

Measuring the impact of active inclusion and other policies to combat poverty and social exclusion: the case of Luxembourg

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The Peer Review on “Measuring the impact of active inclusion and other policies to combat poverty and social exclusion” with the French strategy as a good practice offers the opportunity to discuss and to compare the situation of Luxembourg with the other member States and especially with France.

First of all, we want to thank Robert Walker for his excellent discussion paper that goes further than only present and describe the French strategy. He succeeds to present in a clear way the European and international context and he raises different questions concerning the choice and the accuracy of the indicators, the multidimensional approach of poverty, the evaluation of the public policies especially during the financial and the economic crisis and the political impact of having or not quantified targets and a system of policy monitoring.

A brief presentation of the situation of Luxembourg

In the 2008 Declaration of the Government on the economic, social and financial situation, the Prime Minister of Luxembourg, Jean-Claude Juncker, said: “Poverty is not inevitable. One can combat it. And we combat poverty. » (« La pauvreté n'est pas une fatalité. On peut la combattre. Et nous combattons la pauvreté. »). This sentence indicates clearly that the Government is aware that poverty exists also in one of the richest countries in the EU and that a range of policies have been developed and new policies will be developed to combat poverty.

In Luxembourg the latest figures of poverty concern 2008. The at-risk of poverty rate after social transfers (poverty line set at 60% of the median of the equivalised income) is 13% with the highest rate for children (20%) and the lowest rate for the elderly (5%). These numbers, with other statistics on poverty, have been produced yearly since 25 years. Even if the methodology for producing statistics on poverty has slightly changed over time, the fact is that the figures observed in 2008 have more or less been the same since 15 years.

Aware that child poverty is a major problem in Luxembourg, the Government has recently put emphasises on combating child poverty. Ensuring children's wellbeing is one of the priority objectives mentioned in the National strategy report on social protection and social inclusion 2008-2010. In 2008-2009, a range of policy reforms have been implemented to reduce poverty and more specifically child poverty:

- Introduction of a new universal family benefit (boni for children) in replacement of the earlier “tax deduction for children” (moderation d'impôt pour enfant) that benefited only to families that paid taxes
- Introduction of a universal tax credit in replacement of earlier tax deductions that benefited only to the persons that paid taxes

- Doubling of the amount of a means tested social aid (“allocation de chauffage” that is called now “allocation de vie chère”)
- Introduction of a voucher scheme (cheque-service) to reduce the childcare costs of the families with children less than 13 years old
- Pursuit of the development of the care and socio-educational support (quantified targets have been set for this policy – it’s an input target and not an output target)

Nevertheless, contrary to other Member States like France, Luxembourg has not measured the impact (impact on poverty, on income distribution, on the coherence of the tax-benefit system) of these different policies before their implementation and has not established a quantified target for reducing poverty and child poverty (output target). That means also, that Luxembourg has no “official” scoreboard to measure the progress made on fighting against poverty.

The yearly “rapport travail et cohésion sociale” published by the national statistic office (STATEC), ad-hoc studies on poverty and social exclusion mainly published by CEPS/INSTEAD, post-ante impact studies of new policies using microsimulation techniques also produced by CEPS/INSTEAD provide figures on the situation and the evolution of poverty over time and for the different groups of the population but none of them can be considered as an “official” system of policy monitoring.

The possible relevance of the French policy to Luxembourg

As said before, Luxembourg hasn’t established quantified targets to combat poverty and, by consequence, hasn’t developed an “official” system of policy monitoring. The culture of quantified targets is not really developed in Luxembourg.

As described in the discussion paper, the establishment of poverty targets and the associated scoreboard in France announced in 2007 and implemented in a legal basis in 2009 is the result of a long development started in the 1990s. One of the more important reforms announced to reach the target is the introduction of the RSA, an active inclusion policy that replaces the RMI and the API (minimum income).

What is relevant of the French policy to Luxembourg is the whole process that has been developed to establish quantified targets associated with the scoreboard. It seems that before having fixed the level of poverty reduction (1/3 in 5 years), France has conducted several studies to ensure that the different policies to combat poverty are efficient and realistic. In that sense, one can consider that the French strategy is not only a “simple political announcement” and it is confirmed by the fact that the strategy has a legal basis.

One important element of the French strategy is the establishment of a national partnership between administrative authorities, including local communities and associations, collectively to tackle poverty. This way of governance is well established in Luxembourg where inter-ministerial committees in partnership with the social partners, the NGO’s and the scientific community take part in the process leading to policy formulation and design.

Transferability of the policy

As far as the *technical dimension* is concerned, there is no obstacle to transfer the French policy (quantified targets associated with a scoreboard) to Luxembourg which has the scientific capacity to develop such a strategy.

Luxembourg has the experience to develop indicators even if the sources of data are certainly less diversified than in France.

Due to the size of the country, Luxembourg can not realise the same economy of scale than big countries like France. Could France give us an estimation of the costs (human resources) for developing the strategy?

Regarding the *political dimension*, the following has to be recalled.

Under the aegis of the French Presidency of the Council of the European Union, the European ministers responsible for combating poverty and social exclusion met for the 1st time on 16 October 2008 in a meeting chaired by the French High Commissioner for Active Solidarity against Poverty.

At this meeting, the issue of quantifiable poverty reduction targets was discussed and Luxembourg positioned itself among those Member States remaining very cautious as to using this tool.

The use of the Laeken indicators in Luxembourg

Even if Luxembourg has not established an "official" scoreboard to measure the progress made in combating poverty, it uses mainly the Laeken indicators to observe the progress made in combating poverty and the lead indicator is, as it is at the European level, the at-risk of poverty rate with the poverty line fixed at 60% of the median equivalised income. We can consider that this indicator is now well understood and integrated by most of the stakeholders (Government, Administration, Communes, NGO's, Media) even if there are still discussions on the accuracy of this indicator for Luxembourg.

Contrary to France, Luxembourg does not give particular prominence to the at-risk of poverty rate anchored in time. One can imagine that it will cost time to switch from one lead indicator to another and it could be perceived as a "manipulation" knowing that in general the at-risk poverty rate anchored in time is lower than the one that is not anchored in time.

Due to the fact that indicators like the Laeken indicators can not well or imperfectly measure the impact of the policies to combat poverty, ad-hoc studies using a static microsimulation model have been conducted to estimate their efficiency.

Active inclusion in Luxembourg

One of the more important reforms announced by France to reach the target is the introduction of the RSA, an active inclusion policy that replaces the RMI and the API (minimum income). Luxembourg has a similar policy (RMG) introduced in 1986 and amended several times since then. Like the RSA, the RMG benefits to persons without a job and persons with a low paid job. For the calculation of the RMG allowance, 30% of certain income (wages, replacement incomes...) are disregarded to encourage persons to stay or to be active.

But, contrary to France where the RSA will permit certain beneficiaries to escape from poverty, the beneficiaries of the RMG stay all below the poverty line. This is due to the fact that the poverty line (60% of the median) in Luxembourg is very high reflecting an income distribution so different than the French one. Even a person with a full-time job but paid at the minimum wage has a disposable income below the poverty line (1545 euros/month while the gross minimum wage is 1600 euros/month (around 1400 euros net) and the gross RMG is 1146 euros/month – numbers for 2008).

Questions

- The lead indicator of the French scoreboard is the at-risk of poverty rate anchored in time. This indicator is a mix between relative and absolute poverty. Does it mean that France considers the poverty threshold level of the base year as correct?
- The scoreboard contains only “objective” indicators. Did France discuss the possibility to add a “subjective” indicator?
- Did France implicate the poor people in the development and the implementation of the strategy? And how?
- The method of “social experiment” has been used for the RSA. Could France give us more details?