

SPRING 2020 REFORM BAROMETER – LUXEMBOURG

European Semester - Overall assessment of 2019 cycle

	To what extent do you agree with these statements:		Detailed comments
1.	The National Reform Programme submitted by your Government (April 2019) is appropriate.	---	Not sufficiently detailed as regards specific measures related to the high projected cost of population ageing in Luxembourg (the highest in the European Union according to the Ageing Working Group).
2.	The Commission's country specific recommendations for your country are appropriate.	---	We agree strongly with the statement "expenditure developments should be monitored carefully in the short and the medium term, especially in light of possible future risks to the robustness of revenues", especially with a view to the high level of public expenditure in absolute terms (if not as a % of GDP) and the quite volatile nature of many revenue items. Otherwise, the Commission rightfully insists on the employment rate and labour shortages, the environment and traffic congestion, pension reform (it refers to the 2018 report of the national Pension working group) and deregulations in the business service sector.
3.	The Commission assessment of reform implementation the year before is appropriate.	---	It is right to point out the high sensitivity of the Luxembourg economy to external developments. This is the reason why expenditure should not increase fully in line with additional (and frequently fragile) public revenues. Otherwise, it is claimed that public finances remain sound. This is true over the short-term, but not in a medium-term perspective (see the cost of ageing estimated by the Ageing Working Group in its 2018 report -referred to in annex on page 20). Importance of public investments in transports and housing (rightfully underlined by the Commission).
4.	The Commission assessment of excessive imbalances (in-depth review) is appropriate.	---	Rightfully insists on the cost of ageing and the situation regarding housing prices (where prices are increasing steeply compared to other UE countries).

Assessment of Country Specific recommendations 2019 in detail

		Q1: The recommendation is:	Q2: implementation on effort is:	Detailed comments
CSR 1	Increase the employment rate of older workers by enhancing their employment opportunities and employability. Improve the long-term sustainability of the pension system, including by further limiting early retirement.	Extremely important	---	
CSR 2	Reduce barriers to competition in regulated professional business services.	Important	---	
CSR 3	Focus economic policy related to investment on fostering digitalisation and innovation, stimulating skills development, improving sustainable transport, and increasing housing supply, including by increasing incentives and lifting barriers to build.	Extremely important	---	
CSR 4	Address features of the tax system that may facilitate aggressive tax planning, in particular by means of outbound payments.	Helpful (but not a priority)	---	

Reform Progress in your Member State in 2019

How would you assess reform progress in 2019, for the following broad areas:

Taxation and Public Finances	Unsatisfactory
Business environment (regulation/access to markets)	Mixed
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 2020 Reform Barometer?

Improve the transmission process of businesses, in particular the smaller ones (with a view of the high projected retirement rates among managers in the years to come).

Reform priorities for 2020

	I. Policy Area	II. Concrete Recommendations	III. Are the proposed recommendations already in the agenda of your Government?
Priority 1	Pension and health care reforms		No
Priority 2	Active labour market policies		Yes
Priority 3	Labour market mismatch and labour mobility		Yes
Priority 4	Public sector efficiency		No
Priority 5	Public investment		Yes