



2017 OECD ECONOMIC SURVEY OF LUXEMBOURG

Better skills for more inclusive growth

Paris, July, 21th

<http://www.oecd.org/eco/surveys/economic-survey-luxembourg.htm>



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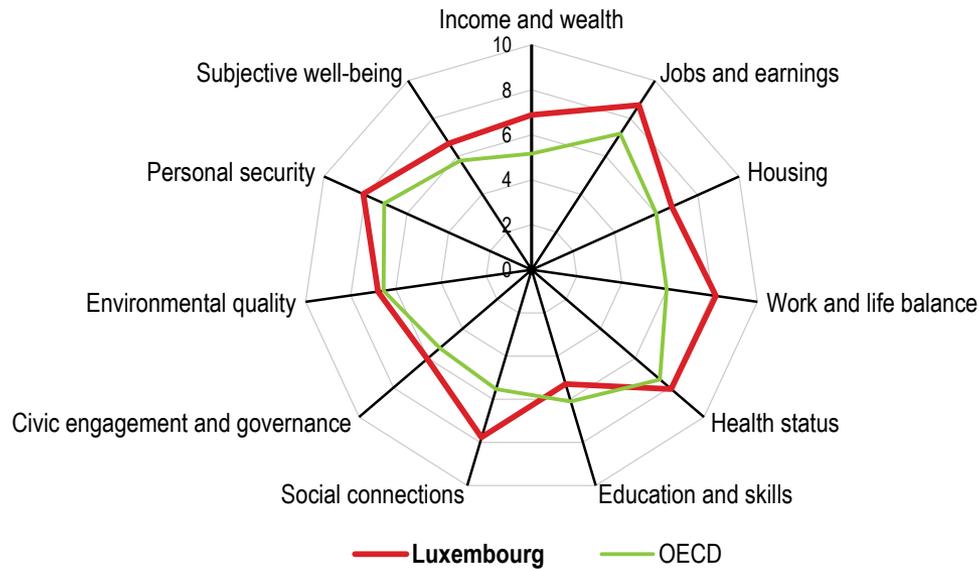
Main messages

- Luxembourg's economic performance is strong.
- The short-term fiscal stance is adequate. However, Luxembourg faces high age-related costs.
- The modernisation strategy will require improvements in education outcomes, especially for immigrants, and better upskilling of workers over their lifetime.
- Inclusive growth would also benefit from reducing work disincentives faced by low-skilled youth, women and older workers.



Well-being is high

Life is good in Luxembourg



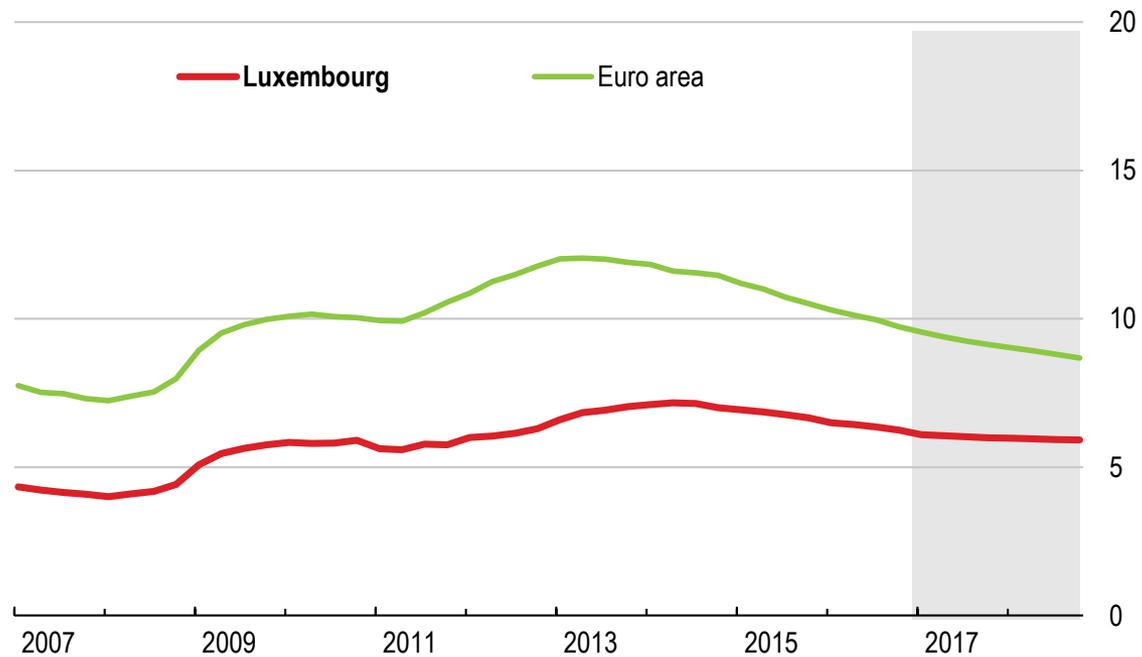
Note: Indicators are normalised to range between 10 (best) and 0.

Source: OECD (2016), OECD Better Life Initiative 2016, www.oecd.org/statistics/better-life-initiative.htm



Unemployment is low and declining

Unemployment rates, per cent of labour force

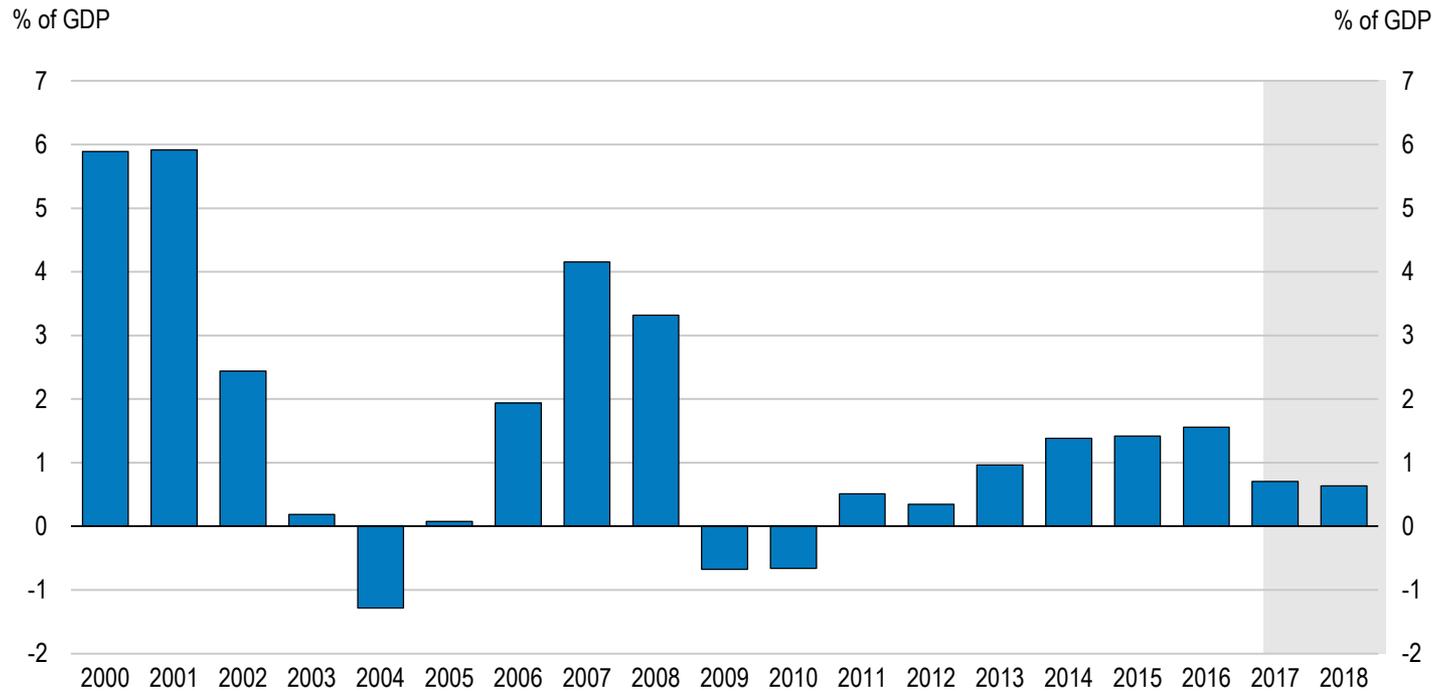


Source: OECD Economic Outlook 101 database.



There is ample fiscal space

General government fiscal balance, per cent of GDP

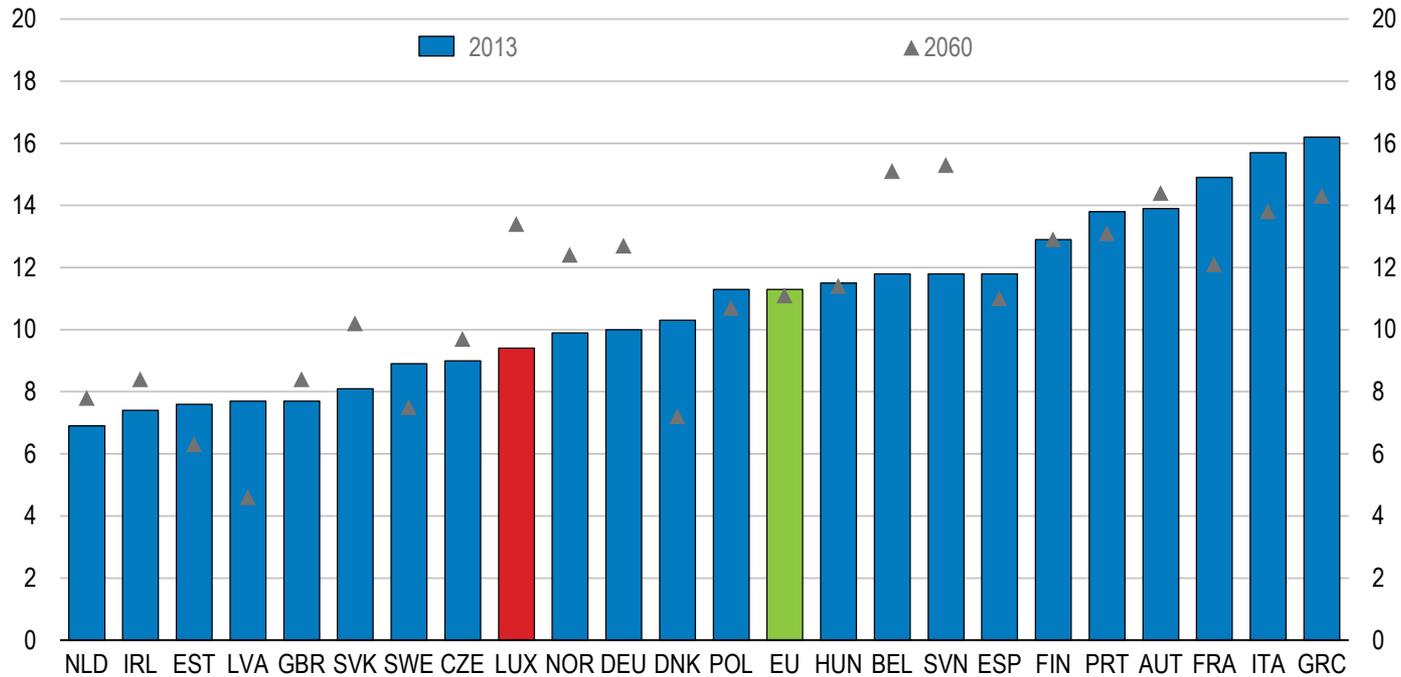


Source: OECD (2017), OECD Economic Outlook: Statistics and Projections (database).



But ageing costs are projected to rise

Gross public pension expenditure, per cent of GDP

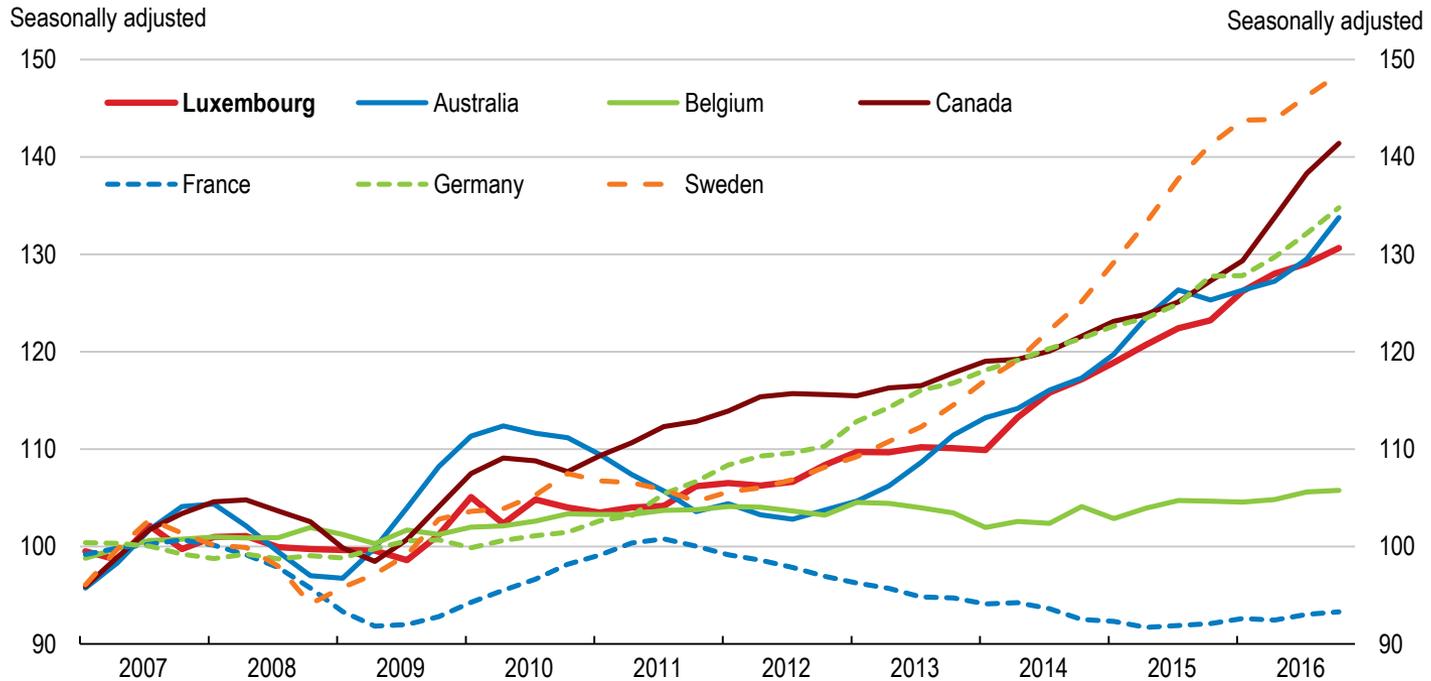


Source: European Commission (2015), The 2015 Ageing Report: Economic and budgetary projections for the 28 EU Member States (2013-2060).



House prices are growing strongly...

Real house prices, index 2007=100

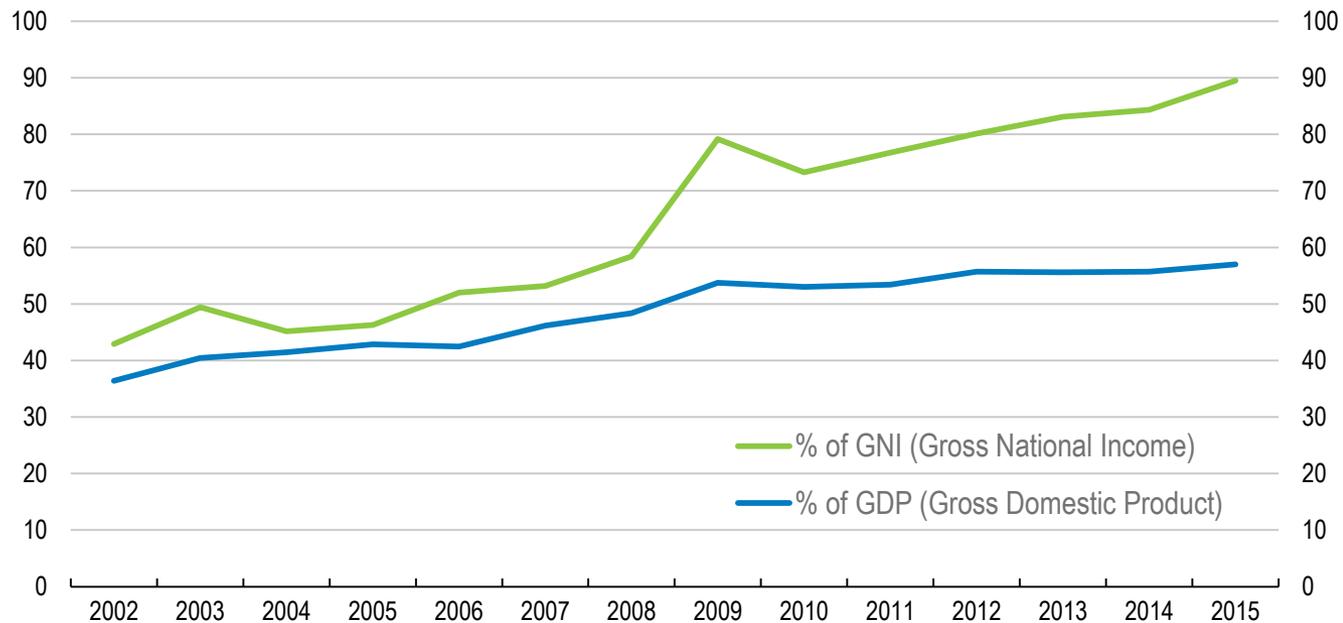


Source: OECD, Analytical house prices indicators database.



...and household indebtedness is rising also

Household debt, per cent of GDP or GNI



Note: The instruments that are taken into account to compile household debt are debt securities and loans.

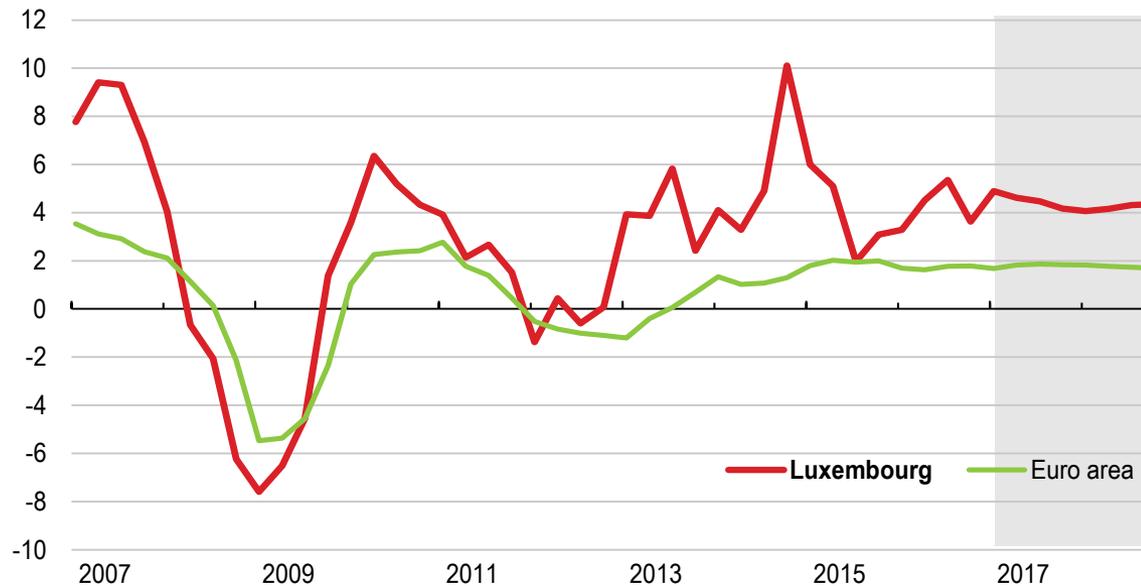
Data are presented in consolidated terms.

Source: OECD National Accounts Statistics.



Economic growth is strong, but relies heavily on the financial sector

Real GDP growth, year-on-year percentage changes



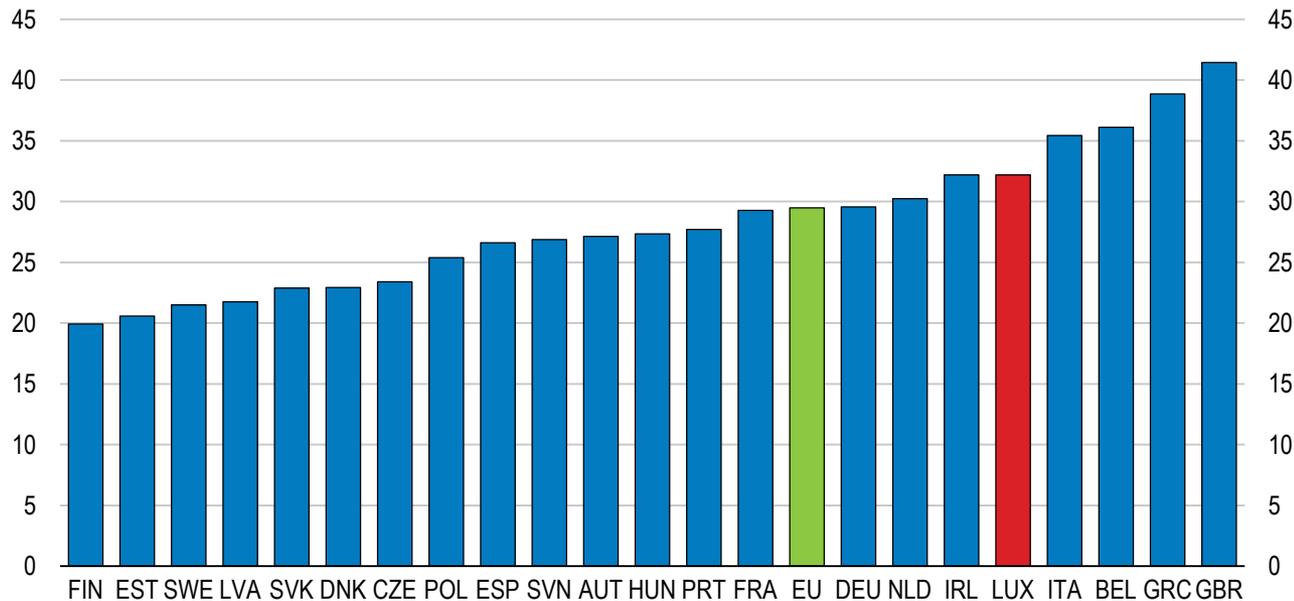
Source: OECD Economic Outlook 101 database.



Green growth requires further investment

Congestion times are among the highest in Europe

Hours spent in road congestion by the average driver every year, 2015



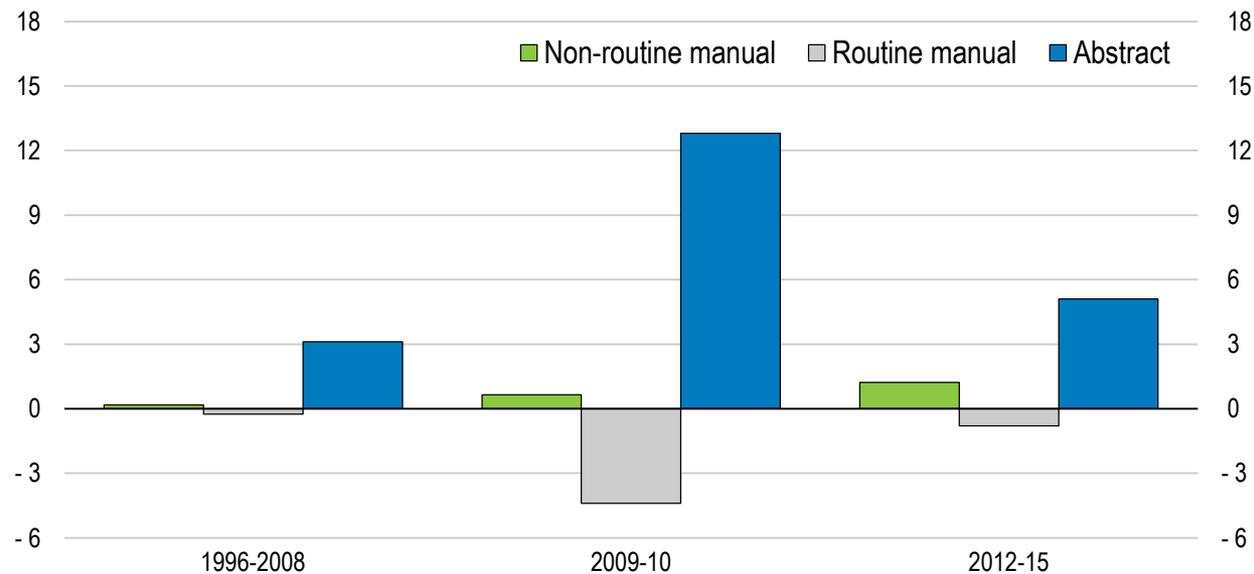
Note: This indicator assumes two 30km trips per day (morning peak and evening peak) and 220 working days. It takes into account all major roads in the 27 Member States for which data is available (about 2 500 000 kilometers).

Source: European Commission, EU transport scoreboard 2016.



The demand for skills is changing

Average annual change in total employment requiring different tasks (thousands)



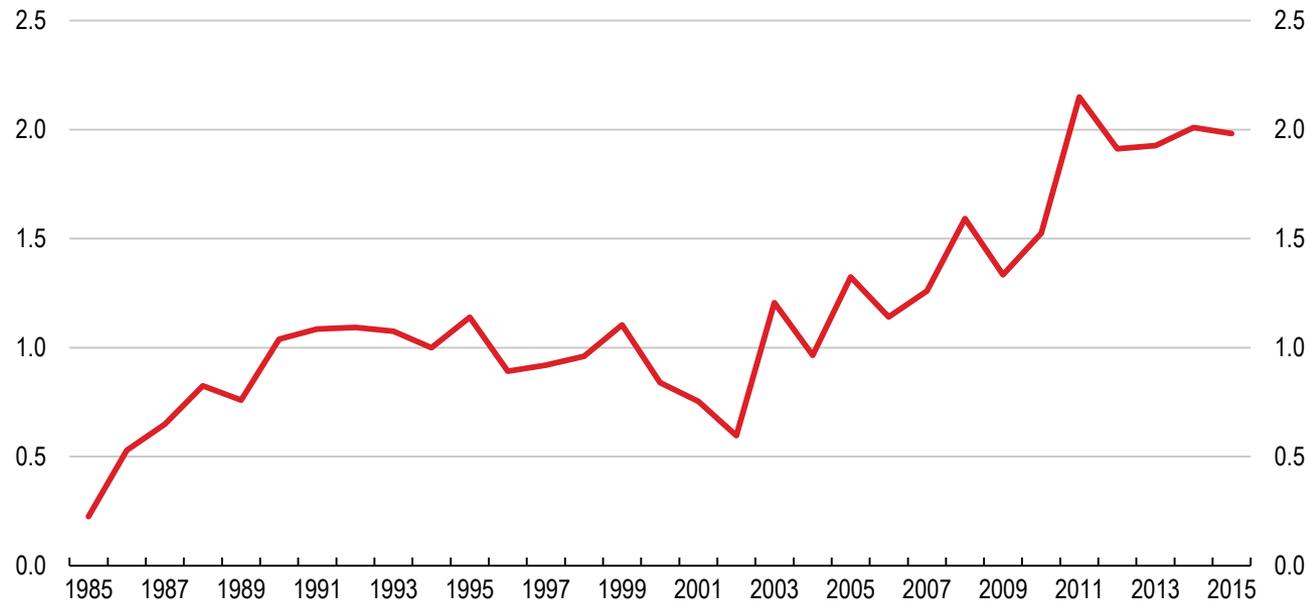
Note: Refers to population aged between 15 and 64. Abstract tasks refer to problem-solving, intuition, persuasion and creativity.

Source: Eurostat (2017), Employment and unemployment (Labour Force Survey) (database), March.



Luxembourg has long attracted immigrants to fill vacancies

Net migration flows, % of total population



Source: STATEC.



Recommendations for more resilient and greener growth

1. The linkages between banks and investment funds need to be closely monitored.
2. Additional macro-prudential measures should be introduced to rein in high household indebtedness and increasing housing prices.
3. Housing supply should be supported by streamlined land planning, introduction of time-limited building permits and increased taxation of non-used constructible land.
4. Age-related costs should be reduced further by linking the legal age of pension with life expectancy and the level of pensions to the level of contributions.
5. Green growth requires higher taxes on transport fuel, a system of congestion charges and further investment in transport infrastructure.

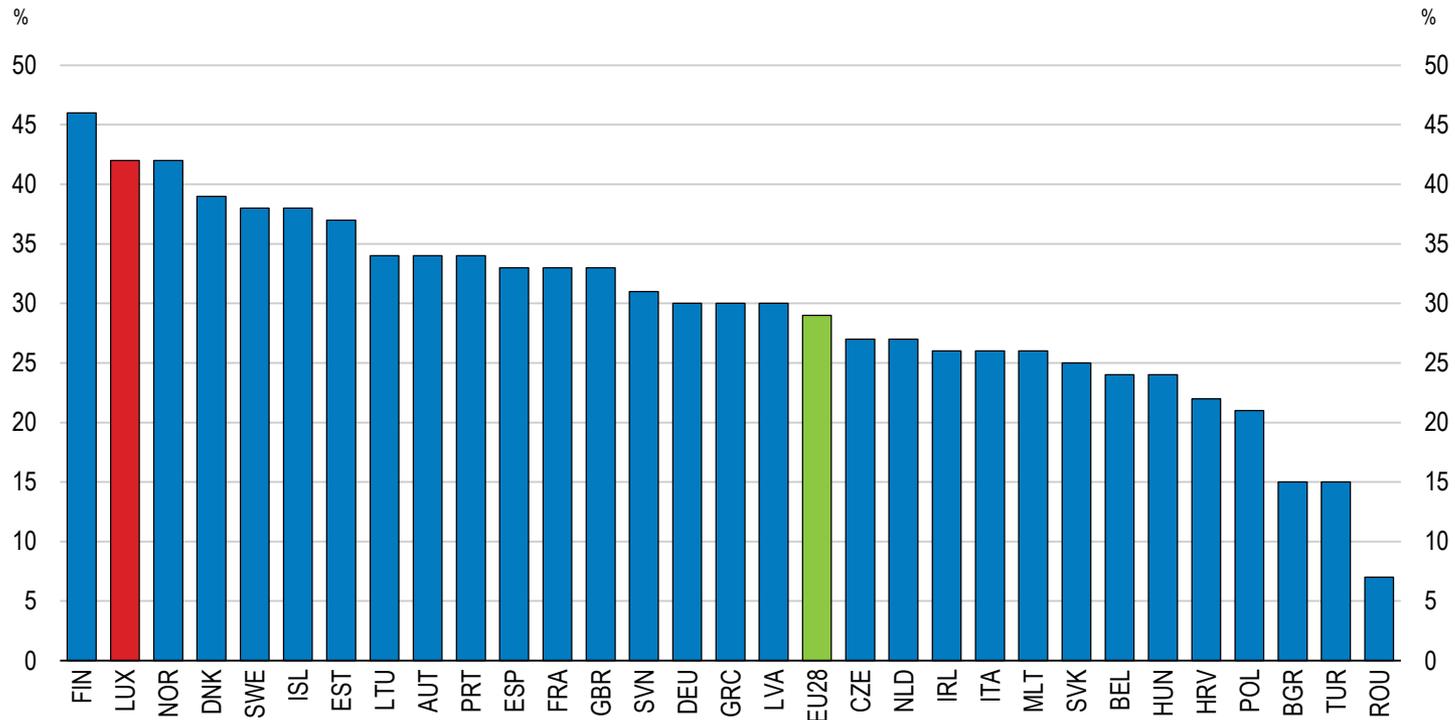


BETTER SKILLS FOR MORE INCLUSIVE GROWTH



Computer skills are high

Share of people with computer skills, 2014

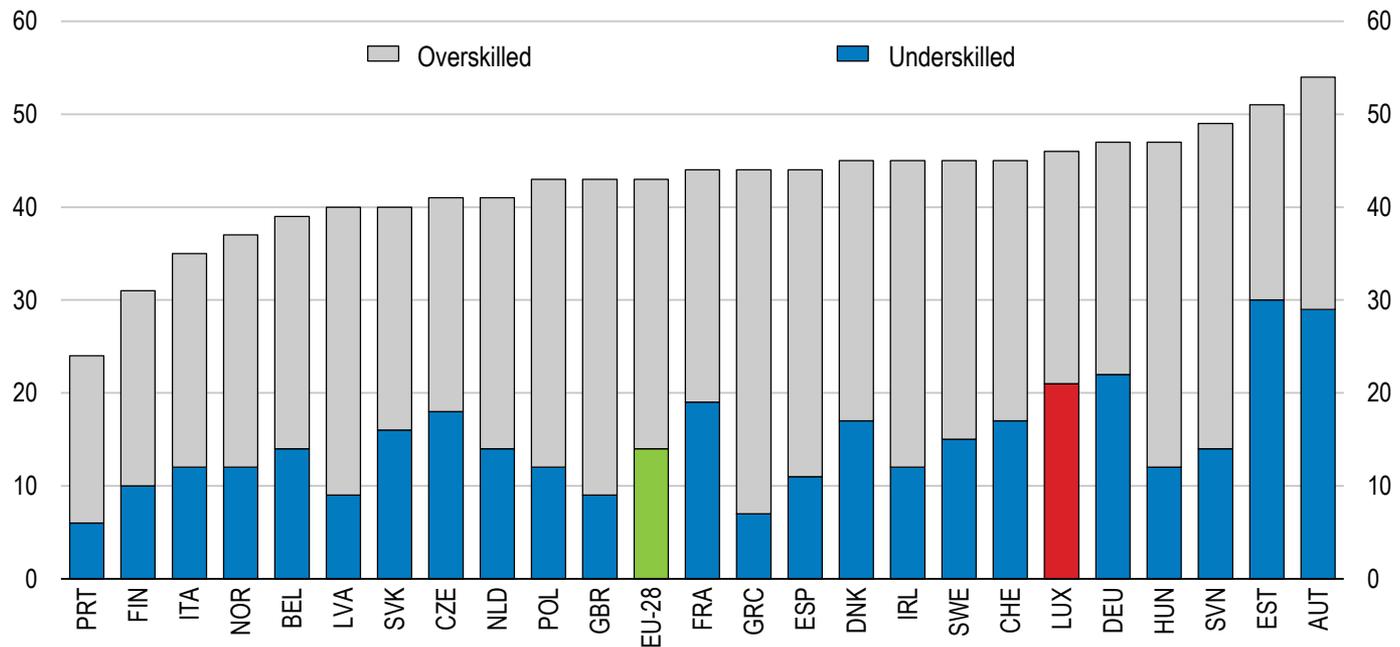


Note: Share of individuals aged 16 to 74 reporting to have carried out five or six specific tasks related to computer use.
Source: Eurostat (2015), Individuals' level of computer skills; European Commission (2012).



Skill mismatches are high

Self-reported skills mismatch
As percentage of all employment, 2015



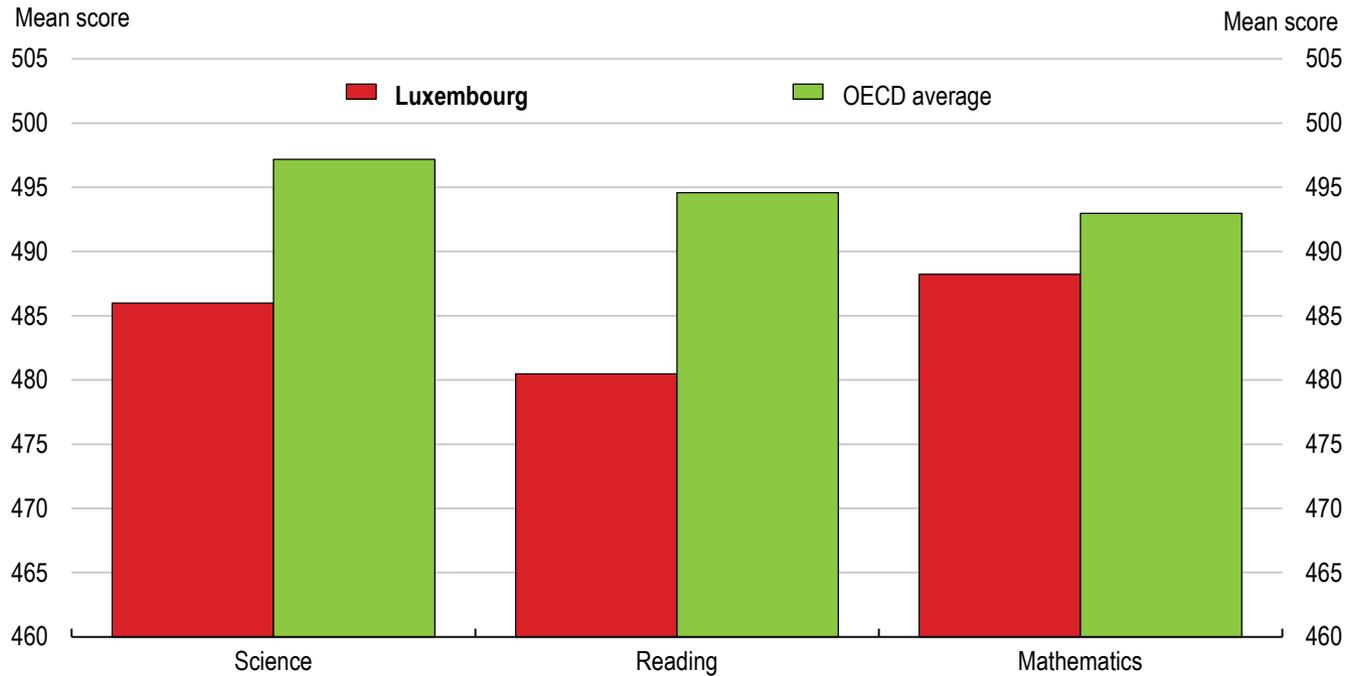
Note: Workers are classified as underskilled (overskilled) if they report that they need further training to cope well with their duties (if they report that they have the skills to cope with more demanding duties).

Source: Sixth European Working Conditions Survey, 2015.



Education scores show a persistent gap

Average PISA scores, 2009-2015

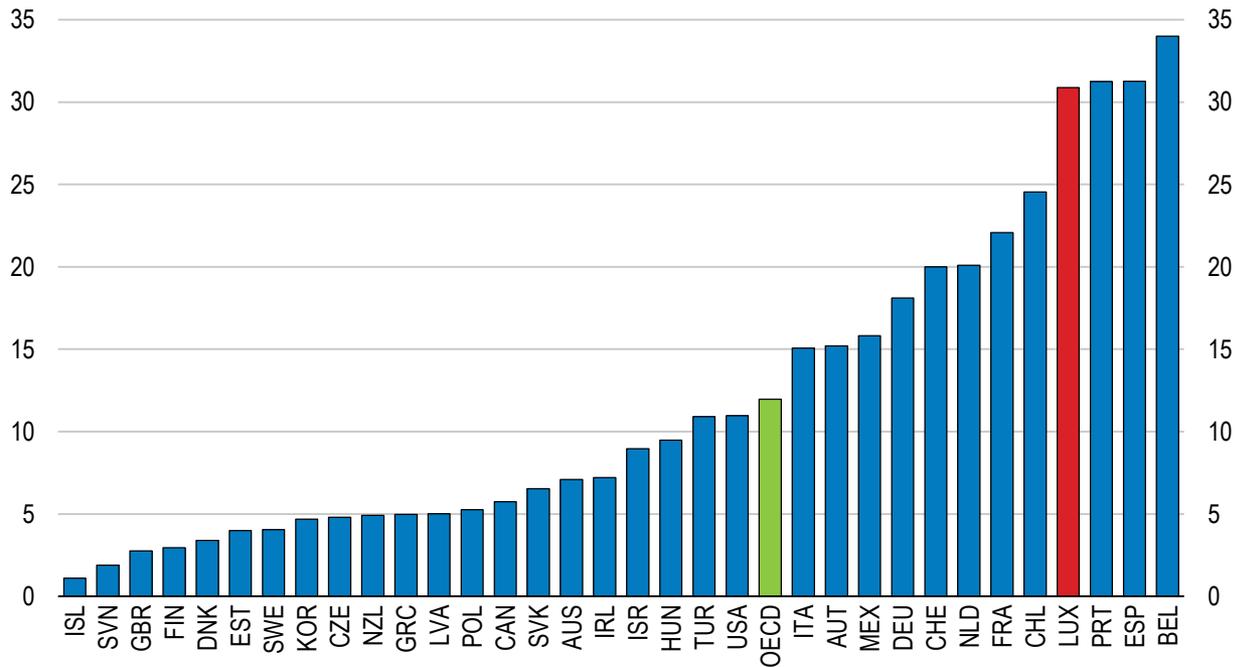


Source: OECD (2016), PISA 2015 Results (Volume I): Excellence and Equity in Education.



Grade repetition is high

Share of 15-years old who repeated a year at least once, per cent

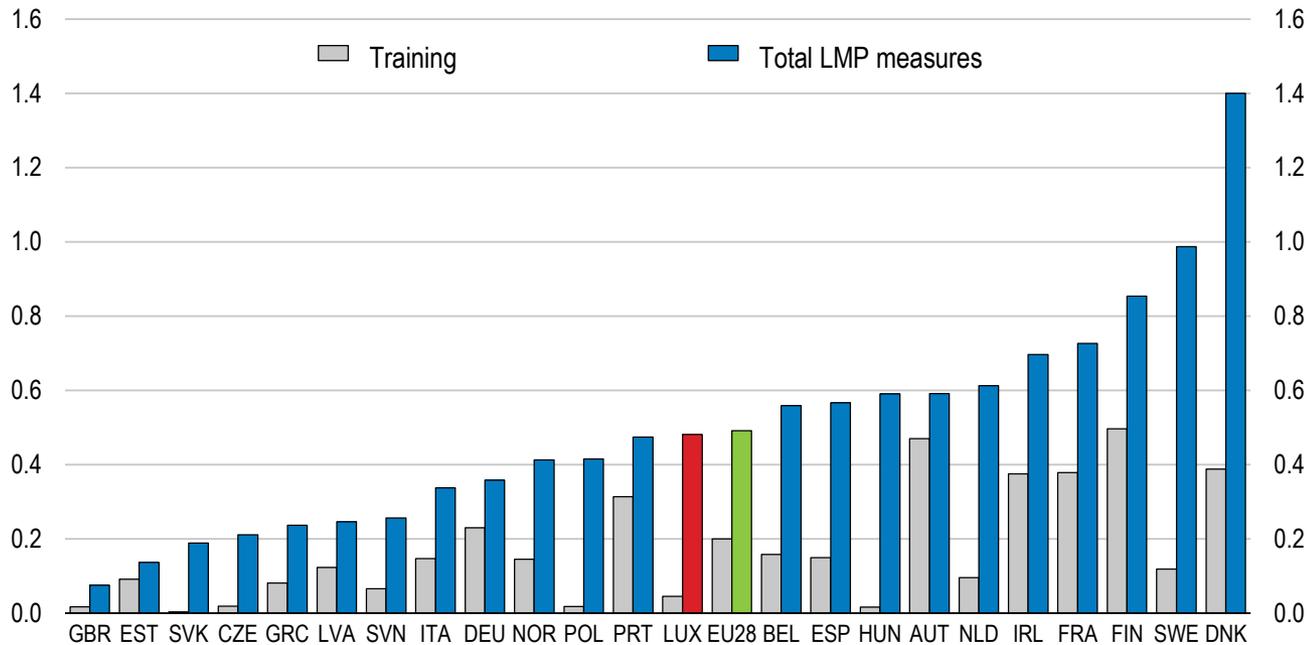


Source: OECD (2016), PISA 2015 Results (Volume I): Excellence and Equity in Education.



The share of training in active labour market policy spending is low

Per cent of GDP, average 2010-15 (or last available year)

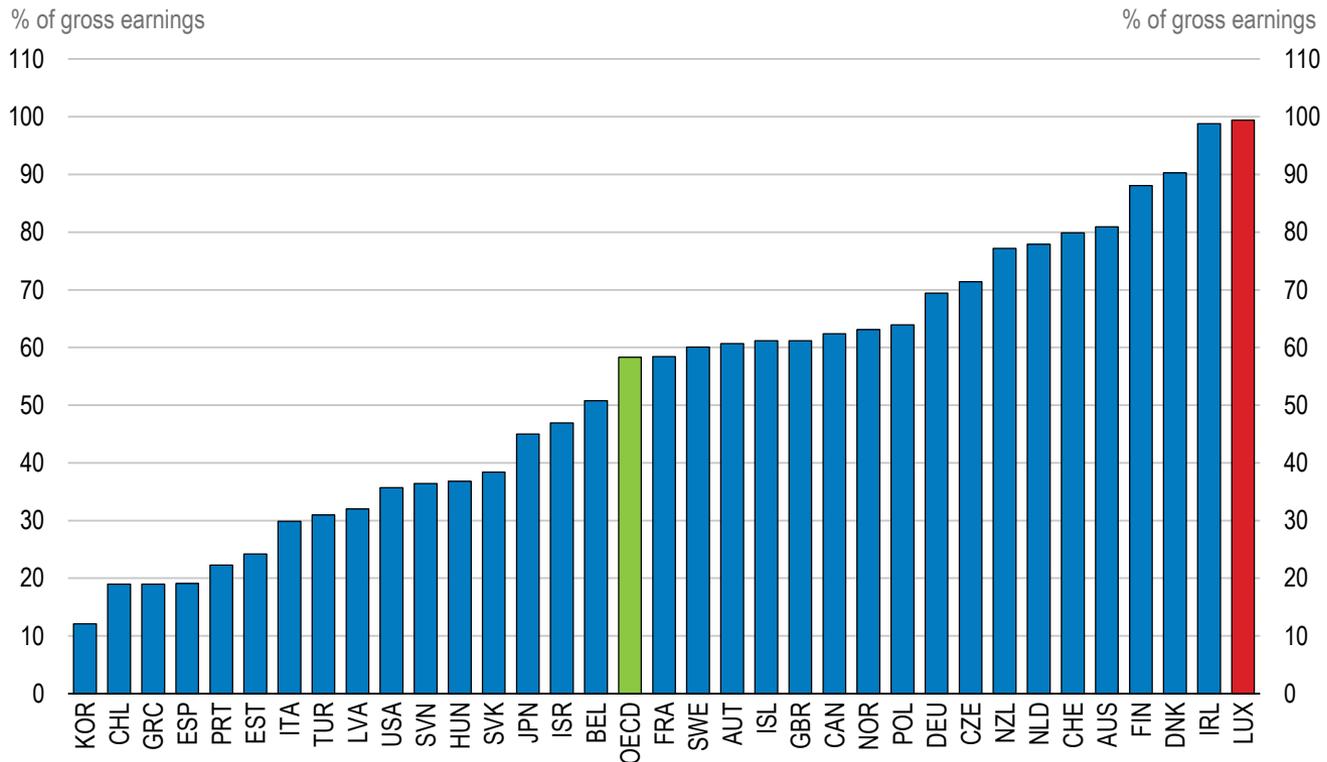


Source: European Commission, Labour market policy (LMP) database.



High marginal tax rates create disincentives to work

Marginal Effective Tax Rates on increasing working hours, 2014



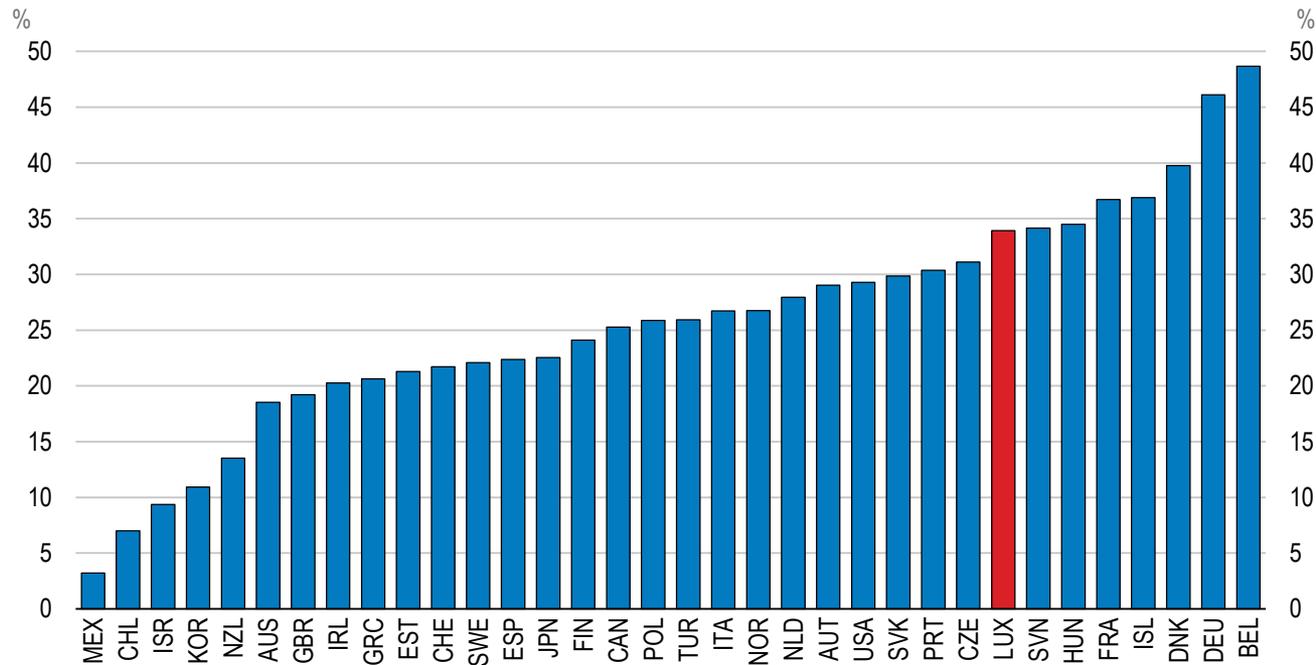
Note: From 33% to 67% of average wage, supplements included, for married couple.

Source: OECD, Tax-Benefit Models.



Work disincentives for second earners are high

Net personal average tax rates on second earners, 2015



Note: Second earner at 67% of the average wage (primary earner at the average wage level), no children. The net personal average tax rate is calculated as the increase in income tax and employee SSCs (net of in-work benefits) paid by the family as a result of the second earner entering workforce divided by the increase in family gross income as a result of the second earner entering in the workforce.

Source: Thomas and O'Reilly (2016).



Recommendations for better skills for more inclusive growth

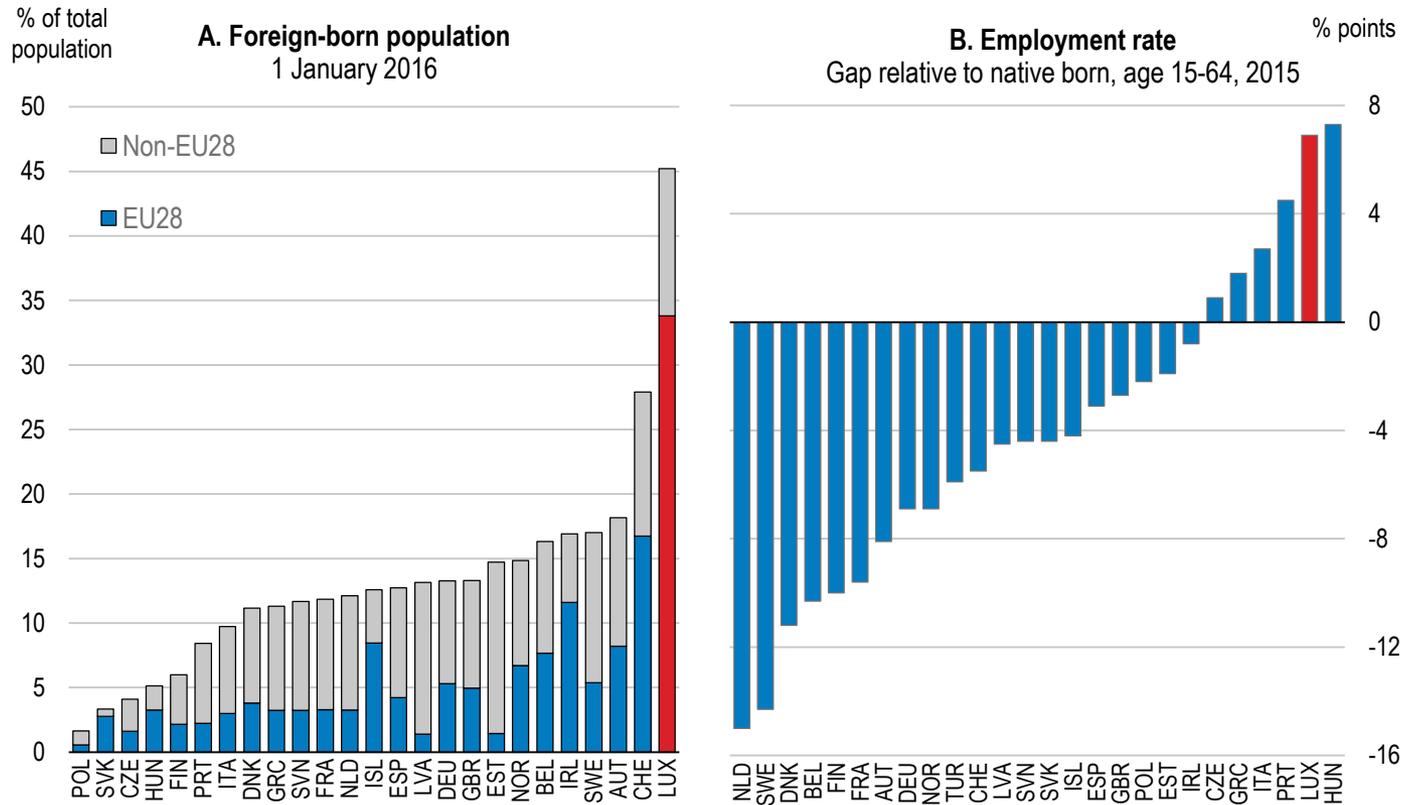
1. Reduce grade repetition by providing earlier individualised support to students falling behind.
2. Improve the mobility between secondary education tracks through curriculum alignment and differentiated teaching.
3. Ease the upward mobility of vocational education students to tertiary education programmes. Strengthen career guidance and counselling to improve responsiveness of tertiary education to labour market needs.
4. Enhance access to lifelong learning by creating individual learning accounts and expanding the individual study leave. Tailor lifelong learning programmes to the needs of the low-skilled and older workers.
5. Adjust the tax and benefit system to increase incentives to work for low-skilled youth, older workers and second earners.



IMPROVING FURTHER THE INTEGRATION OF IMMIGRANTS



The large immigrant population has a high employment rate

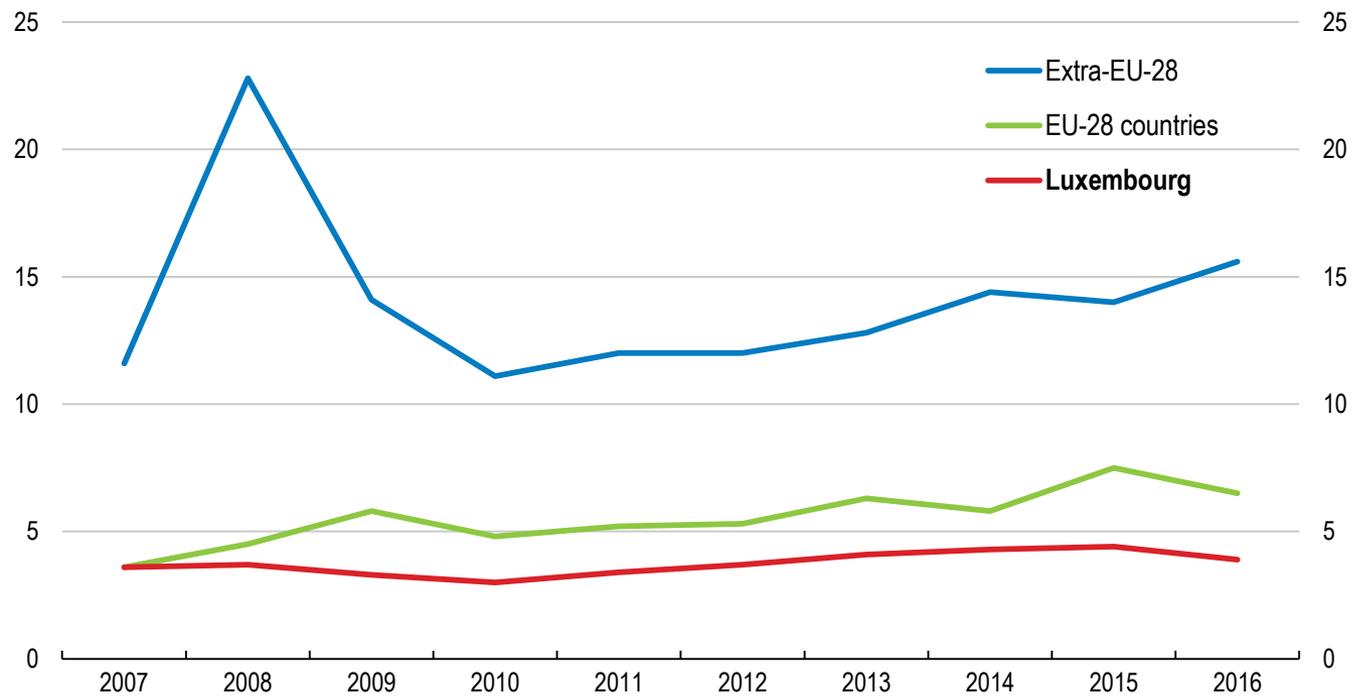


Source: Eurostat (2016), Population Statistics and Employment and Unemployment (Labour Force Survey) Statistics.



Non-EU immigrants face higher unemployment

Unemployment rate by country of origin, age group 15-74, per cent

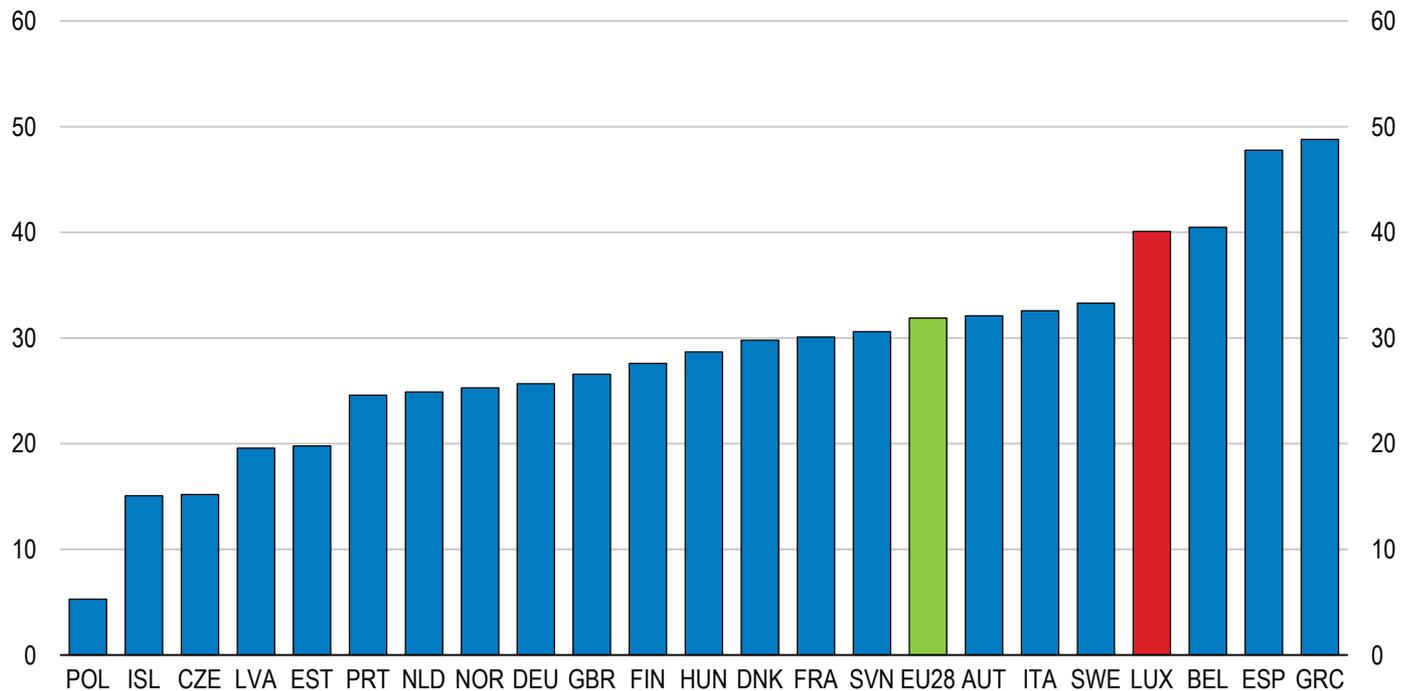


Source: Eurostat, Employment and unemployment (Labour Force Survey) database.



The risk of poverty is high among non-EU immigrants

Age 18-64, 2015

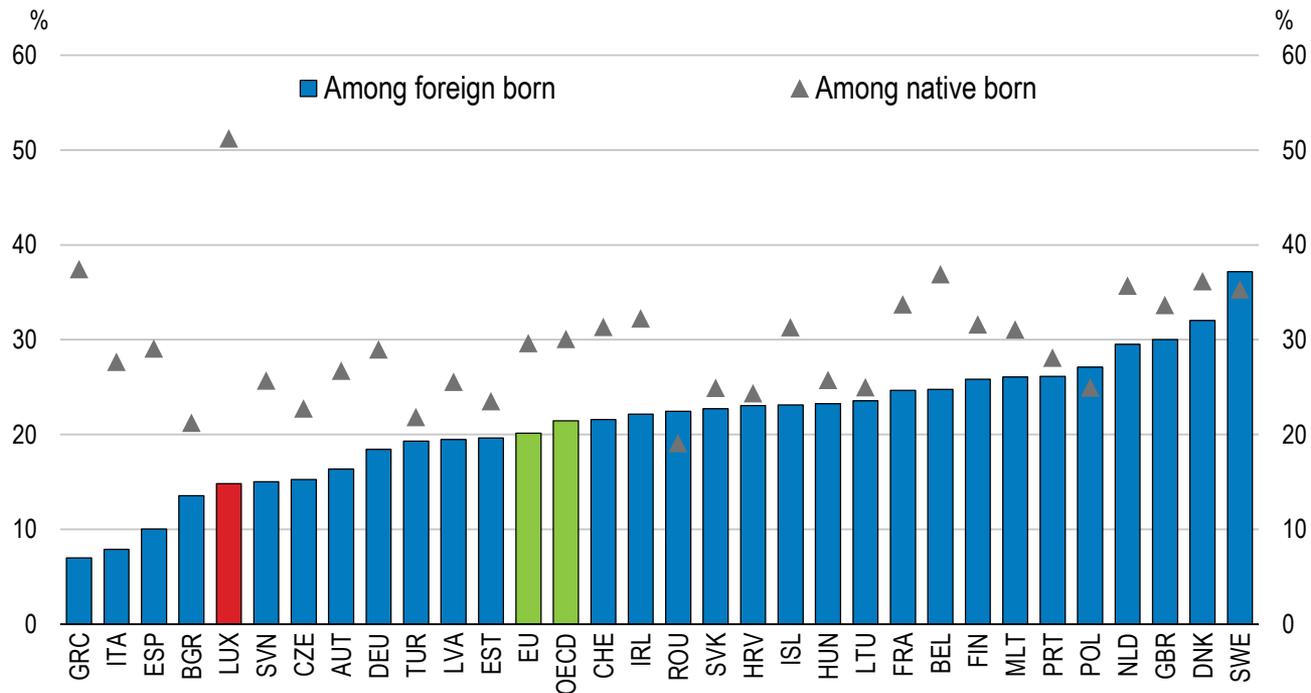


Source: Eurostat (2015), "Living conditions and welfare: Income distribution and monetary poverty", Eurostat Database, October.



Immigrants are under-represented in public sector jobs

Share of employment in the public services sector, aged 15- 64, 2012-2013

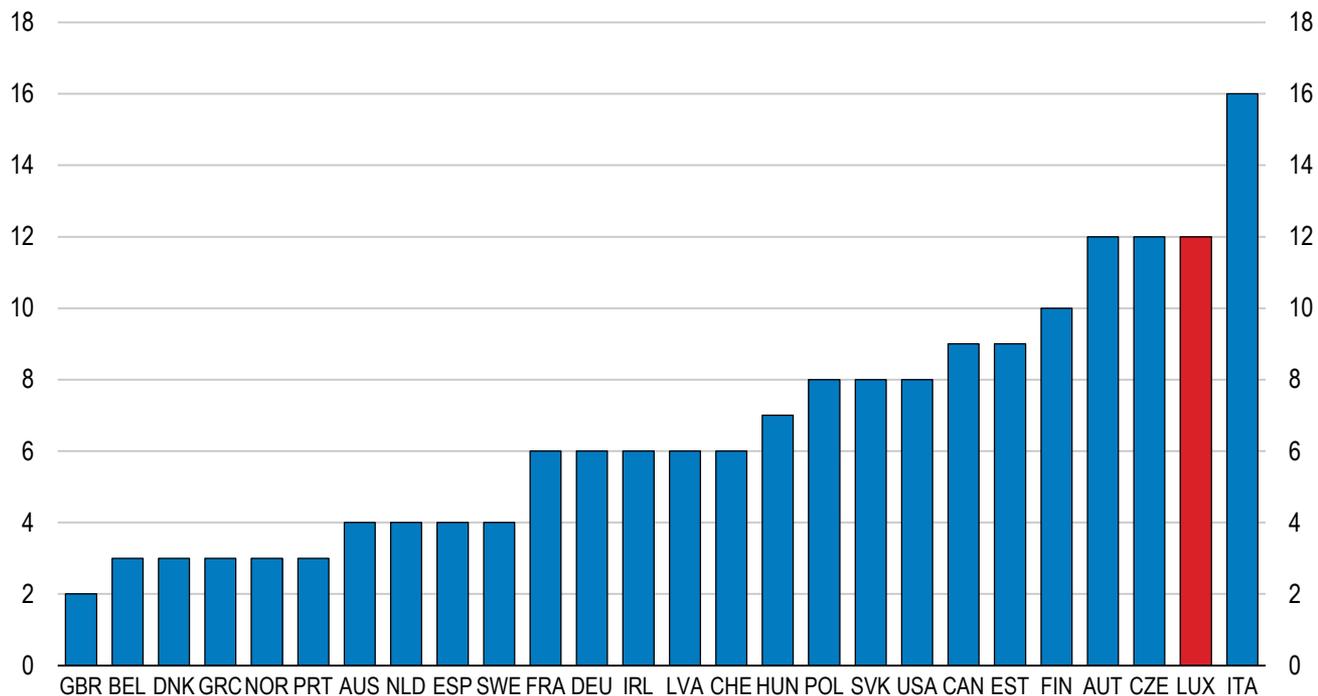


Source: OECD/European Union (2015).



Processing times for immigration of highly-skilled non-EU workers is high

Time in weeks

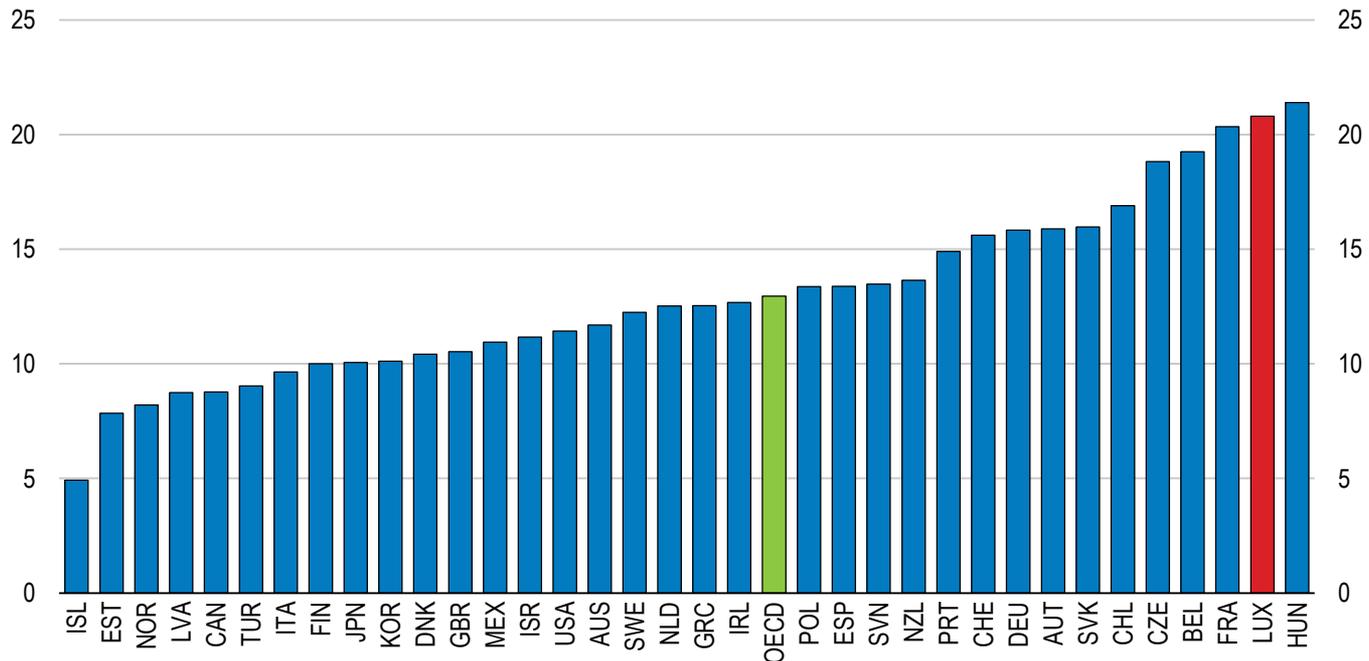


Source: Deloitte (2016), Global Immigration Study.



Socio-economic status has a large impact on student performance

Impact of socio-economic background, Performance in science, PISA 2015



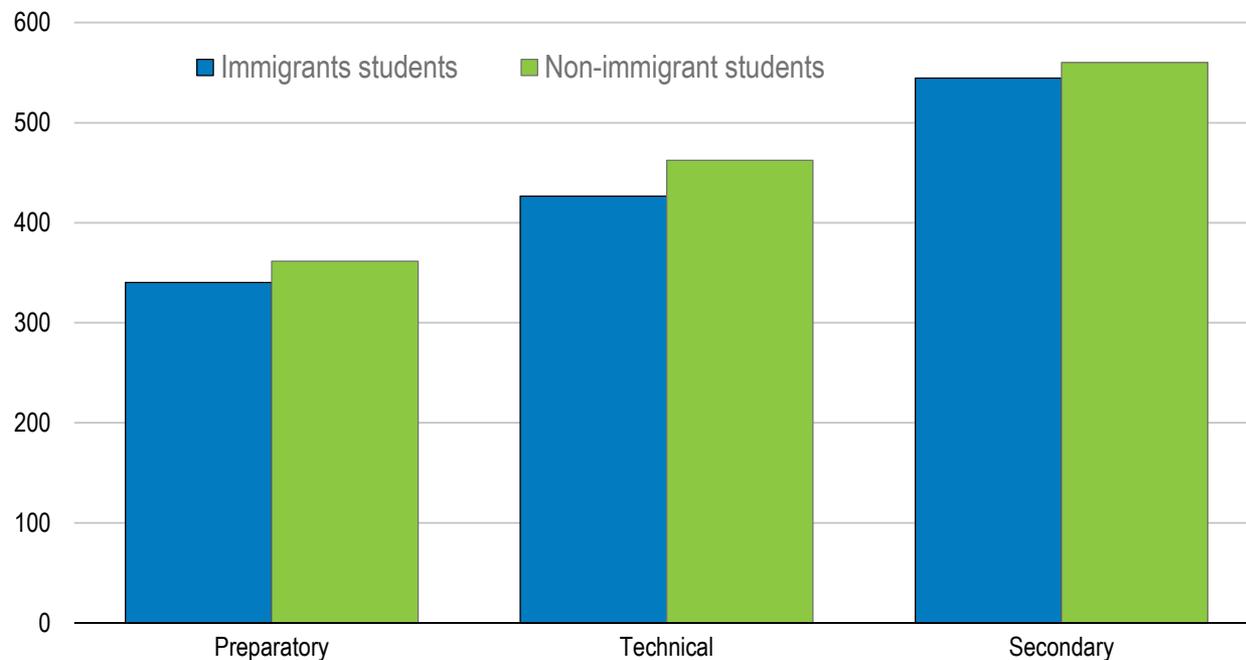
Note: Percentage of variance in student performance in science explained by ESCS, which refers to the PISA index of economic, social and cultural status.

Source: OECD (2016), PISA 2015 Results (Volume I): Excellence and Equity in Education.



Performance of students with immigrant background is lagging behind

Performance in science, score points, PISA 2015



Note: At the end of primary school, children are assigned to different programmes of secondary education: academic (enseignement secondaire, ES), technical (enseignement secondaire technique, EST) and preparatory (régime préparatoire, PREP).

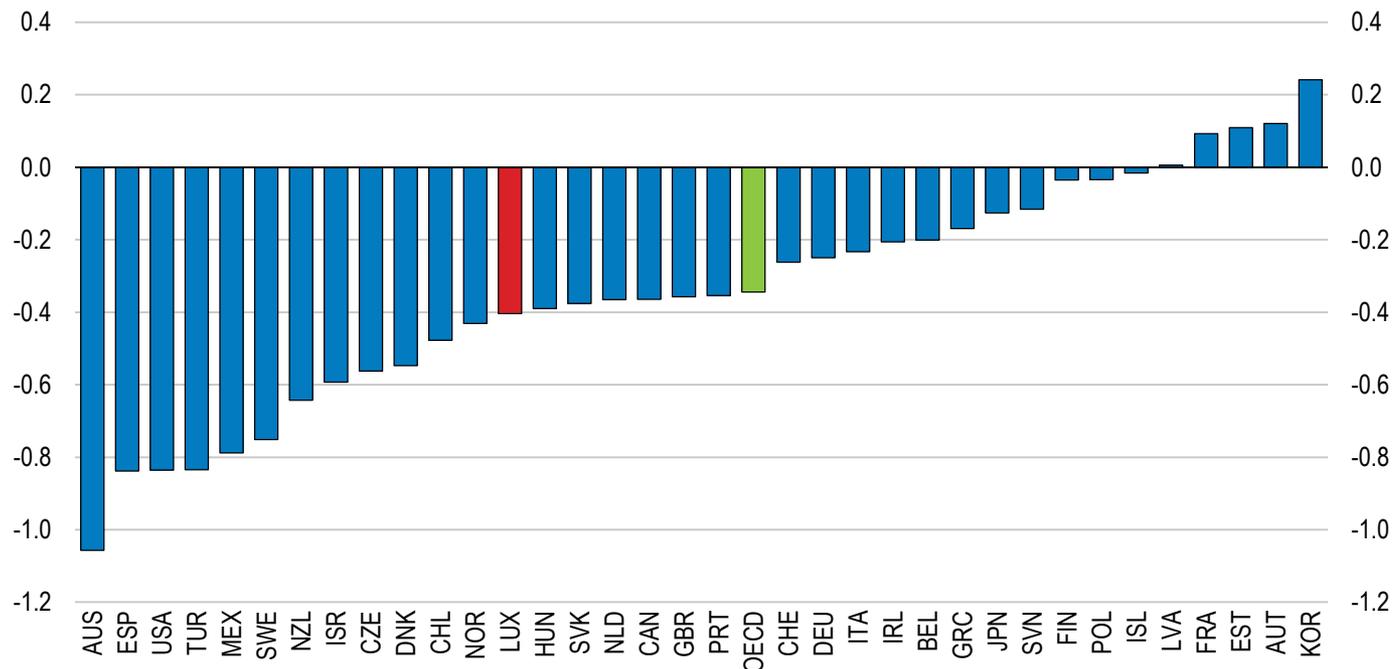
Source: OECD, PISA 2015 Database.



Disadvantaged schools face greater shortages of educational resources

Index of shortage of education staff

Difference between schools in top and bottom quarters of socio-economic profile, PISA 2015



Note: Higher values in the indices indicate a greater shortage of educational resources. The socio-economic profile is measured by the PISA index of economic, social and cultural status.

Source: OECD (2016), PISA 2015 Results (Volume II): Resources Invested In Education.



Recommendations for improving the integration of immigrants

1. Improve the availability of high-quality child care and provide incentives for fathers to share parental leave.
2. Continue to increase public supply of language courses. Diversify language training according to workplace needs.
3. To limit long periods of inactivity, speed up decisions on asylum applications and ease provisional labour market access for applicants with high prospects of being allowed to stay.
4. Ease immigrants' access to public sector jobs.
5. Make resource allocation across schools more equitable and introduce incentives to attract more experienced teachers to disadvantaged schools.



For more information

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