

LUXEMBOURG – Country Summary

Introduction and Overview

Luxembourg is the European Union's and OECD's smallest country in population (446,400 in 2002), after Iceland, and is by far physically the smallest (only 3000 sq. km.). It is also the richest. Its per capita GDP is by far the highest among industrialized countries at \$49,800, compared to the OECD average of \$24,600 and the United States average of \$36,500. Its population is made up of 19 percent children under 15, is above the EU average but below the OECD average, and 14.3 percent over 65 (2000), is below the EU average of 16.4 but above the OECD average of 13.2 percent.

The country has a long history of concern with the family that goes back to the nineteenth century, was written into the 1948 Constitution, and was concerned with protection, economic security, taxation-and parental rights and obligation. The conservative nature of the society as well as Catholic social doctrine and long tradition led to policy regimes and family law anchored in the traditional model of the at-home, child-rearing mother and the male-breadwinner household head. Changing living arrangements, family composition and increased immigration to Luxembourg have pushed social reform to the front of policy considerations.

The economy of Luxembourg steadily grew throughout the 1990s, unemployment decreased to less than 2 percent by 2000, and net disposable income grew by 11 percent (after adjusting for inflation) from 1994 through 1999. Workers from Belgium, France and Germany now account for 38 percent of the workforce in Luxembourg, and the share of foreign-born workers is expected to increase (EIRO, 2003b). Economic growth has not been equal across income categories. Reversing the trend of growing income disparities since 1995, the ratio of the highest-to-lowest income deciles was lower in 1999 (Hausman, 2003).

During the past few years, Luxembourg has increased its investment in child allowances, made taxation more progressive, and increased parental leaves. Though traditional family roles continue to dominate, the increased labor force participation of women, rising divorce rates and numbers of lone-parent families, have motivated policy considerations on reconciliation of work and family life. The restructuring of the public pension system (that is based on the husband as the sole earner) is also being debated. There is also concerned with measures needed to better integrate the children of its foreign workers, essential to its advanced economy.

Government Agencies

Four ministries are involved in various ways with family policy (Borsenberger and Pels, 1995). The Ministry of Health deals with some social service and therapeutic programs (see below re: Child and Adolescent Health); and the Ministry of Youth covers youth policy, youth movements, service centers, residential centers. The Ministry for Family, Women's Affairs, Disabled People and Accident Victims covers family benefits, children's services, promotion of children's rights, welfare of foreigners, social services, etc. The Ministry of Social Security administers cash social

security programs, maternity, and the National Welfare Service. As appropriate, there are inter-ministerial committees.

Demographic and Other Social Trends

The fertility rate in Luxembourg (1.7 in 2001) is higher than that of the European Union on average (1.47). There is concern that the fertility and birth rates of immigrants is far exceeding that of the native-born. In 1999, the birth rate among the foreign-born exceeded 11 percent, while the birth rate of native-born fell by 2.4 percent (European Commission, 2002). Currently, foreign-born individuals are 37 percent of the population and 60 percent of the working population.

Like other European countries, the number of births outside of marriage has increased, divorces have risen, and there are more children living in single-parent families than ever before although by comparison family roles and composition are more traditional than other European nations. The percentage of births outside of marriage tripled in Luxembourg from 6 percent in 1980 to 18 percent in 2001 ([Table 2.13](#)). Like the rest of Europe as well, the share of family households decreased in Luxembourg while non-family households increased. Married-couple households with and without children and extended inter-generational households are less frequent, while single-person households have been steadily rising (Hausman, 2002).

The crude marriage rate in Luxembourg (4.5 percent) is a little below the EU average, its crude divorce rate (2.3 percent) a bit higher and its cohabitation rate of 7 percent close to the 8 percent average. Of more significance, 27 percent of the 16-24s are now cohabiting compared to an EU rate of 31 percent. The proportion of children living in lone-parent families (mostly with divorced parents between the age of 40-49 years) has risen to 7.2 percent in 1999 (Hausman, 2002). One child in eight was born to cohabitating parents by the mid-90s, and more than half the mothers were in the 25-34 age group.

As a prosperous competing economy, the Luxembourg unemployment rate was only 1.9 in 2000, compared to an EU rate of 8.4. It did as well, comparatively, with youth unemployment: 5.7 percent of males under age 25 were unemployed in 2000 compared to the EU average of 14.1 percent. The unemployment rate for young women was lower too, 7.3 percent in 2000 for females under age 25 compared to EU's 17.2 percent (Table 2.33). Foreign-born women living in Luxembourg are more likely to be employed than are native-born women (EIRO, 2003b).

At 48 percent, Luxembourg's married and cohabiting mothers have comparatively low labor force participation rates. Its lone mothers, however, have one of the highest employment rates (82 percent) and lone-mothers in Luxembourg and Finland have the highest full-time employment rates (81 and 83 percent) (see Table 2.31). After Norway (90 percent) and Italy (85 percent), women in Luxembourg have the highest mean earnings as a proportion of men's earnings (83 percent) (Bradshaw and Finch, 2002).

Social Protection

Luxembourg's social protection expenditures are 21 percent of GDP, lower than the EU average of 22.9 percent, although average spending per capita in Luxembourg is 9,785 Euross compared to the EU average of 7,782. Of its total social protection expenditures in 1999, Luxembourg committed the highest in the European Union to family and child benefits- 15.5 percent, compared to an EU average of 8.5 percent. All of this is evident in comparative benefit levels and health care commitments in Luxembourg-even though it is not the European leader when one examines health or education expenditures as a percentage of total GDP.

Applying the U.S. "absolute" poverty standard, Luxembourg with the highest per capita GDP, has the lowest child poverty rate (1.2 percent) among 19 OECD countries. (The U.S., with the second highest per capita GDP, has the 6th highest rate, 13.9 percent). Applying the "relative" poverty measure usually applied in international comparisons (below 50 percent of the median income), Luxembourg has the fifth lowest rate among 23 (4.5 percent) and the U.S. ranks at 22 (22.4 percent). The 1999 "relative" rate for children in lone parent families in Luxembourg was 30.4 percent, and it was 2.9 percent in other families (UNICEF Innocenti Report Card, 2000).

Child, Youth and Family Policy Regimes

Maternity, Paternity, Parental, and Family Leaves

There is a 16-week maternity leave, 8 weeks before and 8 weeks after childbirth and a related cash maternity benefit. A 4-week supplement is available for nursing mothers and for premature birth or multiple childbirths. There is 100 percent wage replacement if the salary is discontinued; the payment is government financed and taxable. A lump-sum cash maternity allowance is payable to persons who have no loss of income while on maternity leave. There are related "in kind" benefits that include midwife and medical assistance and a stay in a maternity hospital. A lump-sum payment pays for drugs and baby food. For adopting parents, there is an 8 week leave available (ISSA, 2002).

Families also receive a childbirth allowance that has three components: a prenatal, childbirth and postnatal. The prenatal allowance is paid to pregnant women who legally reside in Luxembourg and have adhered to mandated prenatal health exams. The childbirth component is payable to the parent provided the child is born in Luxembourg; at least one of the parents is a legal resident of Luxembourg; and the mother undergoes a postnatal exam within eight weeks of giving birth. To receive the postnatal allowance, a parent must have the child medically examined at least six times before the child's second birthday.

A statutory paid paternity leave called a leave for extraordinary reasons exists. It is for 2 days and fathers are compensated at 100 percent of earnings. Luxembourg has gradually improved its parental leave benefits in the 1990s. Parental leave with a guarantee of re-employment was enacted in 1999 in response to the EU Employment Guidelines (European Observatory, 2002). Any person raising one or more children under age five who was employed for at least one year in a Luxembourg-based company is eligible for parental leave. Parental leave is for six months per child or one-year if part-time parental leave is taken. Each employed parent has a right to

parental leave but one of the parents must take leave following maternity leave. Parents may share part-time leave during the same period in order to guarantee care of a child (EIRO, 2003a).

A monthly fixed benefit is paid by the national Family Benefits Fund (CNPF) and is financed through the employment fund (petrol products tax) and state revenues. The benefit is exempt from taxes and social contributions, except for health care and the dependent's contribution. The state pays for the pension contribution (EMIRE, 2002).

Of those taking parental leave, 90 percent were women aged 25 to 29. Most of the men who have taken parental leave are aged 30-34, and usually take the leave when the child is as compared to women who prefer to go on parental leave after maternity leave.

Since 1999, workers are now entitled to take leave on family grounds in the event of a serious illness or accident affecting a child under 15. Any working parent is entitled to two days leave per year and per child. In exceptional circumstances, if the child's illness or incapacity is very severe, the period of leave may be extended.

Leave is granted on the basis of a doctor's certificate and it is treated as a period of sick leave. Benefits are paid by the health insurance fund. This payment is calculated in the same way as sickness benefits (100 per cent of earnings) and tax and social security contributions are payable on it. The cost of the payment is borne entirely by the State.

Early Childhood Education and Care (ECEC)

In response to a severe shortage of child care facilities, increased maternal employment and an influx of immigrant families, Luxembourg has made resources available to increase the number of early childhood education and care options available. Child-care is not guaranteed in Luxembourg. Increasingly, municipalities are making "education precoce" universally available for three-year-olds. There are pre-school programs for four- to six-year olds available. Compulsory education begins at 6.

The most prevalent full-time, formal child care for younger children are family child care providers. Full-time is the 25 hours or more. Fees are negotiated between the caregiver and the provider but the number of children in a family and family income are considered.

A tax credit exists for every child with child care expenses, maximum relief is about 3,600 Euros per family (Bradshaw and Finch, 2002).

Family and Child Allowances

There is a universal, government-financed, generous family allowance enacted after World War II with nineteenth century roots. It covers children to age 18, students to 27, with no age limit for those disabled before 18. For one child, the payment is 143 Euros per month; for two children it is 175 Euros/month for each child; and for three children it is 218 Euros per child per month. The payment is increased by 303 Euros per month for each additional child. There is a payment supplement of 14.6 Euros for each child aged 6-11 and an additional supplement of 44 Euros for those over 12 (European Observatory, 2002). The allowance is paid beginning the month of the birth through age 18, and is extended to age 27 if the beneficiary is a full-time student and

maintains a legal domicile in Luxembourg. An additional supplement is paid for a child with at minimum a 50 percent physical or mental disability.

Luxembourg also pays a schooling expense allowance in August of each year for all children aged six and older. The level of the allowance varies according to the number of children in the household. For one child over age six, the allowance is 103 Euros and 147 Euros for a child age 12 or older. For two children, the allowance is 176 Euros for a child 6-12 years old and 220 Euros for a child 12 or older. In families with three or more children, 249 Euros is paid for each child 6-12 years, and 293 Euros for each child over age 12 (European Observatory, 2002).

There is an additional child care, sometimes called child rearing or education, allowance for all Luxembourg residents whose primary activity is caring for children in the family home. The child care allowance is paid monthly following the end of maternity leave. This is a monthly allowance paid to parents who have one or more dependent children under the age of two and who have their legal domicile in Luxembourg. The allowance is payable only once, even if the household includes more than one child under the age of two. It is granted to whomever of the parents does not engage in gainful employment and is mainly occupied with caring for a child under the age of two. If both parents continue to work, they are still entitled to the parental allowance if the household's semi-net income (gross income minus social security contributions) does not exceed the minimum wage given the number of children in the household. If one of the parents works part-time (weekly working hours not exceeding 20 hours), half of the allowance is paid irrespective of the household's income. If both parents work part-time, the full amount is still payable, again irrespective of the household's income. Entitlement continues until the child reaches the age of two and continues in families of three children or more as long as there is at least one child age 4, or there is a handicapped child age 4 or younger in the home.

To target more support on low-income families, child allowance policy and tax policy are often coordinated. An increase in child benefits (beyond the routine indexing to the cost of living) in 2002 was enacted when taxes were reduced.

Child and Family Tax Benefits

There was a significant tax reform that has been phased in two stages -- January 2001 and January 2002. The reform raised the floor for tax-exempt income to equal the minimum guaranteed income in Luxembourg of 9,667 Euros. The marginal income bottom tax rate was lowered and the highest marginal income tax rate was also reduced. Luxembourg now has the lowest rate of taxation on both modest and high incomes.

The tax unit is the family and there are allowances for dependent children. While there are no special cash benefits for lone parents, they are eligible for a significant tax allowance.

Other Child Conditioned Income Transfers

Under the old age and disability pension schemes, there are child survivor benefits that are doubled for full orphans. Under the permanent disability benefit scheme, there are child supplements and survivor benefits. Unemployment benefits are adjusted slightly (5 percent of base salary) if there is a dependent child.

One category of eligibility for the assistance program, guaranteed minimum income (RMG), requiring a concentration on training and obtaining employment, includes lone mothers and children (about a fifth of the caseload). Eligibility qualifies the family for housing aid.

A new law on the guaranteed minimum income came into force at the end of January 2000. The main changes from earlier legislation are as follows: a) the age requirement has been reduced from 30 to 25; b) the residence requirement has been reduced from 10 to 5 years out of the previous 20 years; c) the national social action department has been given a stronger role in the occupational and social reintegration of those on benefit who are fit for work; d) parents bringing up children aged under 6 are no longer prohibited from following occupational reintegration courses (previously a poverty trap for women in particular).

One major change has been the restructuring of the guaranteed minimum income, which is now divided into two elements: first, guaranteeing sufficient means of subsistence by granting an additional allowance to make up the difference between the maximum levels of the guaranteed minimum income and the total resources which the household has at its disposal; second, the application of occupational and social integration measures together with the payment of an integration allowance.

These reforms of the guaranteed minimum income are in line with European policy on social protection, the aims of which include combating social exclusion. According to the General Social Security Inspectorate, social assistance is being transformed into an active policy designed to promote integration through work by encouraging those concerned to take up employment. It is therefore a move away from the traditional idea of social assistance primarily as a way of providing a minimum means of subsistence. It distinguishes between those who are fit for work and those who are not, and each category has its own benefits, procedures and responsible bodies.

Child and Adolescent Health

Medical coverage is based on a health insurance system, organized through occupation-based sickness funds. However, children and youth are served in maternity centers at least until age 2, then in the doctor's office and, subsequently, by the "school medicine system," covering all levels including higher education, special education, and vocational training.

By law, children must be brought to the maternity centers where they were born for two medical examinations immediately after birth and four subsequent examinations before the age of two. When a child is born the parents are given a medical card on which the results of the compulsory examinations are recorded. Subsequently the card must be available when visiting a doctor's office.

There is a free vaccination program, periodically updated following scientific developments. There is an active health, mental health, and prevention program addressed by the Ministry to all age groups. The school medicine program publishes annually the statistical results of secondary school medical examinations.

Housing Benefits

Available to recipients of the assistance (RMG) program.

School-Aged Children: Policies and Programs

Primary school begins at age 6 and is compulsory to age 15. The schedule covers 8 AM to noon and 2 PM to 4 PM, on Monday, Wednesday, and Friday, but only 8 AM to noon on Tuesday, Thursday, and Saturday. The school schedule varies by locality but children are generally in school for 30-35 hours (European Observatory, 2002). Children must go home for lunch. There is no after-school publicly provided care. In only 12 of 118 communes there were all-day schools, operating from 7:30 AM to 6:00 PM (1996).

At age 8, children begin to learn three languages. Achievements are high for the indigenous population, but the high percentage of foreign nationals has presented a recognized problem with regard to their successful integration in the schools. (The problem, in some views, is class-based, not nationality.) They tend to be channeled to technical secondary education and have high drop-out rates. But as a whole, Luxembourg has a well-educated population.

Youth

Luxembourg allows children to carry out some actions before they reach the age of civil and penal majority, which is 18:

- 1.obtain a driving license (varies)
- 2.make a will and dispose of half one's property (16)
- 3.be heard in any legal procedures in which they are involved
- 4.consent to adoption (15)
- 5.have heterosexual sexual intercourse (16)
- 6.work (15)
- 7.purchase alcohol (16); there is no age limit for tobacco

There are a variety of youth information and counseling services. [Click here to view in PDF format a table on the ages at which children and youth are legally entitled to carry out a series of acts in EU countries.](#)

Reconciliation of Work and Family Life

There is no comprehensive policy, although recent expansion of parental leaves suggests that more attention is now being paid to this issue. Expert analyses and parental opinion studies call for specific action with regard to labor legislation (especially part-time work and flexible schedules) and child care, including school hours and after-school care.

References

- Borsenberger, M. & Pels, M. (1998). Family policy issues in Luxembourg. In J. Ditch, H. Barnes & J. Bradshaw (Eds.), *Development in national family policies in 1996*. (pp. 149-172). Brussels: Commission of the European Communities.

- Borsenberger, M. & Pels, M. (1996). Luxembourg: Issues concerning the family in 1995. In J. Ditch, H. Barnes & J. Bradshaw (Eds.), *Development in national family policies in 1996*. (pp.91-103). Brussels: Commission of the European Communities.
- Bradshaw, J. & Finch, N. (2002). *A comparison of child benefit packages in 22 countries*. United Kingdom: Department for Work and Pensions.
- European Commission. (2000). *Report on social protection in Europe 1999*. Brussels: Commission of the European Communities.
- EMIRE. (2002). Parental Leave: Luxembourg. European Foundation for the Improvement of Living and Working Conditions. Retrieved in June 2002 from the World Wide Web at: <http://www.eurofound.ie>).
- European Industrial Relations Observatory On-line (EIRO), (2003a). LCGB calls for compulsory parental leave for fathers. *European Foundation for the Improvement of Living and Working Conditions*. (<http://www.eiro.eurofound.ie/2003/01/inbrief/LU0301106N.html>)
- European Industrial Relations Observatory On-line (EIRO). (2003b). Report examines progress on achieving women's equality. *European Foundation for the Improvement of Living and Working Conditions*. (<http://www.eiro.eurofound.ie/2003/02/Feature/LU0302104F.html>)
- Hausman, P. (2003). *The situation of families in Luxembourg—2001*. European Observatory on the Social Situation, Demography, and Family. Retrieved April 2003, from the World Wide Web at: http://europa.eu.int/comm/employment_social/eoss/index_en.html.
- Hausman, P. (1999). Luxembourg. Family Observer. Luxembourg: Office for Official Publications of the European Communities.
- Immervoll, H., Sutherland, H., & De Vos, K. (2001). Reducing child poverty in the European Union: The role of child benefits. In K. Vleminckx & T. Smeeding (Eds.), *Child well-being, child poverty and child policy in modern nations*. Bristol, England: The Policy Press.
- International Social Security Association. (2000). *Social security worldwide*. Geneva, Switzerland: Author.
- Nuyens, M. (1994). A leading sector in Luxembourg social policy: Family policy from its genesis to its diversity. In W. Dumon (Ed.), *Changing family policies in the member states of the European Union*. (pp. 198-224). Brussels: Commission of the European Communities.
- UNICEF. (2000). A league table on child poverty. *Innocenti Report Card, Issue no.1*. (Figures 1,2,3). Florence: UNICEF International Child Development Centre.