

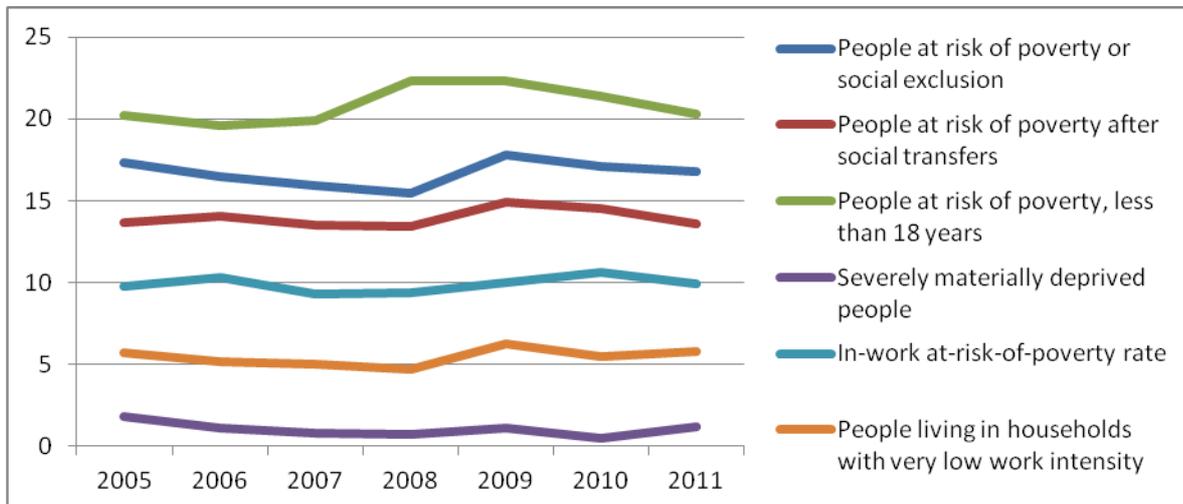
1. POVERTY

1.1. Recent trends

Developments of poverty and social exclusion in Luxembourg based on Eurostat:

- All poverty indicators have increased since the beginning of the crisis, with the exception of the share of young people at risk of poverty having decreased by 2 p.p. between 2008 and 2011. This trend has not changed the fact that **children remain the age group at highest risk of poverty** (24.6% in 2012).
- The **most significant increase occurred in the rate of severely materially deprived people**, jumping from 0.7% in 2008 to 1.3% in 2012. Despite this notable increase, material deprivation still remains well below EU average (9.9%).
- While most poverty indicators in Luxembourg are (well) below EU average, the in-work at-risk of poverty rate stings out. In 2012 it stood at 10.2%, compared to the EU average of 9.2%. **In-work poverty has been on the rise since the beginning of the crisis, especially affecting women:** in 2011, 10.6% of working women were at risk of poverty, compared to 9.3% of their male peers.
- It has to be noted that households without children represent an at-risk-of-poverty rate of 8.6%, whereas for households with children it is 17.3%; moreover for **households with more than 2 children the at-risk-of-poverty rate is 25.7% and for lone parents it is 45.5%**. Just to underline how severe these groups are affected in comparison to others: the overall rate is 13.6% and the one for persons aged more than 65 is 4.7%.

Poverty trends in Luxembourg (% of population)



Caritas monitoring data reflects the severity of the problems highlighted above:

- The **duration of the stay of homeless people in Caritas shelters has doubled between 2011 and 2012** (average duration: 43 days in 2011 and 81 days in 2012).
- The **winter action, addressing homeless people** during winter, has reached 684 persons in 2012/2013, whereas there have been 499 in 2011/2012.
- In 2012 there were 961 **visitors in Caritas social groceries**, where people can get a range of 100 food and personal hygienic items at about 30% of the normal price. In 2011 the number of clients was 668.
- Between 2005 and 2011, **housing costs increased by 20% to rent** and by 25% to buy.¹

¹ Observatoire de l'Habitat, URL: <http://observatoire.ceps.lu/index.cfm?pageKw=serie3>

1.2. Recent policy developments

Since last year the following policy developments have been registered:

Since June 2012, the **social assistance to asylum seekers** (in the case of full board accommodation) was **reduced to 25 euro per month** for adults and 12.50 euro per month for children. These amounts are far below what is necessary to have a dignified life.

In September 2012, a **voucher programme for pupils to buy schoolbooks and material** was introduced. This is a positive measure but with a limited impact, as it is means-tested.

In January 2013, the hard-fought **pension reform** went into force, bringing some **smaller cuts for those living on pensions and more years to work** to get the full right to pension.

In January 2013, the “**social third party payer**” for health costs programme was introduced. Vulnerable people do not first have to pay and later get reimbursed by the insurance fund but health services (physician, pharmacy, etc.) get paid directly by the insurance fund. This (means-tested) measure has been asked for by NGOs for a long time; positive impact is expected, but the measure has still not been fully implemented.

In January 2013, the government adopted the **National Strategy Against Homelessness**. Positive impacts are expected but the measure has not been implemented yet.

Recently, a **proposal for a law on rent subsidies** has been presented to the Parliament. The proposed measures can be considered a beginning but do not go far enough. Furthermore, the Ministry of Family is currently working on a **proposal to amend the minimum income scheme**.

Assessment of Luxembourg's NRP and policies it refers to:

The poverty related challenges have been addressed in Luxembourg's 2013 NRP, however not in a satisfying way. The NRP **does not report on any new measures, except the national strategy against homelessness, whose implementation remains questionable**. While the NRP reports on a good progress on the implementation of the earlier planned measures, there are still a number of issues, which the document fails to address. Firstly, it still **lacks measures in the field of housing**, whereas this is the domain where most problems reside. Secondly, there is **no link to EU Structural Funds**, the possibilities of the **active inclusion strategy are not fully used** and the integrated approach is too weak. **Child poverty is merely addressed** in relation to childcare.

Assessment of Luxemburg's Country Specific Recommendations (CSRs) adopted in 2013:

The following CSRs may have a negative impact on the situation of poverty and social exclusion in Luxembourg:

CSRs that could have a negative impact	Possible negative impact
CSR 1 on a sound fiscal position and public spending.	Budget cuts and a lower public investment may have a negative impact on poverty.
CSR 2 on applying the standard VAT rate.	A higher VAT rate will decrease the disposable income.
CSR 4 on reforming the wage setting system.	The consequence will be less disposable income. Employers are currently threatening especially lower wages and the minimum wage.

1.3. Recommendations

- Take strong action in the field of social housing (provision of housing at affordable prices and provision of special social housing, **introducing rent subsidies** for people that cannot afford the

high lodging prices accompanied by a **strong control of rent prices**). The **social real estate agency should also be further promoted**.

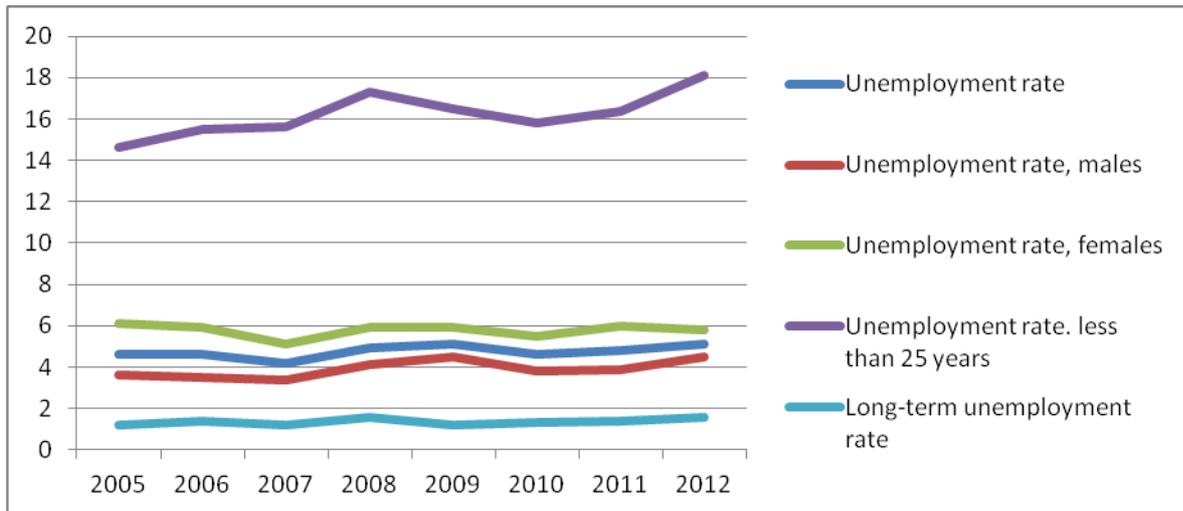
- Extend the national solidarity system to all types of migrants, including refugees and asylum seekers, as long as they are on the national territory. Install a federation of regional and local social assistance offices.
- Reform the tax system to make it more just and ecological. **Tax the environmental pollution** instead of the labour force. It is also recommended to **calculate the social contributions of workers according to employers' profits** rather than on the wages of the workers.
- Enhance the pension reform by changing more than one facet of the system: safeguard the rights of those on low pensions and **cut down the amount of the maximum pension** (over 7,250 euros).
- Reform the minimum income scheme in order to take better into account the housing prices, **orient the level of minimum income at the at-risk-of-poverty threshold**, but also at reference budgets to be set up.
- Implement the National Strategy against homelessness.
- Counterbalance higher VAT by an increase of the “expensive life allowance” (means-tested).

2. EMPLOYMENT

2.1. Recent trends

Developments of the employment situation in Luxembourg:

- **Young people below the age of 25 remain the group hardest hit by unemployment.** While having decreased slightly in 2010, the youth unemployment rate reached a new high of 18.1% in 2012, that is, 13 p.p. above the national average of 5.1%.
- The **most significant** increase during the observation period 2008-2012 can be noted among the **unemployment rate of men, which rose from 4.1% to 4.5%**; however, it still remains well below EU average. Nevertheless, in 2012 there was still a **significantly larger share of unemployed women (5.8%)** than men. A similar gender pattern can be observed in the employment rate (2012: 78,1% men, 64.1% women), which increased slightly among both men and women.
- Noticeable fluctuations in gender differences can be observed in the long-term unemployment rate. While the overall rate returned to its 2008 value in 2012, a slight increase can be observed among men (2008: 1.2%, 2012: 1.3%). On the other hand, female long-term unemployment dropped between 2008 (2.1%) and 2010 (1.4%) but rose again to 2012 (1.8%). During the observed period, **long-term unemployment** was the indicator with most significant proportional disparities between men and women, **remaining continuously higher among women**.

Employment trends in Luxembourg (% of population):


National data show, that there is a growing number of people in “special measures” (3 067, 3 097, 3 843 and 4 221 respectively in 2008, 2009, 2010 and 2011) and also a growing number of people labelled “unable to continue their profession” (1 159, 1 312, 1 454 and 1 649 respectively in 2008, 2009, 2010 and 2011). **All these people are therefore out of the unemployment statistics.**

2.2. Recent policy developments

Since last year the following policy developments have been registered:

Since last year, a **reform of the public employment service** has been under way. It is however still too early to evaluate its impact.

Assessment of Luxembourg's NRP and policies it refers to:

The document presents a large range of different measures, including the targeting of vulnerable or disadvantaged groups. Although the measures appear rather cost intensive, they can be considered appropriate. However, the **proposed measures do not seem to efficiently counteract unemployment** due to the specific situation in Luxembourg: around 10,000 new jobs are created every year; commuters accept the majority of them while **unemployment among the resident population is growing every year**. Furthermore, it has to be noted that the public **employment service is lacking personnel and appropriate training** of its employees. In particular, the assessment of competencies would need to be improved. There is also a rising demand for individual career pathways and personal accompaniment but no according offer.

Assessment of Luxembourg's Country Specific Recommendations (CSRs) adopted in 2013:

The following CSRs may have a negative impact on the employment situation in Luxembourg:

CSR that could have a negative impact	Possible negative impact
CSR 1 on a sound fiscal position and public spending.	Budget cuts and a lower public investment may have a negative impact on employment.

2.3. Recommendations

- **Implement the youth guarantee**, especially provide individually tailored pathways.
- Retrench the prerequisites and administrative **requirements to create businesses**.

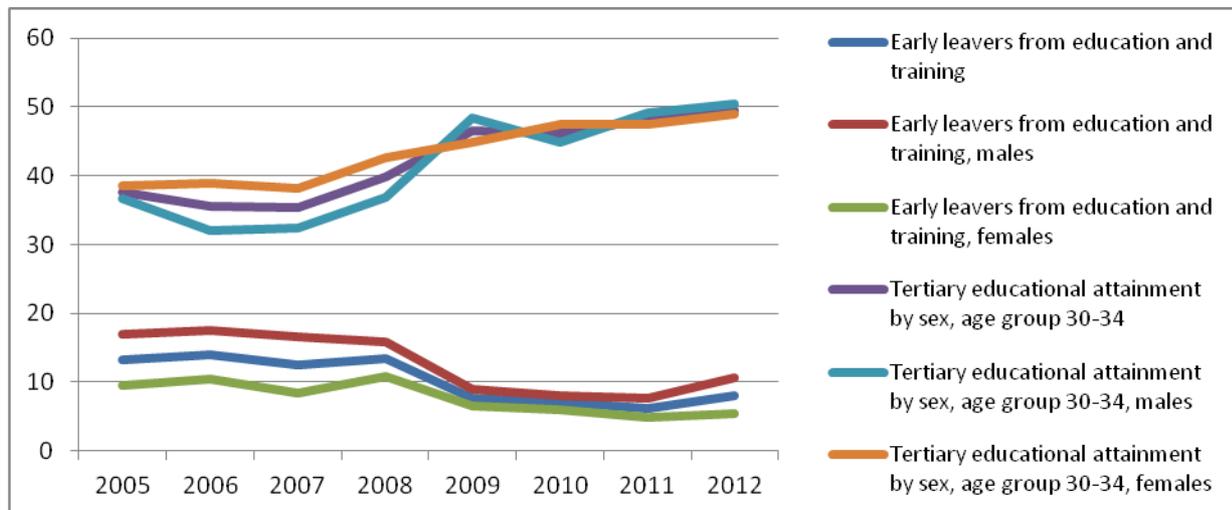
3. EDUCATION

3.1. Recent trends

Developments of the education situation in Luxembourg :

- The considerable drop in the **early school leaving rate** between 2008 and 2009 (from 13.4% to 7.7%) can be explained by a break in the time series of data. While the rate kept decreasing during the observed period, it **rose again in 2012**, when it stood at 8.1%. The most significant developments can be observed among male and female early school leavers: during the observed period, the rate of male early school leavers kept constantly above their female peers, experiencing a similar increase between 2011 and 2012. However, the gap between male and female early school leavers widened in 2012 when almost twice as many boys abandoned school or training as girls.
- At the same time, the rate of tertiary educational attainment experienced a swap in gender gap, with a **sharp increase in male tertiary educational attainment, standing at 50.4% – the highest rate among males in the EU**. With 48.9%, female attainment also remains well above EU levels.

Education trends in Luxembourg (% of population):



3.2. Recent policy developments

Since last year the following policy developments have been registered:

As regards **tertiary educational attainment**, Luxembourg had already reached the target of 40% but has set itself a **new national target of 66%**. The reason was that tertiary education attainment among people born in Luxembourg is significantly lower rate than that of people born abroad. This is due to the fact that during recent years **Luxembourg has attracted a large number of highly qualified immigrants** in order to match the needs of the growing economy and a lack of adequate labour force on the spot.

Assessment of Luxembourg's NRP and policies it refers to:

The **education related challenges have been addressed** in Luxembourg's 2013 NRP, **however not in a satisfying way**. The document presents a range of earlier proposed measures, all of which cannot be considered sufficient. Despite Luxembourg having **one of the most expensive education systems, it is hardly delivering**. In order to reach the target on tertiary education degrees it does not appear sufficient to report on the amounts of money spent on university. The current employment environment reflects that a career as civil servant appears to be more aspiring to young Luxembourgian people than long studies with job uncertainty.

Assessment of Luxembourg's Country Specific Recommendations (CSRs) adopted in 2013:

The following CSRs are considered adequate for having a positive impact on the educational situation in Luxembourg:

CSR considered adequate	Positive impact
CSR 5 on strengthening general and vocational education to better match young people's skills with labour demand, in particular for people with migrant background.	This would improve the education system and enhance skills of the young.

3.3. Recommendations

- Adopt and implement an effective and realistic education strategy with **sufficient resources to address the poor education levels** of the country.
- A reform of the educational system should bring a revision of the necessity to **learn three languages** and a **headmaster for every school**.
- Take the necessary steps towards **free early childcare and education facilities**, as promised, and install strong safeguards to **raise the quality in childcare facilities**.