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“THE IMPLEMENTATION OF FLEXICURITY AND THE ROLE OF THE  
SOCIAL PARTNERS”**

**NATIONAL FICHE**

# **Luxembourg**

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## Preface

This national fiche is part of the EU Social Partners’ Study “The implementation of flexicurity and the role of social partners” carried out in the context of the EU Social Dialogue Work Programme 2009-2011, which includes “*Jointly monitoring the implementation of the common principles of Flexicurity, notably in order to evaluate the role and involvement of the social partners in the process and to draw joint lessons*”.

To implement this task in the best possible way and to involve national member organisations actively in the gathering of data and information, the study applies a methodology that consists of multiple levels of analysis using a variety of instruments to be implemented with the help of a team of experts:<sup>1</sup>

- The expert team, with the advice of European Social Partners, agreed on a *set of selected statistical indicators* in the field of employment and economic and social development with labour market relevance.
- National social partners were asked to participate in a *questionnaire-based survey* focussing on the relevance of the flexicurity concept within national labour markets, the role of the social partners in policy implementation and their views of the flexicurity concept. To complement the research, the expert team visited a number of countries and carried out interviews with national social partners.<sup>2</sup>
- Based on the two sources above and a review of available written materials and information, the expert team prepared *29 national “fiches”* on the implementation of the flexicurity principles and the role of social partners in the respective national contexts.
- Results of the questionnaire survey and main findings of the national analyses were discussed at four “*country cluster seminars*” that were organised by the European Social Partners with the help of national sections in Warsaw (November 2010), Lisbon (December 2010), Paris (31<sup>st</sup> January-1<sup>st</sup> February 2011) and The Hague (8<sup>th</sup> February 2011).
- In the light of the overall study results and the comments received by national social partners in the contexts mentioned above, the expert team has prepared a *comparative synthesis report* on “*Social Partners and Flexicurity in Contemporary Labour Markets*” that was presented and discussed at a *EU-level synthesis seminar* on 31<sup>st</sup> March and 1<sup>st</sup> April 2011 in Brussels.

This national fiche aims to present a broad overview on the economic and social context and the state of play with regard to flexibility and security in the labour market and current social security arrangements (sections one and two). Secondly, the report describes the role of the social partners and social dialogue in the implementation of policies and practices that can be considered under the broad umbrella of “flexicurity” (section three), also summarising inputs provided by national social partners to the questionnaire, from interviews carried out and other contributions made in the context of the study. Section three also presents brief descriptions of cases of good practice as has been indicated by the national social partners.

The text was originally prepared as draft report in the autumn of 2010 in order to facilitate the discussion at the cluster seminar on 9<sup>th</sup> and 10<sup>th</sup> December 2010 in Lisbon. The original dossier has been reviewed and revised to take into account the comments and discussions that took place during the seminar or received afterwards.

However, it should be stressed that this report is presented as an “independent expert report”. It represents the views of the individuals involved in its preparation and does not purport to represent the views, either individually or collectively, of the social partners’ representatives that contributed to it, or those of the European level social partner organisations that were responsible for its commissioning.

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<sup>1</sup> Expert team: Eckhard Voss (coordinator), Alan Wild, Anna Kwiatkiewicz and Antonio Dornelas.

<sup>2</sup> The following countries were visited in the context of the project between May and July 2010: Denmark, France, Ireland, Italy, Czech Republic, Poland, Germany, Portugal and the Netherlands.

# 1 The economic and social context

## Economic crisis and recovery

Luxembourg is a small, stable, and high-income and export oriented economy which benefits considerably from its proximity to France, Belgium, Germany and its central location in Europe. The country has historically featured solid growth, low inflation, and low unemployment. Over the period of 2004 to 2007, the GDP growth averaged 5.5% per year and maintained a sound fiscal balance. Agriculture accounts for 0.4% of GDP, industry accounts for 13,6%, and services generate 86% of GDP.

The industrial sector, initially dominated by steel, has become increasingly diversified to include chemicals, rubber and other products. Growth in the financial sector, which now accounts for about 28% of GDP, has more than compensated for the decline in steel. Most banks are foreign owned and have extensive foreign dealings. Luxembourg today is an important logistics hub. The economy depends on foreign and cross-border workers for about 60% of its labour force and this feature creates a very specific labour market dynamic in the country. Approx. 1.4% of labour force is employed in agriculture, 21.8% in industry and over 76.0% in services.

Luxembourg, like all EU members, suffered from the global economic crisis that began in late 2008. Following a phase of strong expansion from 2004 to 2007, the GDP increased only slightly in 2008 and contracted by 3.7% in 2009. The first victim of the crisis was the export led manufacturing industry which is largely dependent upon the automotive and construction industries, and industrial production fell significantly at the end of 2008 and beginning of 2009. The most affected sectors included plastic, wood, rubber, textile steel and metal industries; decrease in economic activity was also observed in transport and logistics. Nonetheless, the country continues to enjoy an extraordinarily high standard of living and its GDP per capita ranks third in the world, after Liechtenstein and Qatar, and is the highest in the EU.

Turmoil in the world financial markets and lower global demand during 2008-09 prompted the government to inject capital into the banking sector and implement stimulus measures to boost the economy. The Luxembourgish banking sector was less severely affected than was feared because its core businesses in private banking and management of investment funds which were relatively sheltered from the global financial problems. The Luxembourgish banks had also pursued a strategy of risk avoidance and were less affected by the toxic asset question. Government stimulus measures and support for the banking sector, however, led to a strong increase in government gross debt from 2008 onwards. The economy is set to resume modest growth in 2010 and 2011 although unemployment is likely to continue to rise modestly.

### LUXEMBOURG - MAIN ECONOMIC INDICATORS AND OUTLOOK

	2007	2008	2009	2010	2011
<b>GDP – annual percentage change</b>	6.6	1.4	-3.7	3.2	2.8
<b>Employment – annual percentage change</b>	4.5	4.7	0.9	1.7	2.0
<b>Unemployment rate (Eurostat definition)</b>	4.2	4.9	5.1	5.5	5.6
<b>General government balance (as percentage of GDP)</b>	3.7	3.0	-0.7	-1.8	-1.3
<b>General government gross debt (as percentage of GDP)</b>	6.7	13.6	14.5	18.2	19.6

Source: European Commission: Autumn 2010 Economic Forecast.

According to the European Commission Spring Economic Forecast 2010 the main challenges for Luxembourg were to come back to the path of exceptionally dynamic economic growth from before the crisis as well as regain investment levels.

## Labour market indicators and trends

Between 1990 and 1999, the growth rate of paid employment within Luxembourg was 3.4%. However, the proportion of cross-border workers who took up new jobs was very large (77%). In the context of the very strong economic growth that took place between 1995 and 2000 (average growth in GDP exceeding 6%), the Luxembourg labour market experienced extraordinary dynamism. The increase in paid employment within the country during the years 1999 and 2000 was an exceptional (6%). The economic slowdown recorded from the start of 2001 onwards led, with a slight time lag; to a reduction in the rate of job creation which began in 2002 and continued in 2003 (the rate of growth in employment was 3.3% in 2002 and only 2% in 2003). 2004 saw the rate pick up again, and this was confirmed in 2005 and continued until 2008. On average, job growth for Luxembourg residents was more rapid for women (3.3% over the above period) than for men (increase of 1.7%). For non-residents, the difference between the sexes was less pronounced (increase of 6.9% for women and of 6.3% for men). In 2010 it was estimated that commuting workers accounted for 124,400 people out of 206 000 total labour force.

Between 1995 and 2005, the unemployment rate rose from 2.7% to 4.3%. Between 1995 and 2002, it had remained more or less constant (at between 2.3% and 2.8%). The rise in unemployment was especially pronounced in 2003 and, although improvements were recorded on the employment front from March 2004 onwards, they were not sufficient to reduce unemployment significantly. While the “success rate of reintegration into the labour market” after a relatively short time exceeded 50% of the unemployed, it should be noted that there is a continuing trend of extending unemployment spells. Long-term job-seekers (registered for more than one year) are the biggest group of unemployed people, and are becoming more numerous. They made up 19.1% of the unemployed people in 2001, 30.9% in 2006 and 33.5% in 2008 respectively.

During the crisis which started to impact the Luxembourg economy in 2008, employment stagnated rather than declined although there was a small surge in unemployment from 4.2% in 2007 to 5.4% in 2009 - a figure well below the European average. The government resorted to extensive short time working schemes and encouraged part-time working to limit job losses. The growth of part-time employment exploded during recession. The "frontalier" workers that make up 60% of the Luxembourg labour market also tended to shoulder the burden of unemployment and shelter domestic workers by bearing the brunt of downsizing measures.

The ways in which the Luxembourgish labour market differs from the European average in 2008 are listed below:

- The overall employment rate is around the European average at 63.4%, but the employment rate of older people lags Europe's average by more than 10% at 34.1% due to early retirements from the labour force;
- Relatively low rate of female employment is a result of individual choices and the “one-earner family” culture – as result it can be very difficult to increase female participation rate;
- The Luxemburg economy is dominated by the service industry, but there is a very important and highly productive manufacturing sector making high quality products for the automotive and construction industries;
- Unemployment is generally low. Youth unemployment is higher than the EU average and structural long term unemployment is a significant issue for the economy.

The final illustration below indicates a better than European average performance in measures of general and long term unemployment.

**LUXEMBOURG - MAIN LABOUR MARKET INDICATORS 2009 IN COMPARISON TO EU27**

	<b>Luxembourg</b>	<b>EU27</b>
<b>Employment rate – % population aged 15 – 64</b>	65.2	64.6
<b>Employment rate older people – % population aged 55-64</b>	38.2	46.0
<b>Self employed - % total population</b>	5.9	15.5
<b>Employment in services - % total employment</b>	77.1	70.4
<b>Employment in industry - % total employment</b>	21.3	24.1
<b>Employment in agriculture - % total employment</b>	1.5	5.6
<b>Unemployment rate - % labour force 15+</b>	5.2	8.9
<b>Youth unemployment rate - % labour force 15-24</b>	16.9	19.6
<b>Long term unemployment rate - % labour force</b>	1.2	3.0
<b>Inequalities of income distribution (2008)</b>	4.1	5.0

*Source: Eurostat, Employment in Europe Report 2010.*

## Flexibility in the labour market and labour market policy

The dominant features of the Luxembourgish labour market in flexicurity terms are:

- Whilst part-time work and flexitime use are average and above average, the use of fixed term contracts and the incidence of self-employment are low;
- Part-time work use has increased during the crisis as a result of short-time working schemes introduced by the government; this confirms that part-time work is perceived as a temporary, crisis-related measure rather than one of employment contract types;
- Continuous vocational training is around 50% - significantly more than the EU average of 33% - and lifelong learning participation is slightly below the average level for 27 Member States;
- Employment protection levels measured by the strictness of labour legislation is above the European average; this observation concerns both permanent and temporary employment protection, however, in case of the latter is much more stricter than the EU27 average;
- “Frontaliers” play an important role in the labour market accounting for over 60% of the total workforce; the biggest number of cross-border workers comes from France, Belgium and Germany attracted by high salaries, good conditions of work and one of the lowest in the EU tax on labour income;
- Quite a significant number of Luxembourgish workers commutes to work abroad;
- Full-time employment contract is a dominating type of contract in Luxembourg;
- Workers in Luxembourg are happy about their work – there were over 4 percentage points more satisfied workers than in the EU27 average.

LUXEMBOURG - FLEXICURITY INDICATORS IN COMPARISON

	Luxembourg	EU27
Total population having completed at least upper secondary education (population aged 25-64, %), 2009	77.3	72.0
Part-time employment - % total employment, 2009	18.2	18.8
Fixed-term contracts - % total employees, 2009	7.2	13.5
Access to flexitime, % total employees aged 15-64, 2004	37.5	31.3
Percentage of employees (all enterprises) participating in CVT courses , 2005	49.0	33
Lifelong learning participation – percentage of the population aged 25-64 participating in education and training over the four weeks prior to the survey, 2009	13.4	9.3
Job satisfaction – percentage of workers that are either very satisfied or satisfied with working conditions in their main paid job (EWCS 2010)	88.1	84.3
Strictness of employment protection – regular employment, 2008	2.75	2.11*
Strictness of employment protection – temporary employment, 2008	3.92	2.08*
Strictness of employment protection – collective dismissals, 2008	3.88	2.96*
Public expenditure on <i>passive</i> labour market policies (categories 8-9) - % of GDP, 2008	0.53	0.96
Public expenditure on <i>active</i> labour market policies (categories 2-7) - % of GDP, 2008	0.33	0.46
Persons at-risk-of-poverty after social transfers - % of total population, %, 2009	14.9	16.3

Source: Eurostat; Employment in Europe Report 2010; Eurofound (European Working Conditions Survey 2010); OECD. \*OECD average

The unemployment rate in Luxembourg remained low over the last decade (2.7% in 1997, 4.2% in 2007), far below the EU-15 average (9.8% and 7.0% respectively). It increased during the economic slowdown of 2001-2004 and reached the average level of 3.3%. The unemployment rate decreased until the moment the economic crisis broke in 2008 but still remains one of the lowest in Europe. There is a relatively limited share of long-term employed in Luxembourg. Standardized unemployment rate (approx. 43%) is close to the European average of 45% (it is only 10% in the US). There is quite a high share of young people in the total unemployed population (over 17% in 2007).

INCIDENCE OF LONG-TERM UNEMPLOYMENT AND THE UNEMPLOYMENT RATE 2007



Source: Employment in Europe Report, p. 73, based on OECD figures.

## Conclusion

Luxembourgish labour market is quite specific due to a significant share of cross-border workers (*frontaliers*). Cross-border workers ensure flexibility of the labour market, while national participants tend to value job security and lifetime employment with one organization very highly. In Luxembourg traditional full-time employment is dominating contractual arrangements; however, before the crisis the share of part-time was increasing, and it is a voluntary choice of a workers (only 5% of part-timers are involuntary). Use of fixed-term contracts and self-employed is below the EU average. In Luxembourg female and older workers' employment rates lag significantly behind the Lisbon targets of 60% and 50%. It is mainly caused by the tradition of “one-earner family” and decent wage levels. Female employment slowly starts to increase as a result of societal changes such as single parenting or growing divorce rate.

## 2 Flexibility and security in recent labour market and social policy reforms

### Introduction and overview

The debate on flexicurity is a relatively recent one in Luxembourg. The trade unions representatives hold fairly different positions on the issue with employers' organisations in favour of the deregulation of employment. The trade unions believe that the Luxembourg model in its current state already provides many aspects of flexicurity. Both sides agree on the need to manage job transitions better and to build a workforce capable of meeting current and future skills needs. Despite some differences, the issue has been on the employment policy agenda for around four years and progress has been made in many areas. It should be noted out that the context of the Luxembourg labour market is particularly suited to flexicurity measures as unemployment is low and is generally regarded as structural. In this context the Minister of Employment believes that a controversial policy of liberalisation of employment legislation would not contribute to creating jobs or reducing unemployment.

The latest and most important measure set up during the crisis is the government sponsored short time working scheme. They aimed at maintaining workers in employment and supporting their training, when companies suffer from decreased demand for their products and services. This measure has substantially reduced the unemployment impact of the crisis.

In a speech on 24 October 2007, the Luxembourg Minister of Labour and Employment, François Biltgen, outlined a government definition of flexicurity in the Luxembourg context stressing that measures must be marked by the stamp of subsidiarity i.e. be appropriate to the specific needs of the national situation and of specific companies. He also suggested that flexibility should not be imposed, rather negotiated between employers and trade unions.

One year earlier, on 28 April 2006, the government, employers and trade unions reached an agreement aimed at further energising the Luxembourg economy. The agreement made recommendations for public finances, the labour market, housing and inflation. It also contained certain elements for the gradual and balanced introduction of flexicurity in Luxembourg.

### Lifelong learning and mobility of workers

Flexicurity requires a lifelong learning system that is sufficiently robust to ensure the adaptability and employability of workers. In May 2006, the government cabinet adopted the “Bill on continuous

vocational training”. Under the Bill individual career guidance and initiation courses form an integral part of the education and training system and no longer represent a purely “anti-unemployment measure”. The second Bill, adopted in September 2006, reformed vocational training.

Individual training leave was established as a right for Luxembourgish workers and enables them to have the free time necessary to undertake individual training courses whilst retaining their salary and their job. The law of 24 October 2007 introduced the right for every person working in the private sector to eighty days of training leave in the course of their working life. Over a period of two years, the maximum number of days of training leave that can be taken is 20. The employer may turn down a training leave request and leave can be postponed if there is a risk that the employee’s absence due to the requested leave will have serious adverse repercussions on the company’s business, or on the smooth functioning of employees’ paid annual holiday.

It is also worthwhile to mention two laws on lifelong learning performance: the law of 4 September 1990 on, among others, reforming CVT and the amended law of 22 June 1999 to support and develop CVT. The September law was the basis for provisions to update qualifications along the labour market needs and have them certified. The June law focuses on enterprises and its purpose is to encourage enterprise investment in employee training.

Despite a practice-oriented vocational education system, the challenge is to make it responsive to changes in the business environment and more learner-centered. Analysis of the trends in economically active adult participation in lifelong learning reveal that the situation between year 2002 and 2006 changed only slightly and the Luxembourg’s results are far away from Lisbon targets with just 8% of the active population taking part in lifelong learning initiatives<sup>3</sup>. The need to improve lifelong learning performance is recognized by the government and social partners alike.

### Internal/external flexibility and contractual arrangements

Flexicurity requires modern employment legislation, which combines sufficiently flexible contractual arrangements with employment security. Currently, in European terms, Luxembourg employment laws are relatively strict (see data above) although neither trade unions nor the government have considered this to be an obstacle to job creation in recent years. Social partners have crucial role in law and policy making process related to employment and social sphere (more on this in the section on general role of social partners). For example, the Act of 19 May 2006, which aimed to complete the transposition of Directive 2003/88/EC concerning certain aspects of the organisation of working time, offers a degree of flexibility to the social partners. Under certain conditions guaranteeing time off in lieu, the employers and trade unions may depart from the general rules on break times, daily and weekly rest periods, the duration of night work and the associated reference periods through collective agreements or social dialogue agreements. Specifically, the law on flexibility of hours provides that the duration of work must not normally exceed eight hours per day and forty hours per week. Workers may however work longer than these hours, provided that the average duration of the working week, calculated using a reference period, does not exceed either forty hours or the normal maximum working week determined by collective labour agreement. The reference period may be between four weeks and twelve months. It is fixed by collective labour agreement or ministerial authorisation.

Flexible contractual arrangements have been in place in Luxembourg since 2004. One of the first results in this context was the implementation of the European agreement for telework.

An innovative and recent Luxembourg initiative is the time-savings account scheme. The government has introduced ‘*time-savings accounts*’ which enable employees to accumulate paid holiday entitlement

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<sup>3</sup> A. Wild (ed.), A. Kwiatkiewicz, *Joint Study of Restructuring in the EU27: Luxembourg Country Dossier*, Brussels, 2009, p. 23.

which they can then use for personal projects without having either to take unpaid leave or to simply abandon their projects.

It should be mentioned here, that employment contracts without defined number of working hours (i.e. “zero hours” contracts or on-call work) are not legal in Luxembourg.

A series of temporary measures introduced to better manage restructuring processes are also relevant for internal flexibility, i.e. partial unemployment (*le chômage partiel*) and plan of maintaining workers in employment (*le plan de maintien dans l’emploi*).

## Active labour market policies

The tripartite agreement of 28 April 2006 resulted in a new Bill facilitating employment activation as early as possible and an increase in the employability of people registered with the employment service. However, two factors have made it difficult to reduce the unemployment rate of the resident population:

- The unemployment rate in the neighbouring countries of Luxembourg is higher than that of the resident population;
- Some specific qualifications demanded by companies established in Luxembourg are currently not available in the country.

These issues combine to result both in a high supply of, and demand for, the engagement of qualified labour from outside Luxembourg.

Regarding active labour market policy measures, in particular the following instruments are worth to be mentioned here:

- Activation agreements for unemployed people define the rights and obligations of two parties: ADEM (Employment administration) and the unemployed person. It is signed at the latest three months after registration as a jobseeker for those aged under 30, and six months after registration for those aged more than 30. It introduces the concept of personal effort to be made by the job-seeker in the context of their active search for a job.
- The Luxembourg job retention plan system promotes anticipatory management of the effects of any restructuring being planned by companies and encourages alternative solutions to be found so that employees threatened with redundancy do not end up facing unemployment, e.g. application of the legislation on partial unemployment; possible alterations to the duration of work, including the application of a longer or shorter reference period; voluntary part-time work; reduction of the duration of work which does not fall within the field of application of the legislation on partial unemployment; continuing training and/or retraining courses during working hours which have been made available for the purpose; possibilities involving training or retraining to enable the employees to be redeployed within the company; possibilities involving training, continuing training, or retraining to enable the employees to be redeployed in another company, belonging to the same sector of activity, if applicable; and the application of the legislation on temporary loaning of manpower; personal support for career transitions, if necessary involving external experts.
- The fund for employment reimburses employers in the private sector the cost of employers’ and employees’ social security contributions if they hire older unemployed people or the long-term unemployed, whether or not they have been receiving unemployment benefit. The fund for

employment can grant aid for reemployment in the case of a person being redeployed in a job with a lower level of pay than their previous job.

- In Luxembourg there is a series of different training programs are used as active labour market instruments, i.e. SIE (*Stage d’Insertion en Entreprise*), SRP (*Stage de Reinsertion Professionnelle*), FORMA (measures for the job seekers to ensure their better integration on the labour market) or CIE (*Contrat d’initiation-emploi*).

## Supportive social security systems

Access to unemployment benefit is associated directly with the duration of work, calculated in whole months, that was carried out during a reference period of twelve months (for example, if the employee has worked for six months and twenty days during this reference period, the duration of payment of unemployment benefit will be seven months). Extensions are possible in the case of sickness, for those aged over 55 years, for those aged over 50 years who have paid social security contributions for more than 20 years, etc. The amount of unemployment benefit is high - 80% of the gross salary during the final three months of work (including sickness payments and bonuses and supplements) or 85% of the gross salary if the unemployed person benefits from a tax allowance for a dependent child or children throughout the unemployment benefit period. The amount of unemployment benefit is capped, and cannot under any circumstances exceed 250% of the minimum social wage for the first six months, 200% of it after six months, and 150% of it in the case of extension.

The Luxembourg government has sought to provide adequate replacement income to facilitate transitions in the labour market through the broader concept of ‘continuation in employment’.

Finally, it should be mentioned that there is a specific measure available for cross-border workers - special unemployment benefit scheme.

## High quality and productive workplaces

Between 2001 and 2008 the labour productivity in Luxembourg has been at the level of the EU average, and then – not surprisingly – decreased. The annual average increase in labour productivity in the EU15 between 1997 and 2007 was 1.38%, Luxembourg showed an average increase rate of 1.46%. The country’s productivity growth used to be based on a combination of existing high absolute productivity (much higher than the EU average) and the domination of modern technology and services in the economy.

Luxembourg characterizes relatively high level of wages with recently questioned automatic wage indexation mechanism. Some argue that wage indexation shall be conditioned by productivity and economic situation.

## Gender equality

In Luxembourg gender equality-related challenges are less pronounced since low female participation is often the result of individual choices and deeply rooted “one-earner family” culture. It is also linked to the fact that single salary can provide for decent life.

Currently, increasing trend of female employment is visible; however, the female employment rate grows from a lower base than the EU15 average. One of the factors stimulating growth of female employment rate is increasing divorce rate. At the same time number of interesting opportunities for part-time female work is limited – this is the factor that significantly reduces opportunities for women to

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<sup>4</sup> Data from EU-Commission: *Employment in Europe Report 2008*, p. 207 and 212.

balance work with other responsibilities. Some sources suggest that women in Luxembourg are employed in less well paid jobs, on the basis of less stable employment contracts (i.e. fixed-term employment contracts) and that many of them earn modest salaries. Moreover, there are serious disparities in pay levels between women and men<sup>5</sup>.

It is likely that in the future increasing female employment rate will stimulate demand for more childcare provisions. It may also increase interest in part-time work options.

### Financial sustainability

The very high costs of Luxembourg’s social protection systems, which are affordable in the context of economic success, may be vulnerable to longer term economic downturns.

Another challenge is posed by automatic wage indexation that can become burden in worse economically times.

On a positive note, Luxembourg already in the past had established a specific financial scheme, the “Solidarity Fund” that is supporting measures to mitigate negative effects of restructuring processes. The Funds has played important in alleviating the effects of the 2008 crisis; the scope of its operation has been increased and there were new regulations put into place to make it better correspond to the crisis situation. This Fund was financed by employers and workers contributions.

## 3 The role of social partners

### General remarks on the role of the social partners

A major feature of Luxembourg is its political stability and industrial peace; its system of social concertation is often labelled the “Luxembourg model”. This model, created to overcome the structural crisis of 1970s and 1980s and stimulate economic growth, is characterised by tripartite consultation. Industrial relations over the past 70 years have been marked by close collaboration between the social partners at enterprise level<sup>6</sup>.

The Luxembourg government places considerable trust in the social partners in respect to the development and implementation of social policy in a way that mirrors the provisions of the European Treaties on employment laws. The Act of 30 June 2004 on collective labour relations, incorporated into the Employment Code, provides an instrument for employers and trade unions to agree on these issues at the national level. The government undertakes to consult employers and trade unions in order to decide the topics to be discussed with a view to reaching negotiated agreements. Only in the absence of an agreement within a reasonable period of time, will the legislator intervene in the areas discussed between the employers and trade unions.

Unlike other EU countries, Luxembourg has experienced increase in union membership rate recently. It can be partly attributed to growth in employment<sup>7</sup>. Trade union density was around 46% percent in 2004 with the coverage above the EU average. There are two representative trade unions: the Independent Trade Union Confederation of Luxembourg (OGL-B) and the Luxembourg Confederation of Christian Unions in Luxembourg (LCGB). Other representative trade unions are the Luxembourg Association of Bank and Insurance Employees (ALEBA) and representation of public sector, the General Public Sector Confederation (CGFP).

<sup>5</sup> A Wild (ed.), A. Kwiatkiewicz, op.cit., p. 15.

<sup>6</sup> A. Wild, A. Kwiatkiewicz, op.cit., p.26.

<sup>7</sup> EIRO on-line, *Luxembourg: Industrial relations profile*, p. 4, (<http://www.eurofound.europa.eu/eiro/country/luxembourg.pdf>).

Employers’ organisation density is estimated at around 80%. The main employer confederation is the Union of Luxembourg Enterprises (UEL) that organises private sector enterprises. There are also other employers’ organisations organised on the basis of the „guild principle“, i.e. FEDIL for industry, ABBL for the banking sector, ACA for insurance companies, the CLC covering the commerce sector and the *Fédération des Artisans* for arts.

Luxembourg is also known for an elaborated chamber system, in which membership is obligatory.

### Main instruments and levels of influence

A tripartite coordination committee (*Comité de conjoncture*) was set up during the crisis in the 1970s. It plays a direct role in political action. The government and social partners perform a detailed assessment of the economic, financial and social situation of the country. In this context, they look particularly at the competitiveness of the national economy, and the measures necessary to ensure it. Through this means the social partners have a substantial influence on the nature of employment laws and policies. The activation of unemployed people and the job retention plan are policies on which the social partners have been able to agree in principle, and decisions taken within the coordination committee have been implemented by the government.

There has been a good degree of consensus in principle on the job retention policy which includes the monitoring of redundancies by the committee for the economy and the negotiation of a job retention plan in order to avoid negotiating a redundancy scheme. It is suggested that the negotiation of job retention plans demonstrates the flexicurity approach in action in Luxembourg by encouraging a smooth transition to another work post or another job, a reduction of working hours, or training instead of redundancy payments.

Given that the analysis of the Luxembourg labour market figures shows that unemployment in Luxembourg is structural and not related to the economic cycle, the Minister of Employment does not believe that the liberalisation of the law on redundancies will either create more jobs or reduce the rate of unemployment. The Minister therefore responds to businesses’ calls for greater flexibility by referring to existing arrangements on work organisation and working hours, and to the extensive possibilities for workplace flexibility.

### Recent development and challenges

In Luxembourg, the trade unions tend to believe that flexicurity is already present in some areas and needs to be further developed by improving social dialogue in enterprises, security of careers and continuous training. The employers stand at position that flexible forms of employment are an important source of advantage for both companies and employees and seek less strict rules for their use. They stress the view that different types of employment contracts, such as fixed-term and temporary contracts, not only meet the need for flexibility in the way that companies organise work, but also meet the needs of workers for work/life balance, leisure and education. They suggest these alternative forms of work have an overall positive effect on the employment market and that current regulations on them need to be less restrictive. They also consider the enhancement of ALMP and intermediation mechanisms particularly important for the better functioning of the labour market, as well as investment in initial and continuous training, with a view to strengthening employability. Nonetheless, as in many other areas in Luxembourgish social dialogue, the social partners are generally able to find compromise solutions that satisfy elements of each of their needs.

## 4 Key points arising

- *The Luxembourg economy up to the end of 2008 appears to be an ideal candidate for flexicurity with generally low levels of unemployment combined with labour shortages and structural long term unemployment. The social partners may wish to comment on their successes and failures in implementing the flexicurity approach in Luxembourg in this period.*
- *Looking forward, how will the model of flexicurity adapt to changing economic and financial circumstances?*

## Sources and references

### Replies to the questionnaire survey, interviews and other contributions

No questionnaire replies were received from the social partners in Luxembourg.

### Further resources

1. EIRO on-line, *Luxembourg : Industrial relations profile*,  
<http://www.eurofound.europa.eu/eiro/country/luxembourg.pdf>
2. EIRO on-line, *Luxembourg : flexicurity and industrial relations*,  
(<http://www.eurofound.europa.eu/eiro/studies/tn0803038s/lu0803039q.htm>)
3. European Commission, *European Economic Forecast - Spring 2010: Luxembourg*.
4. European Commission, *Employment in Europe Report 2008*, Brussels 2009.
5. Flexicurity in the EU 28 August 2009 - eubusiness.com
6. Plan national pour l'innovation et le plein emploi - Programme national de réforme du Grand-Duché de Luxembourg dans le cadre de la stratégie de Lisbonne - 2008
7. Wild, A.(ed.), Kwiatkiewicz, A., *Joint Study of Restructuring in the EU27: Luxembourg Country Dossier*, Brussels, 2009.