

LUXEMBOURG

GDP and income per capita are among the highest in the OECD area, but labour utilisation is relatively low.

Policy priorities

Reduce the implicit tax on continued work at older ages

Challenge and recommendations: To reduce incentives for early retirement, it was recommended that: early retirement pension be reduced to make it actuarially fair in relation to a pension taken at the official retirement age; imputed years of service be more difficult to obtain; subsidies for pre-retirement pensions be terminated; and the official retirement age be indexed to increases in life expectancy.

Actions taken: No recent actions have been taken.

Tighten income support system for the unemployed

Challenge and recommendations: To reduce structural unemployment, it was recommended that replacement rates in unemployment insurance be lowered and that the withdrawal rate for social assistance be reduced as recipients' incomes rise in order to avoid unemployment and poverty traps.

Actions taken: No recent actions have been taken.

Raise achievement in primary and secondary education

Challenge and recommendations: To improve educational achievements, and to close the gap between nationals and immigrants, it was recommended that programmes for learning to read and write in either German or French be made available; that core subjects be given more attention, and more help to weaker students in primary education be provided; that performance standards be defined nationally and that school autonomy and accountability be increased.

Actions taken: As part of a multi-year reform programme, children in vocational education are now allowed to do their studies in one language (French or German) without having to achieve a high level of competence in the other language.

Raise public-sector efficiency

Challenge and recommendations: To raise public-sector efficiency, it was recommended that the role of e-government be expanded further, that managerial independence and accountability be increased, and that administrative simplification be fostered.

Actions taken: The e-Luxembourg programme is currently being implemented to streamline administrative procedures and accelerate payment procedures by government entities.

Reduce barriers to competition in broadband services

Challenge and recommendations: To raise broadband access and lower access prices, it was recommended that the government reduce barriers to competition in broadband services by imposing lower access charges to the local loop and by forcing the incumbent telecom company to withdraw from the market for cable internet services.

Actions taken: No recent actions have been taken.