

SPRING 2019 REFORM BAROMETER – LUXEMBOURG

European Semester - Overall assessment of 2018 cycle

	To what extent do you agree with these statements:		Detailed comments
1.	The National Reform Programme submitted by your Government (March 2018) is appropriate.	Not enough	Increase the employment rate of older people: extremely important in LU. According to the most recent Alert Mechanism Report (2019 report, published in November 2018 i.e. formally after the 2018 cycle), LU was one of the three EU countries with a negative 3-year evolution of the activity rate in this respect, the main reasons being a comparatively low inclusion of women and older workers in the labour market. Reform the pension system: this is indeed the major weakness of our public finances. Enhance productivity growth: overall, in stagnation since 2000 (accompanied by a sustained rise in unit labour costs). Wage evolution in line with productivity. Flexible organisation of labour. Efficient IT, communication, transport infrastructures. The NRP lack specific, well-defined and targeted measures in these fields. Need for a more competitive nominal rate of taxation of companies (at least convergence to the EU median level).
2.	The Commission's country specific recommendations for your country are appropriate.	To some extent	Rightfully insist on the employment rate, pension reform and deregulations in the business service sector. But the other aspects mentioned below should be highlighted more in the final recommendations.
3.	The Commission assessment of reform implementation the year before is appropriate.	To a large extent	Long-term sustainability of the pension system and increase the employment rate of older people: the Commission correctly underlines the "limited progress" in this respect. The same as regards the removal of regulatory restrictions in the business services sector.
4.	The Commission assessment of excessive imbalances (in-depth review) is appropriate.	Not at all	COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN CENTRAL BANK AND THE EUROGROUP" (March 2018), Luxembourg is mentioned (positively) two times, with respect to diversification and Measures to promote flexible working time arrangements or access to care services. This does not reflect any of the weaknesses highlighted above.

Assessment of Country Specific recommendations 2018 in detail

		Q1: The recommendation is:	Q2: implementation on effort is:	Detailed comments
CSR 1	Increase the employment rate of older people by enhancing their employment opportunities and employability while further limiting early retirement, with a view to also improving the long-term sustainability of the pension system.	Extremely important	Unsatisfactory	See overall assessment.
CSR 2	Further reduce regulatory restrictions in the business services sector.	Extremely important	Unsatisfactory	See overall assessment. According to the Ageing Working Group 2018 Report, LU is the EU country with the largest increase in total expenditure related to ageing from now to 2070 (+13 points of GDP).

Reform Progress in your Member State in 2018

How would you assess reform progress in 2018, for the following broad areas:

Taxation and Public Finances	Unsatisfactory
Business environment (regulation/access to markets)	Unsatisfactory
Labour market	Mixed
Innovation and skills	Satisfactory
Access to finance and Financial stability	Mixed

Is there any example of an economic reform, specific to your country that BusinessEurope could highlight in its 2019 Reform Barometer?

Create a plan for SMEs: Put SMEs and administrative simplification at the centre of the economy. Draw up a 5th national action plan in favour of SMEs, with the support of the High Committee for the support of SMEs and entrepreneurship.

Reform priorities for 2019

	I. Policy Area	II. Concrete Recommendations	III. Are the proposed recommendations already in the agenda of your Government?
Priority 1	Wage bargaining and wage-setting policies	Modulation of salary indexation over the whole length of the legislature, and control salary costs in the state and semi-state sectors.	no
Priority 2	Business Dynamics - Start-up conditions	A plan for SMEs (see the previous worksheet). Start-up nation.	---
Priority 3	Tax reforms	Re-establish fiscal competitiveness: Define an ambitious fiscal road map that assists established businesses, talented individuals, researchers, start-ups, and the generation of intellectual property. At minimum, convergence of nominal, global taxation rate of companies to the EU median level (i.e. around 21%).	---
Priority 4	Pension and health care reforms	Rethink the pension system: Suggest a law reform in order to enable the reestablishment of a pension system that is both sustainable and features intergenerational fairness.	no
Priority 5	Business Environment - Regulatory barriers to entrepreneurship	Reform working practices: Suggest ambitious reforms of the way work is organised, particularly with the introduction of more flexibility. This is linked to the digitalisation of the workplace and the desire to empower businesses and economic sectors. Facilitate work and dismantle inactivity traps.	no