹⁴.

1.7 Timing and public accessibility of data

The timing of data is sometimes a problem. For instance, as of the end of December 2021, most of the public social spending data in ISOG under the different categories of identified above do not extend beyond 2019 (thus a time lag of at least two years). This is also the case in the most recent IGSS General Report, published in January 2021. This is less timely than COFOG requirements (namely T+12 months after the end of the reference period for COFOG), but under ESSPROS requirements updated data (namely for 2020) could still be published by 30 June 2022.

1.8 Sub-national frameworks

There are few sub-national monitoring frameworks in Luxembourg, due to the existence of no more than two institutional layers (namely the central government and municipalities). According to the national accounts, local government represented only about 0.3% of total general government social transfers in 2020, mostly expenditure in kind. All municipalities with 6,000 inhabitants or more can have their own social office (*office social*) and the smaller ones manage such an office in co-ordination with other municipalities on a regional level. Social offices provide basic commodities (housing, health, food and clothing, water, and energy) and also advice about the access to social transfers in general. Some of them may monitor the related social spending, but practices differ significantly from one municipality to the other. There are 30 social offices in Luxembourg. A one-off evaluation of social offices was published by the University of Luxembourg in 2019¹⁵ following a request by the Ministry of Family Affairs, Integration and the Greater Region. One of the salient conclusions was that the offices are very different from one another as regards staff management, size, infrastructure, and finances. As a result, the services provided are also extremely disparate.

Social offices are also reviewed in the activity reports of the Ministry of Family Affairs, Integration and the Greater Region, and in the reports published by some of these offices. IGSS also performs evaluations of the social offices.

¹³ See <https://igss.gouvernement.lu/fr/statistiques.html>, downloaded on 9 December 2021.

¹⁴ See for instance STATEC (2014).

¹⁵ University of Luxembourg (2019).

2 Reporting/review tools for public social spending

In addition to the public monitoring frameworks described in Section 1, we should add that there are also private actors which contribute to the monitoring of data on social expenditure.

A think-tank, the IDEA Foundation (*Fondation IDEA asbl* – IDEA), also produces independent analyses, based on official data but also using its own tools (see below).

Charitable institutions, such as National Relief Work (*Oeuvre Nationale de secours Grande-Duchesse Charlotte* – ONGDC)¹⁶ and Caritas Luxembourg, also monitor closely the evolution of social deprivation and poverty. See in particular the annual publication of Caritas, *Almanach Social*¹⁷, which attracts a lot of attention in Luxembourg, and the complementary evidence collected by Caritas on the extent of poverty and social deprivation. During the sanitary crisis, Caritas also collected information on aspects which are often “below the radar” of official statistics, regarding for instance the extent of homelessness and the number of phone calls by citizens in need. In 2019, Caritas produced an ad hoc publication¹⁸ with an assessment of the availability, accessibility, affordability, and adequacy of key services and benefits in Luxembourg. The annual report of the ONGDC also gave a breakdown of the assistance it provided¹⁹.

Three types of monitoring tools can be distinguished in Luxembourg: first, tools focused on social outputs or outcomes; second, tools centred on efficiency assessment, be it directly – where social outputs or outcomes are clearly related to social protection expenditure (the inputs), as is done in a quite ad hoc way in Luxembourg – or indirectly²⁰; and third, tools geared towards measuring the medium- or long-term sustainability of social protection expenditure (most notably pensions and healthcare), which is another way to assess the efficiency, equity (between current and future generations), and long-term resilience of social protection schemes.

2.1 Monitoring of social outcomes

As regards the monitoring of social outcomes, a prominent tool is provided by **STATEC**, namely the aforementioned (Section 1) RTCS, published in autumn each year, which contains many detailed data on social outputs and outcomes. The most recent RTCS (presented in October 2021) covers: the evolution of the average and median disposable income by categories of the population; disposable income by deciles; the poverty threshold (calculated with respect to the disposable income – the usual measure – but also the consumption and financial wealth of households); and the percentage of people below the corresponding poverty lines (including by sub-categories: by age and gender, by occupational status, by tenure status, by composition of the household, etc.). The RTCS also provides Gini coefficients (based on the distribution of equivalent disposable incomes), excess mortality rates, and the probabilities of infection and hospitalisation during the sanitary crisis for different categories of the population. Housing is briefly examined, and the evolution of the labour market is monitored closely, including total employment (evolution during the COVID-19 crisis), unemployment and partial unemployment, telework, work accidents, and sickness leave.

Social outcomes are also reviewed closely by the public employment service **Adem**, which produces regular (monthly or yearly) publications related to labour market issues – especially unemployment (broken down inter alia by age, education, and duration),

¹⁶ See <https://www.oeuvre.lu/>, downloaded on 19 November 2021.

¹⁷ See <https://www.caritas.lu/publications/sozialalmanach>, downloaded on 19 November 2021.

¹⁸ Caritas (2019).

¹⁹ Œuvre Nationale de Secours Grande-Duchesse Charlotte (2020).

²⁰ Namely via micro-economic assessments as done by the Luxembourg Court of Auditors (*Cour des comptes du Grand-Duché de Luxembourg*), for instance, or an evaluation of the impact of social protection expenditure by income categories.

number of people in employment measures, and labour supply. It also provides an internet platform with detailed data on employment and unemployment²¹. The **Conjuncture Committee** (*Comité de conjuncture*), made up of representatives of ministries, public bodies, and social partners, provides data on partial unemployment that proved extremely useful during the pandemic crisis.

The monitoring of social outcomes is essential in order to assess the efficiency of social spending, in general and via more specific tools dedicated to efficiency assessments (see the next item).

2.2 Efficiency assessments

Quite detailed data on social protection revenue and expenditure are collected, and at the same time social outputs or outcomes are frequently commented on. However, there are still few attempts to systematically relate the two sets of data, at least for the moment. Two exceptions (but in an ad hoc fashion, as they are not updated in a recurrent way) are a study published by the Chamber of Commerce in 2008²² and another by IDEA in 2018.

In the former, a technique known as Data Envelopment Analysis (DEA) (also called frontier analysis) was used to compare the efficiency of public expenditure in Luxembourg and in other developed countries, based on COFOG information. Using the DEA technique, expenditure per head (corrected for transfers to non-residents and the high purchasing power parity in Luxembourg) were compared with a set of performance indicators, in order to identify any potential inefficiency. The analysis was applied to the health sector (based on outcomes such as life expectancy in good health), to family allowances (related to natality or women's involvement in the labour market), and to pensions (where the level in Luxembourg was compared with the situation in other countries, with no specific output indicators in this case). The general assessment was that Luxembourg was generally sub-optimally efficient (namely below the "efficiency frontier" corresponding to the "best case" countries). This means that the same social outputs and outcomes could be reached with lower expenditure, or that better results could be obtained with the same spending levels, if Luxembourg managed to raise efficiency to the best-case frontier.

In the latter²³, IDEA collected detailed COFOG data on public expenditure by functions in Luxembourg, including on social protection and health (health and disability, old-age and survivor pensions, children and families, and unemployment, also distinguishing between transfers in cash and in kind). The resulting indicators were compared in a systematic way with the surrounding Member States (Belgium, France and Germany) plus the Netherlands. IDEA computed COFOG aggregates by head of population, which were then adjusted with purchasing power parities (in order to account for the comparatively high price level in Luxembourg). The Luxembourg data on social protection and health were also corrected in order to take out the benefits transferred to non-residents. The major conclusion was that corrected expenditure was on average 56% higher in Luxembourg than in the surrounding Member States (especially as regards family and old-age or survivor pensions). This may be seen as an indirect way to measure efficiency, but on the other hand the fact that social outcomes may be better in Luxembourg is not measured in this study.

A proper efficiency adjustment (where spending is compared with performance indicators) was only outlined for education in the IDEA study (PISA²⁴ results versus corrected expenditure per head). In its conclusions, the think-tank proposed to extend and deepen this type of analysis to other parts of the Luxembourg public sector, in a systematic and more regular way.

²¹ See <https://adem.public.lu/fr/marche-emploi-luxembourg/faits-et-chiffres.html>, downloaded on 16 November 2021.

²² Chambre de Commerce du Grand-Duché de Luxembourg (2008).

²³ IDEA (2018).

²⁴ Programme for International Student Assessment.

Furthermore, the municipal social offices were, as reported above, evaluated (as a whole) by the University of Luxembourg in 2019, with data on the satisfaction of users and on providers (the staff of the social offices and their working environment), and an evaluation of decision-making processes. However, no efficiency analysis per se was performed, for instance through a systematic comparison between individual offices. Such an evaluation would probably be a challenge, as the available data (on the respective workforces, for instance) are rather piecemeal, according to the University.

STATEC²⁵ proposes another way to estimate the efficiency of social protection expenditure considered as a whole, namely by measuring the poverty rate before and after benefits (and taxes/contributions) based on EU-SILC²⁶ surveys – albeit in a rather ad hoc way, as there is no recurrent publication schedule Member States. In 2014, for instance, STATEC highlighted the strongly redistributive nature of the Luxembourg social system, based on the assessment of the impact of taxes, social contributions, and transfers on the disposable income by decile of the population. Social benefits represented no less than 56% of the total disposable income for people in the first (lowest) decile, compared with 11% in the last decile. Disregarding pensions, these figures narrowed to 43 and 11%, respectively.

Illustrating a more micro-economic way to measure efficiency, the Luxembourg **Court of Auditors** publishes special reports on specific issues. These reports do not provide efficiency analyses in the strict sense, but evidence is collected on several institutions or issues, for instance in 2020 on the National Health Laboratory (*Laboratoire National de Santé* – LNS), and in 2019 on the public funding of hospital investment and social housing. These reports take an in-depth, micro-economic perspective – for instance, as regards the LNS, examining the medium-term strategy, governance issues, and specific expenditure items. The Court also publishes yearly an evaluation of the State budget, with a more macro-economic / public finance perspective (including, in the 2021 assessment, a chapter dedicated to the evaluation of public policies).

2.3 Assessment of long-term sustainability (efficiency in terms of inter-generational equity)

Assessments of the **long-term sustainability** of social protection are undertaken from time to time in Luxembourg, most notably as regards the general pension scheme. A regular assessment of the financial situation takes place, under the aegis of IGSS²⁷. The financing of this regime is based on a contribution rate that is kept fixed for a period of 10 years with a mandatory mid-term evaluation foreseen after five years²⁸. This mid-term evaluation is based on a technical report prepared by IGSS (the next one should be finalised soon, in the course of 2022), with a part dedicated to the description of current and recent data (pension expenditure and its breakdown by age, gender, and residence, and expenditure and financial statistics) and a part based on long-term projections of expenditure, revenue, the net balance, and the general pension scheme's financial reserve. This report initiates the evaluation of the pension system made by the GTP. This analysis (with more "political" statements) is published in a separate report²⁹. In addition, for the general scheme, the law requires a minimum reserve equal to at least 1.5 times the yearly pension expenditure. Current and future compliance with this rule is also assessed in the IGSS technical appraisal (*bilan technique*) and in the ensuing GTP report³⁰.

²⁵ STATEC (2014).

²⁶ European Union statistics on income and living conditions.

²⁷ IGSS (2016).

²⁸ For the current period (2013-2022) the total contribution rate is 24% of gross salary, paid in equal shares of 8% by employers, employees, and the State.

²⁹ See GTP (2018).

³⁰ As of the end of 2020 the accumulated reserve amounted to about 35.7% of GDP, namely 4.8 times the yearly pension expenditure.

In the context of the European Semester, a Country Specific Recommendation (CSR) issued in 2019 addressed in a direct way the pension issue, calling on Luxembourg to: “*Improve the long-term sustainability of the pension system, including by further limiting early retirement*”³¹.

No action was taken following the CSR and the two aforementioned reports, since the general conclusion is that, for the time being, the financial situation of the general pension scheme can be considered favourable.

An “institutional evaluation” is also made as regards **healthcare**, but the focus is much more on short-term developments. A Quadripartite Committee (*Comité Quadripartite*) meeting is convened once a year (involving key ministries – for finance, social security, and healthcare – and representatives of employees, employers, and healthcare providers), in order to examine, inter alia, the financial situation of the healthcare-maternity insurance system. The penultimate meeting of this committee, in May 2021, carried out an in-depth examination of the financial situation as of the end of 2020 and forecasts for 2021 and 2022. Under a legal rule, if the health-maternity insurance scheme’s financial reserve falls below 10% of annual expenditure, social contributions have to increase and/or benefits have to be adjusted downwards. Given the recent and prospective deterioration of the financial situation, a working group has been charged with proposing new ways to finance the healthcare-maternity insurance system – this is one of six working groups that have been created under the aegis of the healthcare roundtable (*Gesondheitsdësch*), which is a participatory and structured exchange around the challenges posed by the health system, made up of representatives of public and private actors in the health sector, including the social partners.

In Luxembourg, hospitals discuss their individual budgets with the CNS, but within a global yearly envelope set by the government, covering the sector as a whole.

A financial mechanism similar to the one applied to the healthcare-maternity system also applies to long-term care, with the building up of a reserve that cannot fall below a 10% (of annual expenditure) threshold.

The CNFP (*Conseil National des Finances Publiques*) is the independent body responsible for assessing public finances. It must, inter alia, check the compliance of government fiscal policy with the “golden rule” law³². It publishes several evaluations of public finances each year, following its examination of the State budget or the update of the Luxembourg Stability Programme, for instance. These reports are primarily focused on public finances in general, but issues of relevance from a social protection viewpoint are also overviewed, in particular the evolution of the Social Security Administration sub-account (see above for the ESA 2010 accounts). In addition, the CNFP publishes regular reports (usually in October) on the long-term sustainability of public finances based on an analytic tool developed by the CNFP. In the most recent such report³³, it calculates the evolution of public revenue, expenditure, balances³⁴, and public debt, based on the baseline Ageing Working Group scenario³⁵. The relevance of this scenario is then examined in a critical way and alternative projections are made (alternative public balances, changes in total factor productivity, modification of the link of pensions to real wages, and alternative demographic assumptions). As in the 2021 AWG³⁶ report, all projections are made up to

³¹ This was actually part of the first CSR. See European Semester Autumn Package (2020).

³² Law of 12 July 2014 “relative à la coordination et à la gouvernance des finances publiques”.

³³ CNFP (2021).

³⁴ More precisely, the CNFP calculates the equivalent of the so-called “S2” indicator of the European Commission, which shows the adjustment to the general government structural primary balance required to comply with the infinite horizon inter-temporal budget constraint, including the impact on expenditure of ageing populations.

³⁵ European Commission (2021).

³⁶ Working Group on Ageing Populations and Sustainability.

2070. The financial situation of the pension is the cornerstone of the CNFP simulations. IGSS assists the CNFP in this respect.

In general, there is for the moment no strong evaluation and audit culture in Luxembourg. Comparisons with foreign countries (in particular the neighbouring countries) are made quite often, but mostly on an ad hoc basis (rarely based on expenditure per head in purchasing power parities, for instance) and the gap between two large sets of data – social protection revenue, expenditure, and balances on the one hand, and social indicators/outcomes on the other hand – is even less frequently bridged.

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