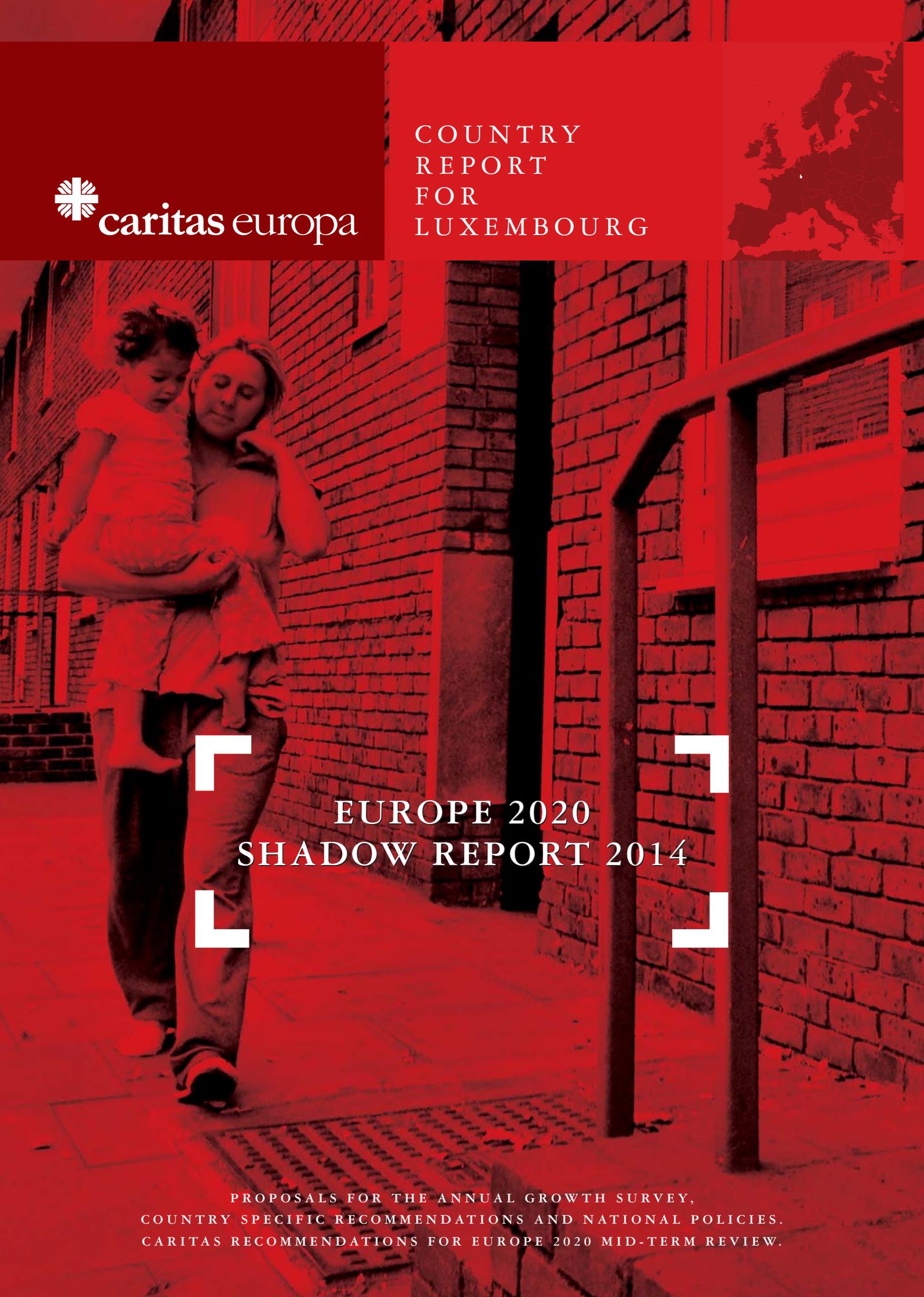




COUNTRY
REPORT
FOR
LUXEMBOURG

A photograph of a woman holding a young child on a sidewalk. The woman is looking down at the child. The background shows a brick wall and a metal railing. The entire image is overlaid with a semi-transparent red filter.

EUROPE 2020
SHADOW REPORT 2014

PROPOSALS FOR THE ANNUAL GROWTH SURVEY,
COUNTRY SPECIFIC RECOMMENDATIONS AND NATIONAL POLICIES.
CARITAS RECOMMENDATIONS FOR EUROPE 2020 MID-TERM REVIEW.

01

EU 2020 Strategy: general evaluation

Caritas Luxembourg notices that, since the introduction of the Europe 2020 Strategy, there are even fewer implications for stakeholders than before; also for employment growth as well as for poverty reduction there has not only been no progress, but things are even worse now than in 2010. The first positive opinion of having included the social strand (formerly in a separated process with National Social reports) into the mainstream of the NRP was biased by the fact that it was not equally addressed in reality. The NRP-process focuses on macro-economic issues (as if poverty was not a macroeconomic issue!) and employment, the social target being the "enfant pauvre" (the 'poor relation') of the process.

Although the current Europe 2020 targets are still relevant, they are far from being achieved. What must be avoided at all costs is that the mid-term review waters down the targets to "something more realistic". In Luxembourg, the fact that the Government has had to admit that the poverty target is far from being met has not led to new measures in the NRP 2014; they are the same as in 2013. Furthermore, all targets are important, as they are interlinked. There is a possibility that both the R&D and the climate and energy targets could have a positive influence on the employment target and hence also on the poverty target etc. It is useful to break these targets down to the national level, because this is the only way to make them operational. The other side of the coin is, of course, that there are no ways to enforce ambitious targets, nor to ensure that policies are put in place that make it possible to achieve them. In the case of Luxembourg, the targets are clearly not ambitious enough. A stronger involvement of stakeholders and these stakeholders being heard by the Commission's staff members as well as by social inclusion independent experts, together with the opportunity of contesting the targets in the process, could help to set them in a more adequate manner.

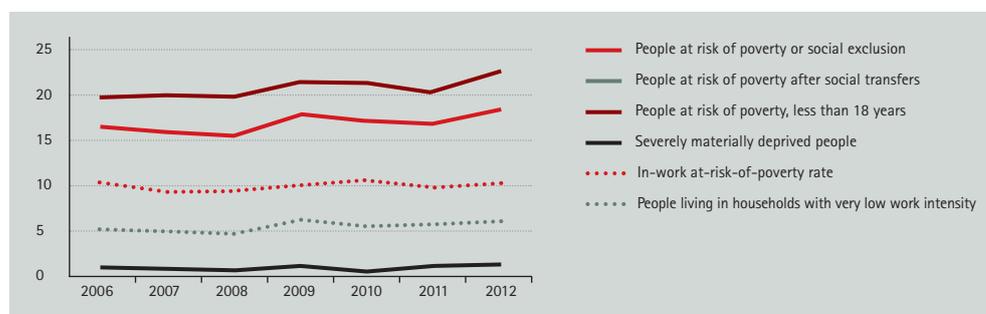
A European strategy for growth and jobs is desperately needed. But the question is also: what kind of growth? Growth alone may rather be the problem than the solution. Investments are needed, but who will invest, if there is no demand? However, such a strategy will not deliver as long as the main driver in the seat is the Directorate General Economic and Financial Affairs (ECFIN), focusing only on macro-economic figures and public finances. There is still a lack of understanding that this has already led the Troika countries in the wrong direction. There are some examples of initial understanding on the FMI side, but also on the Commission's side, but there is still no reversal of power. There is a lack of new ideas within the Commission (let's put some hope in the new one), but also on the side of the Council. In order for such a strategy to deliver results, adequate measures together with an adequate budget need to be put in place at national level. At EU level, the process should be more effective, with more pressure on those governments that fail but that would still have the means to deliver results themselves, and with more help for those that do not.

Regarding the consultation process with civil stakeholders, such involvement has been minimal in Luxembourg. As regards the poverty target, civil servants of the Ministry of Family responsible for its coordination have made greater efforts to involve civil society over the last two years; however, there is still room for progress.

02 Poverty

2.1 Recent trends

Eurostat (% of population)	2009			2010			2011			2012			EU average
	M	F	T	M	F	T	M	F	T	M	F	T	
Luxembourg													
POVERTY													
People at risk of poverty or social exclusion	-	-	17.8	-	-	17.1			16.8			18.4	24.8
People at risk of poverty after social transfers	13.8	16	14.9	14.6	14.4	14.5	12.7	14.5	13.6	14.7	15.6	15.1	17.0
People at risk of poverty, less than 18 years of age	-	-	21.4	-	-	21.4	-	-	20.3	-	-	22.6	20.8
Severely materially deprived people	-	-	1.1	-	-	0.5	-	-	1.2	-	-	1.3	9.9
In-work at-risk-of-poverty rate	10.5	9.5	10	10.8	10.4	10.6	9.3	10.6	9.9	10.5	9.9	10.2	9.2
People living in households with very low work intensity	-	-	6.3	-	-	5.5	-	-	5.8	-	-	6.1	10.3



Developments of poverty and social exclusion indicators in Luxembourg (2009-2012) based on Eurostat:

- All poverty indicators have increased since the beginning of the crisis, with the exception of the at-risk-of-poverty rate, which had an increasing trend that seems to have been reversing since 2009 (14.9%), reaching a rate of 13.6% in 2011, but again 15,1% in 2012.
- It is particularly worrying that the rate of child poverty seems to be have been decreasing since 2009 but increased by 2.3 p.p. between 2011 and 2012; children remain the age group at highest risk of poverty (22.6% in 2012).

- ➔ The most significant increase occurred in the rate of severely materially deprived people, which reached 1.3% in 2012. However, this indicator is subject to severe fluctuations, probably due to a statistically too small panel. Despite this notable increase, material deprivation still remains the lowest in the EU (EU average of 9.9%).
- ➔ While most poverty indicators in Luxembourg are (well) below the EU average, the **in-work at-risk of poverty and child poverty stands out**. In 2012, the at-risk of poverty rate stood at 10.2%, compared to the EU average of 9.2%, while the poverty risk of people aged under 18 stood at 22.6%, compared to the EU average of 20.8%.
- ➔ **Families with children are significantly more affected by poverty than families without children**: they had an at-risk-of-poverty rate of 7.1% in 2012, whereas families with children one of 20.1%, and families with more than two children an even higher rate of 24.5%.
- ➔ The group most affected and whose at-risk-of poverty rate is by far the highest are **single parents with one or more dependent children**. Their at-risk-of-poverty rate between 2009 and 2012 was 52.3%, 46.4%, 45.5% and 46.9% respectively, so almost half of them were at risk of poverty. The EU average rate was 34.1% in 2012.

Additional national data show the severity of the problems reflected by the above Eurostat data:

- ➔ The Luxembourg National Statistics Office (STATEC) recorded the following gender breakdowns for people at risk of poverty and exclusion: in 2011 – m 15.6%, f 18.0%; in 2012 – m 17.3%, f 19.4%.
- ➔ The duration of the stay of homeless people in Caritas Luxembourg's shelter doubled between 2011 and 2012, and was further augmented in 2013. Therefore, fewer people had access and a waiting list had to be established.¹
- ➔ Our winter action, addressing homeless people during winter, reached 499 persons in 2011/2012, 684 persons in 2012/2013 and 828 in 2013/2014.²
- ➔ In 2011, there were 668 visitors in our social grocery outlets (where they can get a range of 100 food and personal hygiene items at about 30% of the normal price); in 2012, the number was 961 and in 2013 this went up to 2,551.³
- ➔ Our phone consultation service (operated together with 3 other organisations) had 707 calls and talks during 2013, whereas there were only 512 in 2012. The most important issues were family relations, conflicts with parents, relations with friends and sexuality. The economic crisis seems to amplify problems and inner conflicts within families.⁴
- ➔ Housing costs increased between 2005 and 2014 (always 1st trimester) by 23.7% and 32,3% respectively for houses and apartments to rent; and by 35.6% and 36.2% respectively for houses and apartments to buy. Since last year the increases have been 6.12% and 4.25% respectively for houses and apartments to rent, and 6.09% and 4.35% respectively for houses and apartments to buy.⁵

¹ Compare the Caritas Luxembourg Annual Reports for 2011, 2012 and 2013: <http://www.caritas.lu/tj/Qui-sommes-nous/Rapport-d'activites>.

² Idem.

³ Idem.

⁴ Idem.

⁵ See <http://observatoire.ceps.lu/>.

2.2

Recent policy developments

No further measures yet, but announcements have been made.

Social investment package: investing in children⁶

ASSESSMENT OF PROGRESS

- ➔ With regards to providing for adequate living standards through a combination of benefits
 - There have been no changes in Early Childhood Education and Care (ECEC) since February 2013; access is not possible for all because of a lack of places, although the Barcelona targets have been fulfilled. Quality needs to be improved. Some measures are expected for the near future.
 - Regarding family income schemes, there have also been no changes, but merely some announcements of related measures. Laws on housing benefits are stuck in the legislative (or political?) process, the reform of the minimum income scheme has already been prepared (by the former government) but is not yet finalised.

- ➔ Regarding the reduction of inequality at a young age by investing in early childhood education and care
 - There have been no changes in the ECEC since February 2013; access is not possible for all because of a lack of places, although the Barcelona targets have been fulfilled.
 - Quality needs to be improved. A law regarding quality issues is stuck in the legal process. Some additional measures are expected for the near future. The need to invest in children has been accepted by the government, but we will only know in the future what exactly they plan to do in response. Their declared objective is to provide quality care places for all children, free for those under three years, and with some elements for better integration, notably language skills.

- ➔ Concerning the improvement of the education system's impact on equal opportunities
 - In the last few years a number of school reforms were undertaken, the current government wants to finalise them but also to review some items. Until now, they are still studying these and we must wait on their future activities to comment.

- ➔ As regards the improvement of the responsiveness of health systems to address the needs of disadvantaged children
 - Since January 2013, there has been the possibility of vulnerable people getting medical care without paying (normally you pay and get reimbursed later). But we have some testimonies from beneficiaries that proper implementation has not yet been ensured everywhere.

⁶ European Commission, 2013, Recommendation Investing in Children: Breaking the Cycle of Disadvantage 2013/112/EU approved under the Framework of the Social Investment Package

Innovative services or programmes implemented by Caritas Luxembourg

DESCRIPTION OF THE SERVICE OR PROGRAMME

- ➔ Caritas Luxembourg have founded social grocery outlets where vulnerable people can buy essential products at a price which is one-third of the normal price.⁷
- ➔ Furthermore, it has implemented day-care centres for children with an ECEC-perspective⁸, with the support of ESF-(Equal)Funding.⁹
- ➔ Every year, Caritas Luxembourg issues a Social Almanach¹⁰, analysing Government's social policy and making propositions, as advocacy is the other side of the coin.

Assessment of Luxembourg's Country Specific Recommendations (CSRs) adopted in 2014:

CSR 2 on curbing age-related expenditure, pursuing pension reform and reinforcing efforts to increase the participation rate of older workers, CSR 3 on speeding up the adoption of structural measures to reform the wage indexation system, pursuing the diversification of the structure of the economy, and CSR 4 on reducing youth unemployment for low-skilled job seekers with a migrant background and accelerating the implementation of the reform of general and vocational education and training are considered to have a positive impact on the situation of poverty and social exclusion in Luxembourg. At the same time, some CSRs could have a negative impact:

CSRs that could have a negative impact

- ➔ CSR 1 on speeding up the adoption of a medium-term budgetary framework covering the general government and including multi-annual expenditure ceilings.
- ➔ CSR 4 Pursue efforts to reduce youth unemployment for low-skilled job seekers with a migrant background, through a coherent strategy, including by further improving the design and monitoring of active labour market policies, addressing skills mismatches, and reducing financial disincentives to work. To that effect, accelerate the implementation of the reform of general and vocational education and training to better match young people's skills with labour demand.

Observations

- ➔ Budget cuts and lower public investment may have a negative impact on the situation of poverty and social exclusion.
- ➔ A consequence will be less disposable income; especially lower wages and the minimum wage are under pressure by employers .

⁷ <http://www.caritas.lu/Besoin-d'aide/Situation-de-précarité>

⁸ See for example <http://www.caritas.lu/Actualités/Conférence-de-clôture-Valiflex>, but also <http://www.qualiflex.lu> and <http://www.europaforum.public.lu/fr/temoignages-reportages/2007/12/reportage-qualiflex/index.html>

⁹ See http://www.fse.public.lu/documentation/Archive_2000_2006/4/Projets_archive/2000_2004/fogaflex.html and http://www.fse.public.lu/projets/Operations20072013/2011-2013/Caritas_Valiflex.html

¹⁰ <http://www.caritas.lu/Ce-que-nous-disons/Sozialalmanach>

2.3

Recommendations

Given the above assessments, Caritas recommends the following policy measures be introduced in order to address the challenges related to poverty and social exclusion:

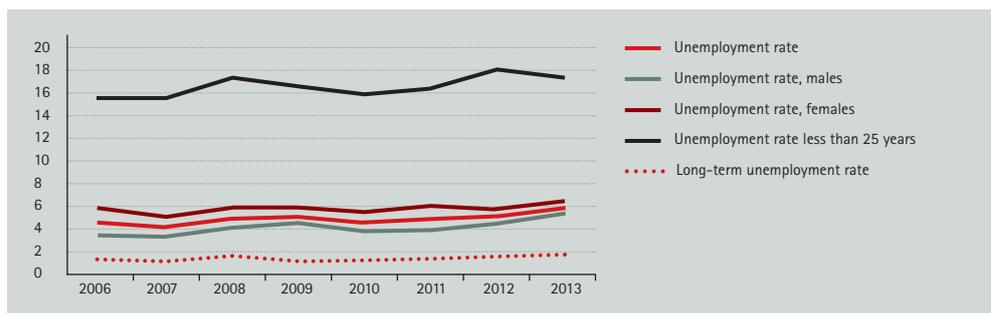
- ➔ Take strong action in the field of social housing (provision of housing at affordable prices and provision of special social housing, introducing rent subsidies for people that cannot afford the high prices for lodging, accompanied by a strong control of rental prices). The social real estate agency 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 national territory. Install a federation of regional and local social assistance offices.
- ➔ Reform the tax system to make it more just and ecological. For example, tax environmental pollution instead of the labour force. It is also recommended that calculations of the social contributions of workers be made according to employers' profits rather than on the wages of the workers.
- ➔ Enhance 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 better take 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). This allowance is granted to people with an income below a certain level.
- ➔ Make early child education and child care free of charge for parents, in order to improve ECEC access for all children.¹¹
- ➔ Combat unemployment, especially youth unemployment (see next section).

¹¹ This is a long-standing Caritas recommendation, also accepted by the government ("in the framework of the budgetary means"). See also a late press release: <http://www.caritas.lu/Ce-que-nous-disons/Questions-politiques-et-sociales/Warum-Caritas-Luxemburg-die-Einführung-einer-Abgabe-zur-Finanzierung-der-Kinderförderung-begrüßt>.

03 Employment

3.1 Recent trends

Eurostat (% of population)	2009			2010			2011			2012			2013			EU average
	M	F	T	M	F	T	M	F	T	M	F	T	M	F	T	
Luxembourg																
EMPLOYMENT																
Employment rate	79.0	61.5	70.4	79.2	62.0	70.7	78.1	61.9	70.1	78.5	64.1	71.4	78.0	63.9	71.1	68.3
Unemployment rate	4.5	5.9	5.1	3.8	5.5	4.6	3.9	6	4.8	4.5	5.8	5.1	5.4	6.4	5.8	10.8
Unemployment rate, under 25 years of age	-	-	16.5	-	-	15.8	-	-	16.4	-	-	18	-	-	17.4	23.4
Long-term unemployment rate	0.9	1.6	1.2	1.3	1.4	1.3	1.3	1.5	1.4	1.3	1.8	1.6	1.6	2	1.8	5.1



Development of employment indicators in Luxembourg (2009-2013) based on Eurostat:

- Young people below the age of 25 remain the group hardest hit by unemployment. In 2010, the youth unemployment rate slightly decreased, reaching a rate of 18.1% in 2012, which fell again to 17.4% in 2013.
- The most significant increase during the observation period can be noted among the long-term unemployment rate of men, which rose from 0.9% to 1.6%, remaining, however, well below the EU average of 5.2%. Nonetheless, it is worth noting that the long-term unemployment rate remains continuously higher among women.
- In 2013 there was still a significantly larger share of unemployed women (6.4%) than men (5.4%). A similar gender pattern can be observed in the employment rate (2013: 78% men, 63.9% women), which decreased slightly among both men and women.

Additional national data shows the severity of the problems reflected by the above Eurostat data:

- ➔ National data show that there is a growing number of people in "special measures" (3 374, 3 197, 4 025, 4 094, 4 763, 4 375, 5 019 respectively at the end of 2008, 2009, 2010, 2011, 2012, 2013 and most recently in June 2014) and also a growing number of people labelled "unable to continue their profession" (1 744, 1 996, 2 251, 1 721, 2 020, 2 354 and 2 337 respectively at the end of 2008, 2009, 2010, 2011, 2012, 2013 and in June 2014); these numbers represent people who are therefore excluded from the unemployment statistics!¹²

3.2

Recent policy developments

The reform of the public employment service is still ongoing, and there are some promising results, but overall it is still too early to judge.

There have been no other measures implemented since August 2013.

EU initiative: youth guarantee¹³

ASSESSMENT OF PROGRESS

The National Youth Service has been proposing special measures for NEETS (people who are not in employment, education or training) for years – but there has been nothing new since April 2013.

There were also special measures for youngsters, developed by the public employment service, but there is no news here, save for enhancement of the implementation process.

The youth guarantee was introduced on 26th June 2014. It says that there is this 4-month guarantee, but it is a guarantee that "something" is done, it is not a guarantee that after 4 months, at the latest, a job or a training possibility is granted.¹⁴

Assessment of Luxembourg's Country Specific Recommendations (CSRs) adopted in 2014:

- ➔ **CSR 2** on curbing age-related expenditure, pursuing pension reform and reinforcing efforts to increase the participation rate of older workers, **CSR 3** on speeding up the adoption of structural measures to reform the wage indexation system, pursuing the diversification of the structure of the economy, **CSR 4** on reducing youth unemployment for low-skilled job seekers with a migrant background and accelerating the implementation of the reform of general and vocational education and training and **CSR 5** on developing a comprehensive framework and taking concrete measures to meet the 2020 target for reducing greenhouse gas emissions from non-ETS activities are all considered to have a positive impact on the employment situation in Luxembourg. However, certain CSRs could have a negative impact:

¹² See Adem (public employment service), monthly bulletins: <http://www.adem.public.lu/actualites/index.html>

¹³ Council of the European Union, 2013, *Recommendation on establishing a Youth Guarantee* (2013/C 120/01)

¹⁴ See <http://www.jugendgarantie.lu>

CSRs that could have a negative impact	Observations
<ul style="list-style-type: none"> ➔ CSR 1 on speeding up the adoption of a medium-term budgetary framework covering the general government and including multi-annual expenditure ceilings. 	<ul style="list-style-type: none"> ➔ Budget cuts and lower public investment may have a negative impact on the employment situation in Luxembourg.

3.3 Recommendations

Given the above assessments, Caritas recommends the following policy measures be introduced in order to address the challenges related to the employment situation:

- ➔ Take the necessary steps towards free early childcare and education facilities, as promised, and install strong safeguards to raise the quality of childcare facilities.
- ➔ Combat unemployment, especially youth unemployment by¹⁵:
 - Raising the number of employees in the public employment service and adapting their training
 - Introducing tailored pathways for the long term unemployed, ensuring that they are better supported
 - Apply the law of 3rd March 2009 on the recovery of full employment
 - Maximise efforts to ensure that the youth guarantee delivers
- ➔ Retrench the prerequisites and administrative requirements to create businesses.
- ➔ Reform tax and social contribution systems in such a way that they do not hinder job creation.

¹⁵ These stem from the Caritas Luxembourg "Sozialalmanach" 2014.

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