

Caritas Cares Luxembourg Report November 2015

What this report is about

This report describes the main challenges related to poverty and social inclusion in Luxembourg and provides recommendations for policy makers to address these challenges. The recommendations are based on an analysis of the grass-roots experience of Caritas Luxembourg, which is compared to the official data.

About Caritas Luxembourg

Caritas Luxembourg supports vulnerable populations: single parent families, children and youth, migrants and refugees/asylum seekers, disadvantaged people like the homeless or those in a precarious situation regarding their dwelling, and/or their income, people who temporarily are not able to cope with life. In 2014, the organisation reached a total of 22,637 beneficiaries in Luxembourg; of these 60% were male and 40% were female; one-third were children and youth, the rest were adults. In half of the cases the entire family receives support.



Recent publications by Caritas Luxembourg:

2014 Activities Report: [link](#)

2015 Sozialalmanach: [link](#)

"How to" publication on housing-cooperatives: [link](#)

Study on qualifying for tasks in childcare: [link](#)

Institutional representative:

Marie-Josée Jacobs, President
marie-josee.jacobs@caritas.lu
+352 402131 221
www.caritas.lu

Press contact:

Chris Kettmann
chris.kettmann@caritas.lu
+352 40 21 31 261
<https://www.facebook.com/caritas.lu>

Luxembourg requires comprehensive housing policies to address growing inequalities due to the disproportional increase in housing prices

Luxembourg's main challenges related to poverty and social exclusion:

- ❖ **Specific groups, such as single parents, children and migrants, are at a higher risk of poverty and social exclusion**

Policies implemented in recent years, have only been partly effective as they are not adapted to the needs and reality of the people and generally lack strong political commitment or the involvement of key and specialised stakeholders.

- ❖ **Inequalities and gaps between rich and poor are increasing; this trend is most evident in access to affordable housing**

Up till now, no government has committed itself to adopting consistent and long-term policies and strategies to address the problems related to the increasing cost of housing, to unemployment and to the increasing inequality rate.

- ❖ **As in many other countries, the massive affluence of asylum seekers from summer 2015 on brings new challenges**

Until now the affluence is not bigger than in peak times of the Balkan crises, but it seems to last longer, and probably the rate of those being granted refugee status and staying in the country seeking for integration, lodging and work, will be greater. Government, civil society organizations and many volunteers are doing their best.

Policy recommendations for the National Government:

1. Make the National Reform Programme an integrated strategic programme, better coordinated with the National Social Report, involving all stakeholders in the full policy cycle (design, implementation, monitoring and evaluation).
2. Adopt an integrated approach in relation to the targets in the areas of employment, research, climate/energy, education and poverty, ensuring all strategies complement each other.
3. Establish a poverty impact assessment when adopting new policies and measures in order to evaluate if it contributes to an increase or reduction in poverty and social inclusion.
4. Take strong action in the field of social housing, regarding both the provision of housing at affordable prices in general, and the provision of special social housing. The intermediate measure, introducing rent subsidies for people and families that cannot afford the high rents, should be accompanied by a strong control of rental prices in order to prevent the subsidy amounts resulting in an increase in prices.

1. Poverty and social exclusion in Luxembourg: the reality behind the data

The problems of most concern in Luxembourg

- ❖ Increasing inequalities and gaps between rich and poor
- ❖ Limited access to affordable housing
- ❖ In-work poverty

Increasing inequalities and gaps between rich and poor

The Gini Coefficient used to be mostly between 25 and 27, but with the crisis it has risen, reaching a rate of 30.4 in 2013, decreasing to 28,7 in 2014.¹ Austerity measures have made it more difficult for the government to satisfy the variety of social demands, which are causing growing dissatisfaction within society. The differences in purchasing power and saving capacity between rich and poor show a worrying increase, which is having a negative impact on consumption and thus on production and employment, and in turn causing an increase in poverty and social exclusion.

From experience on the ground, in 2014 we have observed that purchasing power problems led 7,241 or nearly one-third of the Caritas beneficiaries to seek help in our specific institutions (social groceries, cloth distribution services and food distribution).

Access to affordable housing

Access to affordable housing is especially problematic. According to national statistics, people with a lower income pay around 45% of their revenue on housing, compared to 30% for people with a higher income, considering that housing costs have increased between 2005 and 2014 from 23.5% to 48.5% according to different housing types.² This is a critical issue as a lack of, or limited access to, affordable housing is having a negative impact on other problems associated with poverty and social exclusion (access to education and healthcare, especially).

Amongst the beneficiaries of Caritas Luxembourg in 2014, 1,324 were receiving specific help regarding their housing problems, and 135 of them were children and youngsters in emergency or in long-term residential care settings.

¹ Eurostat, [Gini Coefficient of Equivalised Disposable Income](#).

² Ministère du Logement, 2015. [Subvention de Loyer. Conférence de presse de Monsieur le Secrétaire d'Etat au Logement Marc HANSEN](#).

In-work poverty

In-work poverty is also becoming an issue: in 2014, the rate reached a peak of 11.1%, which has been increasing since 2007 when it was 9.3%.³ This percentage is 20.7% for Portuguese residents (the rate of nationals is 6.5%).⁴

Long-term unemployment too has increased over the last decade from 0.5% in 2000 to 3.1% in 2014⁵.

Groups at risk of poverty with the highest need for political action in Luxembourg

- ❖ Single parents
- ❖ Children (0-17 years)
- ❖ Migrants
- ❖ Young People

Single parents

Single parents have the highest at-risk-of-poverty rate in Luxembourg, which reached 44.6% in 2014,⁶ which is mainly caused by the fact that they often are not able to access or maintain a full-time job and their minimum income is insufficient.⁷

Children (0-17 years)

In 2014, children had an at-poverty-risk rate of 25.4%, which is much higher than the average rate of 16.4% and significantly higher than the rate of 6.3% for the elderly (65+).⁸ Problems associated with child poverty are not always related to the lack of coverage of basic needs but rather to inequality and limited access to equal opportunities. The experience of Caritas Luxembourg on the ground shows that often the problems for children are more associated with unequal access to goods and services compared to their peers e.g. similar clothes, internet-access, participation in school events and excursions, adequate housing, family and social events like birthday parties, etc.

Migrants

It is worth highlighting that migrants are particularly vulnerable to poverty and social exclusion: compared to the rest of the population (9.1%), migrants have a much higher at-risk-of poverty rate (22.2%).⁹

Young people

Young people are also a group at risk as they are especially affected by unemployment which, combined with a rise in the early school-leaving rate, is

³Eurostat, [In Work at-Risk-of-Poverty Rate](#).

⁴See footnote 9.

⁵See footnote 9.

⁶Eurostat, [At-Risk-of Poverty Rate by Household Type](#).

⁷The calculation is based on a factor of 0.1 for children instead of 0.3 as in the modified OECD-scale.

⁸Eurostat, [At-Risk-of Poverty Rate by Detailed Age Group](#).

⁹Luxembourg National Statistics Office STATEC, 2015. [Rapport Travail et Cohésion Sociale](#).

worsening their opportunities to live an independent and inclusive life in the future. Youth unemployment presents a more irregular curve, varying from 11% in 2000 to 15.5% in 2013, having peaked at 18.8% in 2012; in 2014 it reached 22.6%.¹⁰

The challenges in achieving active inclusion in Luxembourg

- ❖ Adequate Income Support
- ❖ Inclusive labour markets
- ❖ Access to quality services

Adequate income support

In Luxembourg, minimum income schemes are accessible but with limitations: the non-take-up rate is quite high.¹¹ In addition, they are not always adequate to cover basic living needs as they are not adapted to people's needs (everyone gets the same amount, independently of the housing costs that may vary from 1 to 10). In this sense, measuring what are "basic needs and expenses" is not always clear and requires a consistent study on reference budgets.

Therefore, although Luxembourg has minimum income schemes, these are only moderately adequate when it comes to reducing poverty and social exclusion and leading to the inclusion of people. The fact that two persons within a household cannot be beneficiaries of active inclusion programmes creates unfortunate situations where one of the two is forced to remain without adequate support and social inclusion opportunities.

"My wife found a job, but that would mean that I would lose my minimum income benefit, so I have forbidden her to take that job"

Beneficiary of the minimum income.

Inclusive labour markets

Although Luxembourg has an open economy and a labour market with high professional profiles and high salaries, its labour market is not becoming more inclusive: in many cases it attracts many commuters from neighbouring countries while only limited employment opportunities exist for low-skilled residents.

Access to quality services

Access to quality services in Luxembourg is irregular. In some cases, the standard is quite good, as is the case with healthcare. Nonetheless, access to services, such as social services or childcare, is becoming limited mainly due to their high cost or conditions. Access to housing is especially hampered by the high prices and the low number of social housing units.

¹⁰ STATEC, 2015. [Rapport Travail et Cohésion Sociale](#). Cahier économique N° 120.

¹¹ Up to 54% according to the CEPS, 2010. [Eligibility and Take-up of Social Assistance for Immigrants and Nationals: The case of Luxembourg](#).

2. How effective are Luxembourg's policies to fight poverty and social exclusion?

The Country Report for Luxembourg,¹² published by the European Commission in February 2015, reflects partly the main problems and reality of poverty and social exclusion in the country, yet fails to address the housing problem.

At the same time, the National Reform Programme¹³ published by the Government of Luxembourg, also in 2015, reflects partly the main problems and reality of poverty and social exclusion in the country yet also fails to address the housing problem.

In general, it can be said that the current policies implemented in Luxembourg address only some of the problems related to poverty and social exclusion. Up to this date, no government has had the courage to adopt consistent strategies and policies to address problems related to the increasing cost of housing, to unemployment rates and to the increasing inequality rate.

Policies implemented in recent years, have only been partly effective in addressing the problems of poverty and social exclusion: there have been some small successes, as is the case of the youth guarantee, although still on a small scale. Also new ways of individual coaching are now tested by the public employment agency. However, in general, these types of policies are often under-resourced or activities are too limited in scale.

What policies are needed to address poverty and social exclusion more effectively?

Luxembourg requires comprehensive housing policies that can address issues such as massive construction programmes for social housing, regulated rental prices, , establishing taxes against speculative actions, and introducing a tax reform to ensure more equity in the system.

In this context, the EU could support the Government of Luxembourg in addressing the problems of poverty and social exclusion more effectively by adopting a country specific recommendation aimed at addressing the issue of housing through adequate public policies.

¹²European Commission, 2015. [Country Report Luxembourg 2015](#).

¹³Government of Luxembourg, 2015. [National Reform Programme Luxembourg 2015](#).

The impact of social protection system reforms

Social protection system reforms & modernisation in Luxembourg

- ❖ The reforms have focussed on budget cuts although some steps have been taken to partially reform some aspects of the social protection system.
- ❖ However, up to this date no specific and targeted reforms have been undertaken to address the needs of the people most at risk of poverty and social exclusion.

Example of an effective policy or programme related to the active inclusion pillars of adequate income support and access to services

An example of a policy measure, which has had a positive impact on the reduction of poverty and social exclusion, is the reform of the local social offices and especially the introduction of the “Third Party Payer for Health Costs” which has been implemented by the Ministry of Family, the Ministry of Social Security and the Ministry of Health.

The reform consisted of a regionalisation of the formerly localised offices, going hand in hand with greater professionalization, more staff and a fixed distribution of the costs between the national and the local governments. Furthermore, it installed a right to social aid for the beneficiary, including that the beneficiary can appeal against the decisions of the offices before the special jurisdiction competent for social security and social protection.

In the aftermath of the reform, the “social third payer” principle was also introduced, which means that, in cases of neediness, duly attested by a social office, physicians can claim their fees directly from the national sickness insurance fund, whereas normally patients have to pay the bill first and get reimbursed later by the sickness insurance fund.

Example of an ineffective policy or programme related to the active inclusion pillars of adequate income support and inclusive labour markets

The Government abolished the education allowance by the Ministry of Family, which consisted of offering an alternative to parental leave: for mothers not at work (who had never worked or who were just now without work, e.g. in unemployment etc.), for those who cannot benefit from parental leave (less than 20 hours’ work per week, more than one employer, or an employer change within the last 12 months etc.) and for those for whom the parental leave scheme is not flexible enough. The alternative consisted of getting an amount of € 485 per month paid by the State until the child

had reached the age of two. The same amount was also granted to those mothers who did continue to work under certain revenue conditions (for example, the presence of one child in the household with an income less than 3 times the minimum wage). This allowance is now abolished, with a promise to make the parental leave scheme more flexible and eligible for some of those presently excluded, but this reform is not yet on the way and so especially vulnerable persons are left without any benefit.

3. The response of Caritas: initiatives that have been effective when addressing poverty and social exclusion

The following initiatives run by Caritas Luxembourg have been demonstrated to have contributed to the reduction of poverty in Luxembourg:

INCOME SUPPORT & ACCESS TO SERVICES

<https://www.buttek.lu/>

Project “Social groceries”

Description

People with a very low income can purchase goods at one-third of the normal price. In addition, they are also counselled in cooking and other household tasks. The social groceries are partly supplied from the surpluses of supermarkets, but in order to be able to offer a set of 100 basic products to any beneficiary at any time, more than half of the goods have to be purchased at the expense of Caritas, which is only partly covered by donations.

Problem addressed

This project addresses a challenge related to the “income support” and “access to services” pillars of active inclusion with regards to lack of income, and access to goods to satisfy basic needs.

Results

More and more clients are rolling in and they are returning more often for new purchases, so that there is a rising turnover of the goods, and the number of social groceries is also increasing: having started with two, there are now 10 groceries operating.

Innovative features & success factors

The involvement and commitment of a variety of local actors: supermarkets, politicians and volunteers.

ACCESS TO EMPLOYMENT OF MIGRANTS

<http://www.caritas.lu/Projets-à-soutenir/Projets-au-Luxembourg/S'intégrer-par-le-travail/«-Passerelles-pour-l'emploi-»>

Project “Classes passerelles” (Gateway classes)

Description

Migrant youngsters with no or with a low educational attainment are trained, in literacy courses, language courses and other skills, to promote their access to the labour market.

Problem addressed

This project addresses a challenge related to the “inclusive labour markets” pillar of active inclusion with regards to the low rates of employment of migrants due to their lack of qualifications and key skills.

Results

More than 100 youngsters are trained every year. Most of them are able to find a job at the end of the programme; one of them is now studying at university.

Innovative features & success factors

Highly motivated teachers are able to adapt to the needs and interests of the target group, building on their skills, and avoiding the otherwise negative or punishment training styles that are often applied in education centres.

4. Recommendations to address the described problems

Recommendation 1: Make the National Reform Programme (NRP) an integrated strategic programme, better coordinated with the National Social Report, involving all stakeholders in the full policy cycle (design, implementation, monitoring and evaluation).

- **Problem addressed if implemented:** Currently, the NRP is only a juxtaposition of measures, not an integrated strategy. The involvement of stakeholders is minimal.
- **Governmental department that could lead this measure:** The Ministry of Economy in cooperation with all relevant ministries and stakeholders.
- **How the European Commission could support this measure:** By putting more emphasis on the need for more integrated strategic programmes and by requiring governments to ensure the involvement of all key stakeholders through specific guidance as well as through the Country Specific Recommendations.

Recommendation 2: Adopt an integrated approach in relation to the targets in the areas of employment, research, climate/energy, education and poverty, ensuring all strategies complement each other.

- ➔ **Problem addressed if implemented:** The targets related to poverty and social exclusion are often not addressed or are not aligned with the rest of the Government's strategies.
- ➔ **Governmental department that could lead this measure:** The Ministry of Economy in collaboration with other ministries and stakeholders.

Recommendation 3: Establish a poverty impact assessment when adopting new policies and measures in order to evaluate if it contributes to an increase or reduction in poverty and social inclusion.

- ➔ **Problem addressed if implemented:** The lack of evaluation or impact assessment of mainstreaming policies in poverty and social exclusion.
- ➔ **Governmental department that could lead this measure:** All public administrations with the competence to adopt public policies.
- ➔ **How the European Commission could support this measure:** By facilitating recommendations and guidance on how to carry out poverty impact assessments in mainstreaming policies.

Recommendation 4: Take strong action in the field of social housing, regarding both the provision of housing at affordable prices in general, and the provision of special social housing. The intermediate measure, introducing rent subsidies for people and families that cannot afford the high rents, should be accompanied by a strong control of rental prices in order to prevent the subsidy amounts resulting in an increase in prices.

- ➔ **Problem addressed if implemented:** Access to affordable housing.
- ➔ **Governmental department that could lead this measure:** The Ministry of the Economy and the Ministry of Housing.
- ➔ **Policy framework:** The EC Recommendation on the active inclusion of people excluded from the labour market .
- ➔ **How the European Commission could support this measure:** By encouraging this type of measure in the Country Specific Recommendations.



This publication has received financial support from the European Union Programme for Employment and Social Innovation "EaSI" (2014-2020). For further information please consult: <http://ec.europa.eu/social/easi>