

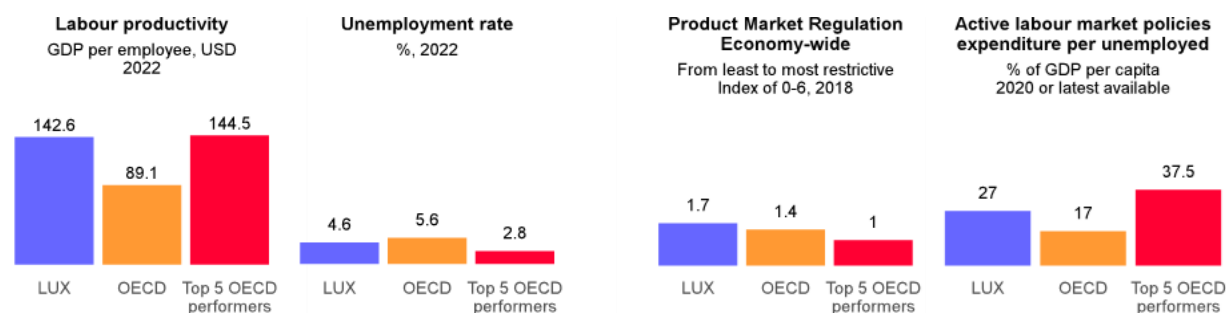


Performance gaps

Recommendations

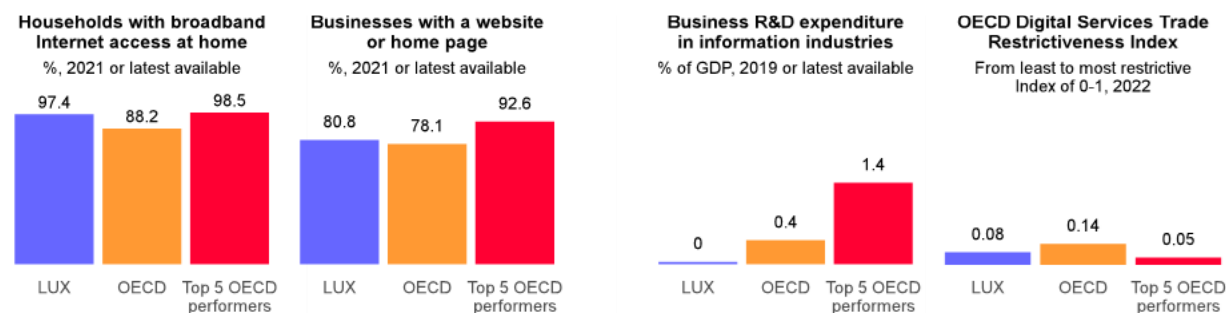
Product and labour markets functioning

- The unemployment rate is relatively high for young people, while the participation rate of old people is one of the lowest in the OECD.
- Product markets are highly regulated, with the regulatory environment for businesses remaining overly restrictive.
- The indexation of wages to inflation risks eroding the competitiveness of firms.
- Subsidise active on-the-job training schemes targeted toward over-45-year-old workers.
- Reduce administrative burdens on small firms, notably by streamlining procedures for starting a business.
- Reform the wage indexation system in consultation with social partners to take better account of its productivity, employment, and investment effects.



Digital transition

- Despite Luxembourg having a strong ICT infrastructure and a relatively well-educated workforce, businesses report persistent shortages of qualified ICT professionals as a brake on digitalisation. SMEs lag behind in digital adoption, and total private ICT investment as a share of GDP is low.
- The development of public digital services has not taken off.
- Establish an actionable roadmap for the development of digital infrastructure and services, with clear milestones to be re-evaluated at regular intervals.
- Establish dedicated adult training programmes and introduce key programming skills early on in school curricula to address skill mismatches.
- Expand business advisory services and support financing schemes to foster digital diffusion among SMEs, including through direct funding of ICT equipment.
- Consider developing a single personal digital key to reduce the administrative burden for citizens when interacting with the public administration.

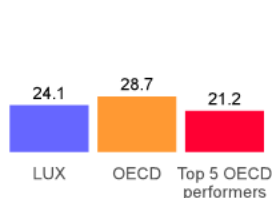


Inclusiveness, social protection, and ageing

- Schooling quality is uneven and educational pathways are rigid. This increases the impact of the socioeconomic background on education outcomes and results in high dropout rates among the most vulnerable.
- With a low effective retirement age, not linked to life expectancy, pension costs risk becoming an increased fiscal liability.
- Develop an early warning system to identify students at risk of early drop-out and take preventive measures.
- Link the statutory retirement age to life expectancy and phase out incentives for early retirement while providing more flexible working arrangements for older workers.
- Promote accessibility of alternative education to help early school leavers re-enter education.
- Reform the first part of secondary education to offer a more general and broad-based education and postpone selection into different educational pathways.

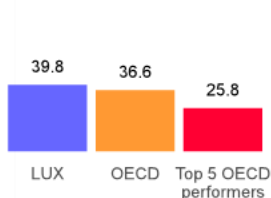
Mean poverty gap after taxes and transfers

Line at 60% of median disposable income
2021 or latest available



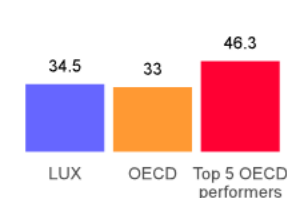
Impact of socioeconomic background in PISA reading score

%, 2018



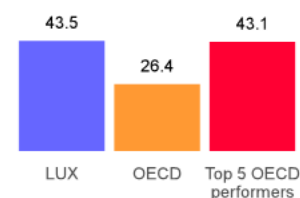
Strength of redistribution

Differences in Gini coefficients between market & disposable income relative to coef. on disposable income
%, 2021 or latest available



Income levels provided by cash minimum-income benefits

% of median disposable income, 2021 or latest available

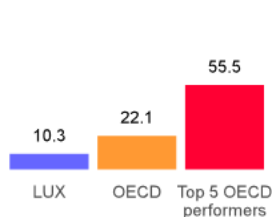


Climate transition

- The share of renewables in the energy mix is low, as is the share of environmentally-related government R&D spending.
- Car ownership is high, while the price of petrol and the usage of public transport is low.
- Environmental standards in agriculture are low.
- Increase public spending on environmentally-related R&D to match private R&D funding and encourage greater investment by firms.
- Introduce and gradually increase road use charges, taper tax incentives for company car fleets and review parking policies.
- Increase benefits for households undertaking energy-efficient renovations.
- Set a rising carbon tax trajectory over the medium- and long-term, while redistributing revenues to minimise the costs for the most vulnerable.
- Strengthen regulations on fertiliser and pesticide use.

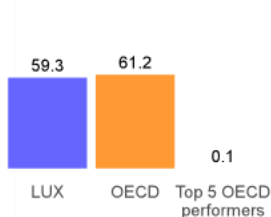
Share of renewables in the energy mix

%, Average over 2019-21 or latest available



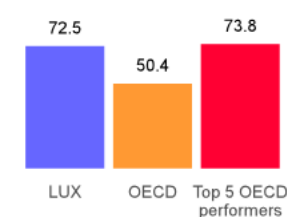
Share of population exposed to more than 10 µg/m3 of PM2.5

%, Average over 2017-19



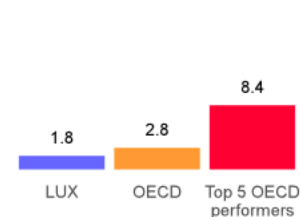
Carbon pricing score

%, at EUR 30 per tonne CO2, 2018



Environmentally-related government R&D budget

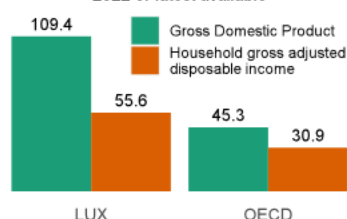
% of total government R&D 2021 or latest available



Overall performance

Economy

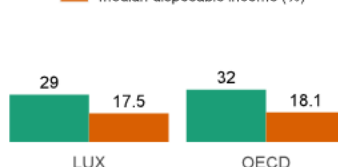
Thousands USD per capita
2022 or latest available



Inequality and poverty

2021 or latest available

Gini coefficient after taxes and transfers (index of 0-100)
Poverty rate, line at 60% of median disposable income (%)



Environment and climate

1 unit of GDP, 2021

0.13 GHG emissions
0.24 (OECD)

Welfare cost of premature deaths due to ambient particulate matter

% GDP equivalent, 2019





From:

Economic Policy Reforms 2023

Going for Growth

Access the complete publication at:

<https://doi.org/10.1787/9953de23-en>

Please cite this chapter as:

OECD (2023), “Luxembourg”, in *Economic Policy Reforms 2023: Going for Growth*, OECD Publishing, Paris.

DOI: <https://doi.org/10.1787/135e6a2c-en>

This document, as well as any data and map included herein, are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area. Extracts from publications may be subject to additional disclaimers, which are set out in the complete version of the publication, available at the link provided.

The use of this work, whether digital or print, is governed by the Terms and Conditions to be found at <http://www.oecd.org/termsandconditions>.