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**Social Dialogue in Luxembourg**

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1. **Social Dialogue in Luxembourg**
   1. **Introduction**

Luxembourg has a long-standing tradition of social dialogue. Socio-economic consultation is based on a vast network of national contribution and dialogue-based institutions including the Economic and Social Council (Conseil économique et social), the Tripartite Coordination Committee (Comité de coordination tripartite), the Economic Environment Committee (Comité de Conjoncture), the Permanent Committee of Labour and Employment (Comité permanent du Travail et de l’Emploi), together with the five professional chambers for employers and employees, and numerous specific tripartite councils, committees and commissions within the ministries, the Ministries, especially the ministries of Labour, of the Economy, of Education, for Equality, of Continuous Training and of Land-Use Planning, together – and the Social Security institutions. It also relies on the network of institutions which regulate company industrial relations including staff delegations, company joint committees and staff representation by bodies of joint stock companies (société anonymes).

This robust network is the product of a long process of progressive involvement of the social partners into the development of government policies and business management.

* 1. **Origin and Development of Social Dialogue in Luxembourg**
* After the First World War, the idea of creating an interprofessional social dialogue body was already in the pipeline. Indeed, in 1924, during the parliamentary debates on the establishment of employer and employee professional chambers in Luxembourg, the concept of uniting these chambers under an economic and social council had already been proposed.

In keeping with this initiative, several tripartite advisory bodies were created in the pre- and post-war years, including:

The **Economic Council (Conseil économique)** (1933), replaced in 1945 by a **National Economic Council** **(Conseil de l'Economie nationale)**, which was responsible for examining issues related to the structure, regulation and organisation of the Luxembourg economy.

The **National Labour Council** (**Conseil national du travail**) (1936), replaced in 1944 by the **National Labour Conference** (**Conférence nationale du Travail**), comprising an equal number of employer and employee representatives, whose purpose was to overcome and prevent industrial disputes and to monitor changes in the employment market (employment and unemployment).

Despite the worthwhile contribution of the National Economic Council and the National Labour Conference, created in the wake of the Second World War to rebuild the country, the statutory limitation of their remits did not enable them to give sufficient consideration to the interdependence of economic and social issues. These two bodies were dissolved in 1966 and the Economic and Social Council (ESC) was created in their place.

During the period in which the ESC was created, the prevailing approach was based on trust and complicity between all stakeholders, allowing the implementation of measures to make Luxembourg an appealing place to live and to maintain a high employment rate. At the time, strong growth, a high standard of living and low unemployment contributed to ensuring stable social cohesion.

The oil and steel crises of the 70's and 80's had a considerable impact on Luxembourg's economy because of the major role of the steel industry. Urgent solutions were required to lift the country out of this crisis, limit the impact on employment and the public purse, stimulate economic growth and maintain full employment.

It was in this context that the Tripartite Coordination Committee was established by the 24 December 1977 Act.

Against the backdrop of the economic crisis at that time, multiple tripartite consultation bodies were created which subsequently had the effect of duplicating some of the ESC's duties; that was prejudicial for its functioning.

Following the 2008 financial crisis and the ensuing economic and social crisis, most tripartite bodies encountered some obstacles in 2010, primarily due to the differing or even opposing positions of employer and employee representatives.

* This brief overview of social dialogue in Luxembourg would not be complete without a short description of some key dates on the origins of the social model on which social dialogue is based.

The first Social Security Act was introduced in 1901. This Act and the risks covered by it were gradually extended and added to the benefit of the entire population. The collective labour agreements were introduced in 1936, together with a procedure for industrial dispute conciliation. The statutory minimum wage was introduced in 1944. In 1975, the automatic indexing of wages to price fluctuations was applied across the board. The legislation was later amended and adapted.

The collective agreement coverage rate is 60%.[[1]](#footnote-1)

* 1. **Social Dialogue Institutions in Luxembourg**
     1. **The ESC**

**1.3.1.1** **Legal Basis**

* The ESC was created by the 21 March 1966 Act establishing the Economic and Social Council (ESC). The Economic and Social Council of the Grand-Duchy of Luxembourg is the government’s permanent consultative institution for the country's economic and social guidance. The ESC, as the "house of permanent social dialogue", serves as a national centralised tripartite think-tank and socio-professional consultation body.

In the institutional hierarchy, the ESC, as a consultative secondary body established through an ordinary Act, examines issues at an early stage, prior to final arbitration and decisions to be taken by the Government and the Chamber of Deputies (Chambre des Députés). It therefore plays the important role of planner and catalyst for ideas. Its primary aim is to align the positions of the two main economic forces – capital and labour, which often have opposing views. In doing so, its main problem is considering what is in the general interest.

The ESC closely observes society; watching both for future demands on the economy, as well as new requirements expressed by the men and women of society.

The 1966 institutional Act was subsequently amended on several occasions to adapt it to new socio-economic and professional circumstances, including:

* The 15 December 1986 Act, which extended the socio-professional groups and sectors represented within the Council, as well as clarifying and developing its missions, particularly as regards the extension of referrals on specific economic, financial and social issues, the communication of the Tripartite Coordination Committee's opinions, and any referrals to the ESC in this area.
* The 15 June 2004 Act reforming the ESC, which again extended the socio-professional groups and sectors to take into account the change in their socio-economic roles, as well as clarifying and developing its missions, particularly as regards European policy. In the context of the harmonisation of the economic policies of Member States of the European Union (which is, since 2011 known as the "European Semester"), the ECS issues opinions in order to accompany the various stages of preparation of the broad economic policy guidelines by the Council of the European Union.
* The 10 March 2014 Act opened terms of office for current and substitute members to non-Luxembourg nationals. This change has enabled the ESC to base its composition on the huge transformation which Luxembourg society has undergone since 1966, due to the fact that non-Luxembourg nationals now represent a large proportion (44%) of Luxembourg's resident population.
  + - 1. **The Structure of the ESC**

The ESC's current composition was defined by the amended Act of 21 March 1966, and comprises 39 current members and the same number of substitute members, divided into three groups.

* 18 employer representatives are appointed to the Council by the Government, at the proposal of the most representative professional organisations and are divided as follows:
* 13 company representatives,
* 3 agriculture and wine-growing representatives,
* 2 representatives of the liberal professions,
* 18 employee representatives are appointed to the Council by the Government at the proposal of the most representative professional organisations at the national level, and are divided as follows:
* 14 representatives of private sector employees,
* 4 representatives of civil servants and public sector workers.
* 3 representatives with proven economic, social and financial skills are appointed directly to the Council by the Government. As a general rule, the members of this "third group" are senior officials and experts in the fields of economics, finance, labour and social security.

Current and substitute members are appointed for a four-year period. Each member's term of office is renewable. All ESC terms of office are renewed at the end of each four-year period. The division of roles within the employer and employee groups is performed by a Grand-Ducal Regulation, based on the opinion of the ESC. This division of roles may be reconsidered when all of the ESC terms of office are renewed.

The ESC’s constituent bodies are the Plenary Assembly (Assemblée plénière), the Bureau, the Working Committees (Commissions de travail) and the General Secretariat (Secrétariat général).

The Bureau comprises the President and two Vice-Presidents, representing the ESC's three constituent groups, as well as the Secretary-General.

The President and two Vice-Presidents are appointed by the Grand Duke for a two-year period, based on the ESC's recommendations. They are appointed according to the principle of rotation between the three groups. The appointment of a Secretary-General is recommended to the Grand Duke following a vote of the Plenary Assembly

In accordance with the principle of rotation between the ESC's three constituent groups, the Bureau for the 2015-2017 term of office is as follows:

* Ms Pascale TOUSSING, President
* Mr Gary KNEIP, Vice-President
* Mr Marco WAGENER, Vice-President
* Ms Marianne NATI-STOFFEL, Secretary-General

The Working Committees are set up according to the issues being examined.

* + - 1. **Missions**

The Council's objective is to submit viable proposals to the Government in order to provide guidance on the choices to be made regarding the implementation of future policies.

The ESC's missions are defined by the amended Act of 21 March 1966, and consist mainly of:

* Producing an opinion on the country's economic, social and financial situation during the first quarter of each year;
* Supporting, through its opinions, the various stages of preparation of the Integrated Guidelines (IG) issued by the Council of the European Union, which bring together the Broad Economic Policy Guidelines (BEPG) and the Employment Guidelines (EGs) with a view to coordinating EU Member States' economic policies, known as the European Semester since 2011.
* At the Government's request, issuing an opinion on general measures which the latter is planning to implement through legislation or regulation, in areas covering several economic sectors or professional groups, or even the whole of the national economy;
* Submitting opinions on specific issues at the Government's request;
* At the Government's request, ruling by way of an opinion which is in principle unique and coordinated, on all matters of general interest, and all issues on which the professional chambers have put forward fundamentally different opinions;
* At the Government's express request, ruling on the opinions issued by the Tripartite Coordination Committee;
* Advising the Government on supranational policy in economic, social and financial matters.
* At the Government's request, ruling on annual updates to the consumer price index weighting scheme;
* Supporting structured European social dialogue on a national level;
* Organising support for national social dialogue;
* Organising consultations with the Luxembourg delegations of supranational consultative bodies such as the Economic and Social Committee for the Wider Cross-Border Region (Comité économique et social de la Grande Région transfrontalière – CESGR)[[2]](#footnote-2) and the European Economic and Social Committee (Comité économique et social européen – CESE);

The ESC may also study, at its own discretion and as it sees fit, general or specific economic, social and financial issues.

* + - 1. **The Work of the ESC**

In addition to its annual opinions on the country's economic, social and financial situation, the Luxembourg ESC has produced numerous opinions on a wide range of topics, including continuous training, immigration, the role of the State, global reform of tax or the time savings account (compte épargne-temps), economic perspective for the financial and industrial sectors and Luxembourg's integration policy.

Since its inception, the ESC has issued 191 opinions. Some of its opinions have served as a basis for the preparation of the relevant acts, such as regulations on the statutory minimum wage, the introduction of a guaranteed minimum income, the 1990s tax reform, health insurance and immigration.

They can be consulted on the ESC website at [www.ces.public.lu](http://www.ces.public.lu/) .

In 2010, the lack of tripartite agreements between the social partners and the deterioration of socio-professional relations was reflected in the ESC's work. Discussions became increasingly difficult. The two sides were diametrically opposed, particularly in respect of the assessment of the public finances. This situation led to an impasse in the dialogue, on which the ESC President at the time commented: "there was no room for consensus. We were more divided than united."

In order to overcome this impasse, the ESC analysed the obstacles to peaceful and constructive dialogue, and during its Plenary Assembly of 12 January 2012, decided to put its statutory obligations on hold, in particular its annual opinions on the country’s economic, social and financial development, as well as it opinions on the Broad Economic Policy Guidelines (BEPG) (the topics of which were too close to the daily political reality and had little chance of resulting in a shared approach). The ESC decided instead to restore dialogue by updating its missions, based on a triennial programme for the 2012-2014 period, by selecting topics from the economic, social, financial and environmental domains according to their strategic interest for the country's future.

Through this more forward-looking programme, the ESC decided to distance itself from "fiery'" political events and to focus on subjects on which it would be easier to speak with a common voice, and to finally produce a more readable opinion without being hindered by subjects that had already been dealt with by other tripartite institutions.

At the end of 2014, the ESC drafted a report of the work accomplished. The result was deemed positive, as the ESC had managed to overcome the impasse and issue a number of important opinions for the country's future, economic development and social cohesion, such as:

* "L'accès à un logement abordable" (Access to affordable housing), 28 October 2013.
* "Le PIBien-être" ('GDP well-being'), 28 October 2013, an opinion prepared in collaboration with the High Council for Sustainable Development (Conseil supérieur pour un développement durable)[[3]](#footnote-3).
* "La politique d'intégration au Luxembourg" (Integration policy in Luxembourg), 6 June 2014
* "Perspectives économiques sectorielles à moyen et long terme dans une optique de durabilité – secteurs de la finance et de l'industrie" (Medium and long-term sectoral economic perspective to ensure sustainability – financial and industrial sectors", 6 June 2014
* "Actualisations annuelles du schéma de pondération de l’indice des prix à la consommation" (Annual actualisations of the consumer price index weighting scheme), 29 January 2014 and 20 January 2015.
* "Décision relative à l’ouverture des mandats du CES aux ressortissants des Etats-membres de l’UE" (Decision regarding the opening of ESC terms of office to EU Member State nationals), 22 January 2013
* "Réimplication du CES au semestre européen" (Reinvolvement of the ESC in the European Semester), 17 November 2014
* "Déclaration d’accord sur un programme d’activité pour la période 2012-2014, respectivement pour la période 2015-2016" (Declaration of agreement for an activity programme for the 2012-2014 period, and respectively the 2015-2016 period), 12 January 2012 and 17 November 2014

Other opinions are currently being prepared, including:

* "Implication du CES au semestre européen" (Involvement of the ESC in the European Semester)
* "Indicateurs – Approche cohérente de l’ensemble des indicateurs en matière de compétitivité, macro-économique, sociale et de durabilité" (Indicators – A coherent approach to all indicators related to competition, macroeconomics, society and sustainability)
* "Perspectives économiques sectorielles – Artisanat et commerce – Transport, Logistique et Mobilité" (Sectoral economic outlook – Trades and business – Transport, logistics and mobility)
* "Réforme fiscale" (Tax reform)

Based on its positive report for the 2012-2014 period, during its Plenary Assembly of 17 November 2014, ESC reiterated its support for the approach adopted in 2012. A new activity programme was adopted. It aims to continue the previous programme, and this time is limited to a short two-year term of office from 2015-2016.

The ESC has also become involved once again in the procedure known as the 'European Semester'. The European policies linked to the European Semester have a major impact on national policies, this aspect was always underlined in the ECS's opinions, espacially in "l'évolution économique, sociale et financière du pays" (the country’s economic, social and financial development), "les grandes orientations de politiques économiques" (the Broad Economic Policy Guidelines) and "les lignes directrices intégrées pour la croissance et l’emploi" (Integrated Guidelines for Growth and Jobs).

In a letter addressed to the Prime Minister dated 3 October 2014, the social partners highlighted the ESC's crucial role, and submitted a joint proposal to the Government to re-involve the ESC in the work of the European procedure.

The ESC's opinion of 17 November 2014 sets out a framework for its re-involvement in the European Semester, based on a new working method by setting up annual meetings between the social partners and the Government at the key stages of the process, and through active dialogue between the social partners.

The Government supported the proposal of the ESC and the social partners, and, by mutual agreement with the social partners, set up a scheduled annual cycle of social dialogue on the European Semester. The social dialogue cycle is arranged around four meetings which are held prior to decision-making periods, in order to be able to consider the social partners' points-of-view.

The first two meetings are held under the auspices of the ESC:

* The first took place on 26 January 2015 and was held in a european setting. Its purpose was to gain information on the Government and social partners' positions in relation to the European Commission's Annual Growth Survey;
* The second meeting will be held on 30 March 2015, and will be held in a national setting. Its purpose is to gain information on the Government and social partners' positions, with a view to developing a National Reform Programme and a Stability and Growth Programme;
* The other two will be held at the invitation of the Government, one on the preparation of the State budget (June/July), and the other on the in-depth analysis of the employment market and the social situation, based specifically on the work of the Permanent Committee of Labour and Employment.

The purpose of the meetings is for the Government to be able to take the views of the social partners into consideration in its European responses and discussions. Where necessary the ESC will be called upon to carry out an in-depth analysis of any of the subjects related to the European Semester and to submit its opinion, either through a referral from the Government or a self-referral.

* + 1. **Other Tripartite Institutions**

**1.3.2.1.** **The Tripartite Coordination Committee**

The Tripartite Coordination Committee (the Tripartite) was created by the 24 December 1977 anti-crisis amended Act[[4]](#footnote-4). Its statutory mission is to intervene when the severity of the economic and social situation requires widespread national solidarity measures. The Act contains nine indicators for assessing the status of the economic and social situation.

The Tripartite is chaired by the Prime Minister, and brings together Government representatives and employer organisations[[5]](#footnote-5), together with representatives nominated by the most representative trade unions at the national level[[6]](#footnote-6).

The Tripartite has gradually deviated from its original purpose, i.e. combating the economic crisis with a view to maintaining competition and employment.

Since its inception, the Tripartite has issued 11 opinions.

The most recent opinion issued by the Tripartite Coordination Committee dates from 28 April 2006. It addressed all of the measures designed to remedy the fundamental imbalances which were detrimental to the competitiveness of the national economy and to the future of the country as a whole.

Following the 2008 financial crisis and in particular the ensuing economic and social crisis, the Tripartite met several times in 2009 and 2010, but no agreement could be reached as a result of the meetings. These successive failures were largely due to the deep divisions between the stakeholders on the assessment of the country's economic, financial and social situation, and on the proposed measures.

This series of obstacles faced by the Tripartite had repercussions on the ESC.

In order to re-establish the social dialogue, in the autumn of 2011 the Government decided to lead separate bilateral meetings with the trade unions and employer organisations. However these meetings also ended in failure.

In 2014, the new Government (which came into power in December 2013) brought the social partners together on several occasions to inform them of the measures that it planned to implement, particularly those related to the budget and its programme for the future.

Subsequently, two bipartite agreements were reached by the Government, one with the trade unions on 28 November 2014, and one with the employer organisations on 14 January 2015.

Following these two bipartite agreements, the Government brought the social partners together, primarily to find solutions for unemployment, training, the statutory minimum wage and competition. These issues will continue to be debated by the Government and the social partners.

* + - 1. **The Economic Environment Committee**

The legal basis of the Economic Environment Committee is based on the 26 July 1975 Act. It authorises the Government to take measures to prevent redundancies due to the economic situation, and to maintain employment levels. The members of the Economic Environment Committee originate from both employee and employer organisations, and from various ministries and administrative authorities. The Minister for the Economy calls a meeting of the Committee once a month.

The role of the Committee is to closely monitor changes in the economic situation, to monitor changes in the Luxembourg employment market and to report back to the Governing Council (Conseil de Gouvernement). It is also tasked as part of its duties with issuing opinions related to various types of short-time working requests, and on early retirement/adjustment requests.

* + - 1. **The Permanent Committee of Labour and Employment**

The Permanent Committee of Labour and Employment was established by the 21 December 2007 Act. It is chaired by the Minister of Labour and Employment, and unites the social partners. It is tasked with regularly studying employment and unemployment, and primarily monitors how the employment market operates and develops.

1. **The Future of Social Dialogue**

The Government and Social Partners have emphasised their firm belief in social dialogue, which in a small country is essential to maintaining competition, cohesion and social harmony. The economic crisis and the difficulties faced in reaching an agreement on the policies needed to rectify public finances and the economy and to keep unemployment in check have led the stakeholders to reflect on and put in place new governance and working methods enabling progress to be made together in the country's general interest, leaving aside futile differences.

Society has become more complex, and economic, social and environmental issues are increasingly interdependent. All of these issues should also be linked to societal issues.

The ESC has always been open to the concerns of civil society by planning for change and future needs, both on an economic and social level. On the basis of this approach, the ESC has created working links by actively collaborating with civil society organisations. Therefore, in 2013 the ESC and the High Council for Sustainable Development[[7]](#footnote-7) (Conseil supérieur pour un Développement durable -CSDD) issued a joint opinion on 'GDP well-being' which took citizens' expectations into account. Similarly, it formed close links with representatives of immigrant bodies and the National Foreigners Council (Conseil national d’étrangers) for its opinion on the integration policy.

European policy and particularly the European Semester will have an increasing impact on national policy, and therefore on the work of the ESC.

In this context, the sharing of experiences with other ESCs will be key to reciprocal learning with a view to better European economic and social integration.

In its 50 years of existence, the ESC has carried out some valuable work. Both the trade unions and the employer organisations have learned to listen to one another, to better understand one another and to better take into consideration the interdependent nature of economic and social phenomena, through a comprehensive vision.

The ESC will celebrate its 50th birthday in 2016.

1. Source: AIAS (Amsterdam Institute for Advanced Labour Studies) [↑](#footnote-ref-1)
2. www.granderegion.net/fr/cooperation-politique-interregionale/cesgr/index.html [↑](#footnote-ref-2)
3. Established by the 25 June 2004 Act regarding the coordination of a national sustainable development policy [↑](#footnote-ref-3)
4. 24 December 1977 amended Act authorising the Government to take measures to stimulate economic growth and to maintain full employment. (TRIPARTITE) [↑](#footnote-ref-4)
5. Luxembourg Business Union (Union des entreprises luxembourgeoise – UEL) [↑](#footnote-ref-5)
6. Luxembourg Confederation of Independent Trade Unions (Confédération syndicale indépendante du Luxembourg – OGBL); General Civil Service Confederation (Confédération Générale de la Fonction Publique – CGFP), Luxembourg Confederation of Christian Trade Unions (Confédération Luxembourgeoise des Syndicats chrétiens – LCGB) [↑](#footnote-ref-6)
7. http://www.csdd.public.lu/fr/index.html [↑](#footnote-ref-7)