



Luxembourg

# Assessment of the 2008-2010 National Reform Programmes for Growth and Jobs from a social inclusion perspective: The extent of synergies between growth and jobs policies and social inclusion policies

## A Study of National Policies

**Anne Marie Theisen**

ACORD International s.a.

*Disclaimer: This report reflects the views of its author(s)  
and these are not necessarily those of either the  
European Commission or the Member States.*

October 2008



On behalf of the  
**European Commission**  
DG Employment, Social Affairs and Equal Opportunities





## Content

Summary .....	4
<b>A. Overall assessment of implementation of the 2005-2008 NRP during the past year from a social inclusion perspective.....</b>	<b>5</b>
<b>B. Assessment of the 2008-2010 NRP from the perspective of social inclusion.....</b>	<b>7</b>
B.1 Overall assessment .....	7
B.2 Feeding out.....	10
B.2.1 Employment and feeding out .....	10
B.2.2 Economic growth, financial sustainability and feeding out .....	11
B.3 Feeding in .....	12
B.4 Governance .....	13
B.4.1 Monitoring and assessment .....	13
B.4.2 Involvement of stakeholders .....	13
B.4.3 Coordination .....	14

## Summary

The last year of implementation of the NRP was a continuation of the reforms and not in particular a strengthening of the social inclusion dimension of the policies.

The monitoring process of the reforms seems to be well installed with the existence of Luxembourg's Observatory of Competitiveness, where among 10 categories of indicator classes, social cohesion constitutes one category with 6 indicators of which developments are measured.

The focus of the NRP covering 2008-2010 is put on the consolidation of past reforms. The evidence for this choice is said to be the result of the consultation of most relevant stakeholders. In the opinion of actors from the social sector, it would yet be necessary to systematically assess the social effects of the measures taken.

A specific analysis of the actual NRP highlights that measures appearing under the guidelines 1, 2, 18, 19, 21 and 23 could be considered as an effective strengthening of the interactions between the NRP and the current NSR.

Evidence of employment and feeding out get visible in relation with flexicurity, job creation, and adequate income from work, reconciliation of work and family, active ageing. Evidence in relation job and growth, sustainability of social protection systems and feeding out is shown within the use made of the relative financial consolidation in order to support low income households.

Although there is no evidence of a *clear strategy* of mutual reinforcing between the NSR and the NRP processes, the NRP shows some feeding in effects of social inclusion notably as far as active inclusion, child and family poverty and social economy are concerned.

There are arrangements in place as far as monitoring and assessment, involvement of stakeholders as well as the coordination and joining up of economic, employment and social policies are concerned.

## A. Overall assessment of implementation of the 2005-2008 NRP during the past year from a social inclusion perspective

### Introductory remark:

The LU 2008-2010 NRP was not as advised by the Guidance note for preparing the new NRP divided in three sections. The report nevertheless contains an outline of the measures to be taken in response to the 2008 points to watch and an updating of the former NRP within the four priority areas<sup>1</sup>. It does not inform in a specific section on the main reforms undertaken over the past twelve months. The report has more or less the same structure than the LU 2007 implementation report of the NRP. With regard to the responses given to the points to watch, the actual report does less introduce new measures, than it does describe more precisely what is already done. But in order to soften the criticism regarding the absence of a specific chapter on the main recent reforms, the precise chapter on the points to watch could be considered as an implicit update of the main reforms undertaken in Luxembourg. A summary of the reform actions of the last twelve months might also be taken out of the annexed reporting table by looking at the starting dates of the measures. The annex yet covers the whole period since the launch of the Lisbon process.

In addition and in coherence with the preceding period, the current LU NRP does not specifically address the guidelines 5 "To promote greater coherence between macroeconomic, structural and employment policies" and 6 "To contribute to a dynamic and well-functioning EMU".

To conclude the introductory remark, even if the LU NRP was not written in the requested format, it does nevertheless cover the main areas of concern and provide much of the required information on the strategy and reform policies to achieve the Lisbon agenda.

**A.1** When looking at the actual LU NRP in an overall view, it appears as if the social dimension would not have been specifically strengthened during the years 2007-2008 of the first implementation of the NRP. But, the first reform programme was already characterised by a declared political social consciousness: this was basically expressed through its measures relating to the integrated employment guidelines. But the social inclusion dimension had not been addressed very explicitly and it is positive to see that the interaction between the National Reform Programme and Luxembourg's National Strategy Report on Social Protection and Social Inclusion (NSR) is made more visible, even if the transparency of these mechanisms and the complementarities between both reports could still be improved. References to the NSR that had been mostly implicit during the last implementation period of the NRP are now somehow more explicit, even if there are much more interactions than what is clearly specified (see below in Tables of interactions between the LU 2008-2010 NSR and the LU 2007 NRP/ LU 2008-2010 NRP).

It is a fact that Luxembourg's authorities have put considerable efforts to assess their policies and programmes since the beginning of the Lisbon process: this is in particular evident with the creation of Luxembourg's Observatory of competitiveness. Within the framework of this observatory, progress is assessed in all key policy areas on the ground

---

<sup>1</sup> "These include setting out how progress towards national R&D targets will be achieved; make high-speed Internet available to all schools and set ambitious targets for household access; and implement the agreed common principles on flexicurity by outlining the national arrangements giving effect to those principles." (see in The next cycle of the Lisbon strategy for growth and jobs (2008-2010): next steps; p. 2)

of the structural Lisbon indicators which have been complemented by a national Scoreboard on competitiveness. This scoreboard is including 10 classes of indicators which are monitored since the launch of the first NRP. Herein the classification 2 concerns “employment” and encompasses a set of 9 indicators, the classification 7 refers to “education and training” and is addressing 8 indicators, whereas the class number 9 is defined as “social cohesion” and integrates 6 indicators. Performances in each of the 10 categories are compared to the achievements realised at EU-level: results are considered as non-satisfying if they lie beyond 20% of the EU-average. The strengths and weaknesses of the indicators’ progress are assessed by the researchers of the observatory and it then depends on the political decision to take actions or not!

**A.2** One of the most interesting examples of “feeding in” or “feeding out” effects of the social dimension in the Strategy for growth and employment seems to be the impact assessment conducted on the ground of the law on work incapacity. This law declares that workers which after a complex medical examination procedure get diagnosed unable to continue working in their last job, need to be reintegrated on the labour market in a different field of occupation according to their health capacities. This labour market reintegration can be done either within the same company or with a different employer. The most frequent consequence is that the disabled workers cannot be reintegrated anymore in the company of their previous employer. Re-training measures seem not to be sufficient as most people concerned by work incapacity appear to be unskilled workers and that job offers for unskilled or low skilled people are much infrequent. The Economic and Social Council (ESC) has on this background recommended installing “flexible measures comprising positive incentives aiming at increasing the employment rate of old people while improving the quality of employment in respect of the age and the health of the worker.” As possible measures, the ESC experts suggested to continue to apply the progressive retirement scheme, to augment vocational retraining possibilities while accelerating the medical diagnosis in the case of work incapacity and reconsidering the possibility of invalidity schemes according to the age and labour market skills of the person, to encourage more life long learning, to implement saving-time accounts in some occupational fields.<sup>2</sup>

As the employment of aged workers is on the one hand a permanent critical point of concern in Luxembourg’s policy programmes, while a lot of actors (policy makers, governmental and non-governmental experts, social partners, academics ...) share herein controversial views and a real policy mix with targeted outputs seems to be difficult to apply, as this is on the other hand a field of concern at the level of most EU Member States, transporting it on a broader thematic European agenda might be supportive.

---

<sup>2</sup> CES/LDI (2008), Les lignes directrices intégrées pour la croissance et l’emploi (2008-2010) regroupant les grandes orientations de politiques économiques et les lignes directrices pour l’emploi, p.19

## B. Assessment of the 2008-2010 NRP from the perspective of social inclusion

### B.1 Overall assessment

*B.1.1* Already in the opening passages of the actual LU NRP, it is said clearly that Luxembourg would continue to implement the reforms decided following the national tripartite committee in 2006. A lot of stakeholders apparently considered that Luxembourg has already a high level of social consciousness and that the most urgent policy action would be to push further the implementation process of the decided reforms. "These reforms are all issued from a deep analysis aiming at a long-term development of the economy and have been elaborated on the background of national consensus seeking. They should by thus facilitate an adaptable and durable social model and are perfectly embedded in the European guidelines".<sup>3</sup> According to the presentation made in the LU 2008-2010 NRP, this appreciation would be broadly shared by the different relevant actors after an elaborate consultation process including two public hearings in the national parliament, and no particular new critical area would need to be added to the new reform programme.<sup>4</sup> The position is even more highlighted by a reference to the following statement of the ESC: "As the guidelines are staying strictly identical to those adopted by the European Council in March 2005, the accent should be put on the implementation of already engaged reforms." But, it is not mentioned that the precise ESC statement is given a nuance in the same document when it is said that: "If the new cycle is thus primarily centred on implementation; the Council nevertheless invited the Commission, the Council and the national Lisbon coordinators to start thinking about the future beyond 2010 of the Lisbon Strategy, as it will be advisable to maintain, at EU-level, the engagement in favour of the structural reforms, the durable development as well as social cohesion in order to consolidate the accomplished progress." Accordingly, the explicit political attitude of the authors of the LU NRP is to primarily focus their attention on the outlined direction. This declared consolidation strategy might be founded by political evidence as after June 2009, Luxembourg will get a new government and that the past government will be assessed more on what has been achieved than on its visions.

Accordingly, there is no explicit or implicit intention of strengthening the social awareness of feeding in and feeding out when addressing the points to watch. These are addressed through measures classified under the guidelines GL 18 and GL 23. The envisaged measures are a continuation of former policy measures. The fact that the social dimension is kept in a relative balance in the old and in the new programme will be confirmed later when looking at the "feeding out" and "feeding in" effects more in detail.

*B.1.2* Reactions to address the potential impact of the slowdown of the economy, higher oil and commodity prices, and ongoing turbulence on financial markets on people at risk of poverty and social exclusion are briefly described under the integrated guidelines GL 1 and GL 2<sup>5</sup>. This was not specifically the case in the 2007 implementation report of the LU NRP, even if the way to present the solidity of Luxembourg's public finances strategy stays comparable in both reports. It is explained that following the general slowdown of the economy between 2001 and 2003, a consolidation of the public budget and notably of its expenses was

<sup>3</sup> LU 2008-2010 NRP, p.6-7

<sup>4</sup> CES (2008), op cit , p.6

<sup>5</sup> Guideline n°1. "To secure economic stability for sustainable growth". Guideline n°2. "To safeguard economic and fiscal sustainability as a basis for increased employment".

accepted as a necessity. It was possible to consolidate the public budget in 2005-2007, but this was largely due to a more favourable economic environment. To strengthen the budget consolidation, in 2006, a series of measures to reduce the public expenses were taken<sup>6</sup>. In the 2007 report it was said<sup>7</sup> like this: “In terms of economic stability, this shows certainly that there is a degree of “institutional” capacity which is high enough to react against negative shocks and to absorb their repercussions. But on the other hand, the strong sensitivity of the public finances to the economic evolution accentuates that sufficient budgetary safety margins are essential in order to prevent from not anticipated negative shocks and thus concretely to maintain a high budgetary surplus in favourable economic periods.” In the LU 2008-2010 NRP, it is said in coherence with the former position that the budgetary margin will be reduced by the slowdown of the economy and because of the financial crisis, but that the budget’s surplus will be secured according to the previsions. It is explained that as raising inflation has the most negative impact on the households with small income, it was decided to use the relative stability of the public finances, to reduce the fiscal pressure on companies and private households, to accelerate the interior demand and to improve the purchasing power of households with low income.<sup>8</sup> Beside the mentioned fiscal reduction applying to the small revenue categories, in 2008, family allowances were added of a child bonus and in 2009, there will be service cheques of 3 free weekly child care hours attributed to households with children aged 0 to 12 years. If this free care service will be augmented in the case of low income households is not yet decided but it was envisaged publicly by the minister in charge.

B.1.3 If there is any strengthening of links between the National Reform Programmes and the Social Protection and Social Inclusion Process can only be assessed with some objectivity by comparing the objectives and measures, as follows. This kind of presentation will then facilitate the specific analysis of the feeding out and feeding in effects in the following chapters.

**LU 2008-2010 NSR – Priority policy objectives and measures**

PPO1 – Ensure the wellbeing of children	PPO2 - Encourage the labour market participation of young people and of elder workers	PPO3 - Modernise social aid	PPO4- Facilitate the access to housing
PPO11 – To adapt the children care centres to children with special needs - MRE (maison-relais) - Service Cheques-system	PPO21 – Encourage the labour market participation of young people - Orientation measures - Regular assistance and support - Activation contract - law 5611	PPO31 – Modernise social aid - law project 5830	PPO41 – Facilitate the access to housing - implementation of AIS (agence immobilière sociale, social (non-profit) estate agent)
PPO12 – To develop specific measures for children in danger - law project 5764	PPO22 – Encourage the labour market participation of elder workers - law on job retention - law on individual leave of training - law 5611		

<sup>6</sup> Basically these measures were as follows: to modulate the automatic system of the indexation of salaries, to keep family allowances unchanged (which is no more adapted to inflation), to improve current administrative expenses as well as investment expenses.

<sup>7</sup> LU 2007 NRP, p.13-14

<sup>8</sup> LU 2008-2010 NRP, p. 16-17

The fields marked in blue in the above table summarize the policy objectives and measures of the current LU NSR which are also part of the LU NRP. This can be seen in the tables below dealing with the specific guidelines integrating a social dimension in the 2007 implementation report of the LU NRP on the one side and with the actual LU 2008-2010 NRP on the other side. The fields that appear here to be marked in blue show the interactions whereas the fields marked in green refer to measures that are specific to either the 2007 implementation report or to the LU 2008-2010 NRP. The fields marked in green in the LU 2008-2010 NRP could then be considered as an objective strengthening of the links between the NSR and the actual NRP.

LU 2005-2008 NRP	LU 2008-2010 NRP
GL 1 (2007)	GL 1 (2008)
-	- To secure economic stability for sustainable growth cfr ppo11
GL 2 (2007)	GL 2 (2008)
-	- To safeguard economic and fiscal sustainability as a basis for increased employment cfr ppo11
GL 17 (2007)	GL 17 (2008)
- To measure full employment – an enlarged employment rate	- To measure full employment – an enlarged employment rate
GL 18 (2007)	GL 18 (2008)
- To revise the concept of after school childcare offers	- Introduction of a service « cheques » system cfr ppo11
- Increased assistance and support for young people	- To revise the concept of after school childcare offers cfr ppo11
- To continue fighting the pay gaps between men and women	- Life cycle approach to orientation cfr ppo21 & 22
- A continuous adaptation of the social security system	- To continue fighting the pay gaps between men and women
	- A continuous adaptation of the social security system cfr ppo22 (?)
GL 19 (2007)	GL 19 (2008)
- Employment policies founded on activation	- To facilitate labour market integration of young people cfr ppo21
- To facilitate labour market integration of young people	- To make work pay
- To make work pay	- To boost the social economy
- To boost the social economy	- To enhance the support and guidance schemes for disabled workers cfr ppo22 (?)
GL 20 (2007)	GL 20 (2008)
- To modernise the Public Employment Service	- To modernise the Public Employment Service
GL 21 (2007)	GL 21 (2008)
- To introduce a single occupational status for salaried people in the private sector	- To introduce a single occupational status for salaried people in the private sector
- Job retention measures	- To reduce the labour market segmentation cfr ppo21 & 22
- To introduce new work organisation models	- Job retention measures cfr ppo22
- To continue implementing positive actions in favour of gender equality	- To introduce new work organisation models
	- To continue implementing positive actions in favour of gender equality

GL 22 (2007)	GL 22 (2008)
- To ensure employment-friendly labour cost developments and wage-setting mechanisms	- To ensure employment-friendly labour cost developments and wage-setting mechanisms
GL 23 (2007)	GL 23 (2008)
- To improve equality in education and training systems	- To promote the accessibility to lifelong education and training
- To promote the accessibility to lifelong education and training	- To promote school success and reduce significantly the number of early school leavers cfr ppo21
GL 24 (2007)	GL 24 (2008)
- To promote an education based on competences and quality assurance	- To promote an education based on competences and quality assurance
- To expand the possibilities of non-formal learning	
- To validate competences acquired through non-formal education	

Consequently, measures appearing under the guidelines 1, 2, 18, 19, 21 and 23 may be considered as a strengthening of the interactions between the NRP and the current NSR.

## B.2 Feeding out

### B.2.1 Employment and feeding out

- Flexicurity is approached under GL 21 wherein in particular a measure dealing with job retention is aimed at ensuring job security. The report refers here to the law of 22<sup>nd</sup> December 2006, which aims at preventing lay offs by inviting companies to notify at the most early stage possible structural difficulties in order to prevent its negative effects on salaried people. These negative effects could then bear a potential risk of falling into poverty and social exclusion, but this eventuality is not specified explicitly like this. It is said “in order to prevent of its consequences”.
- Job creation targeted at more vulnerable groups is approached within GL 19 through a specific measure aiming at boosting the social economy sector as well as through a *new measure* called “to improve the integrated assistance of disabled workers”. This last example could offer the basis for an exchange of good practices again in relation to the concern of raising the employment level of aged people as already pointed out in the chapter before.
- Adequate income from work is dealt within GL 19 and more particularly its measure aiming to “make work pay”. This measure deals with the enhancement of the labour market activation within the framework of the guaranteed minimum income scheme. The published figures show here a positive development.
- Reconciliation of work and family life under the perspective of a greater social inclusion is envisaged under GL 18 and precisely its *new measure* concerning the introduction of a service cheques system but implicitly also the measure regarding the extension of the after-school childcare offers. In how far these measures will be targeted more specifically on low income households is not specified.

- Older workers and active ageing is explicitly approached under GL 18 and notably the measure related to the “continuous adaptation of the social security system”, wherein a think tank on active ageing is announced. The preoccupation of elder workers is also included, but only implicitly, under GL 19 and its measure treating the improvement of guidance and assistance for disabled workers as well as it is implicitly integrated under GL 21 with the job retention measures. The most vulnerable groups are herein always the unskilled workers where the risk of falling into economic poverty is the highest.
- There is no evidence in the actual NRP as to how SMEs could contribute to creating employment for those distant from the labour market. Such a potential could be seen in the measure on “boosting the social economy” (GL 19) and in particular the law project 5144, even if the main motivation of the law project is not orientated like this and that this appears to be a law project with a difficult genesis.

### *B.2.2. Economic growth, financial sustainability and feeding out*

- As already said, the impact of “fiscal consolidation” (i.e., the policy aimed at reducing government deficits and debt accumulation) on the modernisation of social protection systems and on their ability to ensure greater social cohesion has been taken into consideration under the aforementioned GL 1 and GL 2.
- Changes in fiscal policies are explicitly said to be supportive to low income households, but it is not calculated to what extent it is projected to be the case.
- There is no evidence that territorial differences and regional gaps would be addressed by taking into account their impact on social inclusion.
- There is no evidence that the social impact of the liberalisation of services including energy utilities would be taken into account and that measures been put in place to address any negative consequences.
- The measures to increase access to the internet do not give particular attention to ensuring the access of those experiencing poverty and social inclusion.
- There is no evidence in relation with the access to bank accounts and banking services, access to credits, etc. of people at risk of poverty and social exclusion.
- There are no measures described in the NRP (though such services do exist) that address over-indebtedness amongst people experiencing poverty and social exclusion.
- There are no measures described in the NRP (though such services are planned and described within the NSR) that address an improved access to housing to those experiencing poverty and social exclusion.

### B.3 Feeding in

There is no evidence of a *clear strategy* of mutual reinforcing between the NSR and the NRP processes, even if the interactions between both processes are evident but in most cases not explicitly highlighted.

- Active Inclusion: The active inclusion agenda of combining employment activation, adequate minimum income and access to supporting services has been taken into account and notably within the framework of GL 19. As already mentioned in the context of feeding out effects, the measure aiming to “make work pay”, deals with the enhancement of the labour market activation within the context of the guaranteed minimum income scheme and figures published mark a positive progress.
- Education, training and lifelong learning (including measures to reduce the number of young people who cannot read properly and the number of early school leavers): There is no evidence that proposed education policies have been *formally* assessed for both their social inclusion benefits and their contribution to growth and jobs objectives. Education policies yet do have as declared objectives social inclusion and economic development.
  - Gender equality: The importance of promoting social inclusion through promoting gender equality has considered the impact on growth and jobs objectives clearly in one specific measure. The measure is related to the activation schemes on the ground of the guaranteed minimum income scheme (GL 19 “make work pay”), where it appeared that activation benefitted men more than women and where it was advised to act in order to redress the situation and not to sustain gender stereotypes.
- Anti-discrimination: There is no evidence to which extent anti-discrimination measures to ensuring greater social inclusion would be considered as to their impact on growth and jobs.
- Child and family poverty and social exclusion: The benefit of measures to prevent and reduce child and family poverty and social exclusion on promoting growth and jobs has actually been considered under the perspective of GL 18 and its measure concerning the introduction of a service cheques system which will allow as of May 2009, each family with children below 12 years to take advantage of 3 hours of childcare at no cost.
- Social economy – The potential of the social economy to create employment for people furthest from the labour market is taken into account under GL 19 and its measures aiming “to boost the social economy”. As the completion of this objective is strongly focussed on the aforementioned law project 5144, the actions in this field remain limited to a financial support to two social projects.

## B.4. Governance

### B.4.1 *Monitoring and assessment*

There are appropriate arrangements in place to monitor and assess the impact of economic and employment policies on social inclusion as well as social inclusion/social protection policies on economic and employment growth, notably within Luxembourg's Observatory of competitiveness. It is true that the priority orientation of the assessments made in the context of the observatory is to boost the economy, but the observatory offers the facility to associate with external academics on different aspects, notably to deepen the assessment of the effects of growth and employment on social cohesion. It is said that evaluating the impact of the reform policies on growth and jobs is quite difficult, but that a new model recently developed and called "*Dynamic Stochastic General Equilibrium*" (DSGE) would be particularly adapted to analyse Luxembourg's situation. In how far, the analysis of the effects of social cohesion on economic developments is integrated in the envisaged simulation is not evident as the new model will only be made public in a seminar planned in December 2008 ("On the way to Lisbon"). As the DSGE is foreseen to develop as a dynamic model, it should be possible to expand it. It might be a good occasion to raise the subject at that date and to invite the government to measure the social impact of its measures, which would then only be coherent with the strong political declarations on equality economic and social dimensions.

### B.4.2 *Involvement of stakeholders*

In March and April 2008, two public hearings had been organised in the national parliament (see also in the first semester report 2008), where the traditional stakeholders but also actors from the civil society had been invited and shared their views on the new reform programme. The debates had been focussed on the following themes<sup>9</sup>: "How to increase the economic competitiveness while reinforcing social cohesion? How to reconcile a growth and employment policy with the concern of a sustainable development respectful of the environment? What initiatives or new priorities should be included in the future national reform programme?"

The consultation process and its real impact on the finalisation of the actual NRP were yet estimated as insufficient by the stakeholders from the social sector. This had already been mentioned in our first semester report. As recall, the delegated member of Luxembourg's network of fight against poverty and social exclusion had regretted during the public parliamentary hearing in March 2008 that the social and environmental aspects would not be given enough importance in the new Lisbon process and she quoted the prime minister by saying that "competitiveness should not be an end in itself". She showed at that occasion unhappy that her organisation had not been consulted to work out the orientation of the new triennial cycle 2008-2010 of the NRP. According to her estimate, very few measures to combat poverty would be found in the NRP. To have a better embedment of the social dimension in the NRP, this would require realising regular assessments of the social consequences of the measures in order to ensure that the human dimension stayed in the centre of the Lisbon Strategy.

---

<sup>9</sup> LU 2008-2010 NRP, p. 11-12

### *B.4.3 Coordination*

The arrangements for the coordination and joining up of economic, employment and social policies applied in Luxembourg's context are formally sufficient. According to our personal assessment, to ask for more would be inflationary and would provoke resistance. The authors of the NRP used to motivate their approach their right of "kreative Freiheit".

It could nevertheless be helpful if the formal exchanges would be prepared less formalised small groups of technicians for each strand (economic, employment, social inclusion/ social protection), where the emphasis should be the monitoring in relation to "targeted objectives".