WORKING PAPER

Industrial relations and social dialogue

Luxembourg: Developments in working life 2022

Author: Adrien Thomas (Luxembourg Institute of Socio-Economic Research)

Research manager: Christine Aumayr-Pintar

Eurofound reference number: WPEF23020

Research carried out prior to the UK's withdrawal from the European Union on 31 January 2020, and published subsequently, may include data relating to the 28 EU Member States. Following this date, research only takes into account the 27 EU Member States (EU28 minus the UK), unless specified otherwise.

The European Foundation for the Improvement of Living and Working Conditions (Eurofound) is a tripartite European Union Agency established in 1975. Its role is to provide knowledge in the area of social, employment and work-related policies according to Regulation (EU) 2019/127.

European Foundation for the Improvement of Living and Working Conditions

Telephone: (+353 1) 204 31 00

Email: information@eurofound.europa.eu

Web: www.eurofound.europa.eu

Contents

Introduction

After a year 2021 mostly dominated by the COVID-19 pandemic, the socio-political year 2022 was characterized by worries over the increasing inflation and the geopolitical fallout from the war in Ukraine.

On 15 January 2022, a mandatory COVID-Check health pass system at workplaces was introduced, supported by employers and unions. Under this system only workers who were vaccinated, recovered or tested negative could access the workplace. In February 2022, one month after the introduction of the mandatory COVID-Check system, a new agreement between unions, employers and the government rendered the application of the COVID-Check system in companies voluntary and conditional upon approval by the staff delegation. In March 2022, the government decided to abolish the COVID-Check system altogether.

The surging inflation and the energy crisis that followed the Russian invasion of Ukraine in February 2022 put socio-economic issues front stage. The surge in inflation led to an unexpected revival of national-level tripartite bargaining. The government, trade unions and employer organisations met in March and September 2022 in the framework of the Tripartite coordination committee (*Comité de coordination tripartite*). On both occasions, the wage indexation mechanism was a key issue of the debates.

In March 2022, the Tripartite coordination committee decided to temporarily modify the wage indexation system in order to preserve companies' competitiveness. The resulting wage loss was to be compensated through fiscal measures. The agreement was supported by the government, employers and two unions – the Luxembourg Confederation of Christian Trade Unions (LCGB, *Lëtzebuerger Chrëschtleche Gewerkschaftsbond*) and the main public sector union General Public Sector Confederation (CGFP, *Confédération Générale de la Fonction Publique*), while the main union Luxembourg Independent Trade Union Confederation (OGBL, *Onofhängege Gewerkschaftsbond Lëtzebuerg*) did not sign the agreement. Actively campaigning against the tripartite decision, the OGBL declared that the tripartite agreement represented a "betrayal" of the indexation system.

At a second meeting of the Tripartite coordination committee held in September 2022, all the unions, employer organisations and the government agreed on a package aiming to lower inflation through supporting households and companies with energy costs and a lowering of the value added tax by one point. The wage indexation system was left intact this time. The OGBL claimed this decision as a vindication of its opposition to the previous tripartite agreement.

Economic activity in Luxembourg declined in 2022, impacted by the negative performance of industry and construction, while the financial sector held up better despite the tightening of monetary policies and the decline of stock markets (Statec, 2022a). Accordingly, economic growth is expected to stay below 2% in 2022 and 2023, which is less than the historical average growth in Luxembourg of 3,2% between 1995 and 2021. As a result of increased public spending to face the crisis, the government expects Luxembourg's debt to increase from 24.6% of GDP in 2022 to 26.3% in 2023 and 29.5% in 2026 (Luxembourg set itself in 2013 the goal to keep public debt below the threshold of 30%).

Inflation is expected to reach 6.4% in 2022 (and 3.4% in 2023), with core inflation expected to slow down from 4.4% in 2022 to 3.7% in 2023. Although 2022 has been characterized by historically high levels of inflation, the inflation rate in Luxembourg was one of the lowest in the EU with an evolution from April to December 2022 close to (but below) 7% (Statec, 2022).

Employment grew by 3.4% in 2022 and is expected to increase by 2.3% in 2023. Job creation has most strongly slowed down among business service providers, the food service industry, construction and IT services (Statec, 2022b). Unemployment is expected to slightly increase to 5.1% in 2023, in comparison to 4.8% in 2022 (Statec, 2022a).

Political context

Luxembourg's government is made up since 2013 of the centre-right Democratic Party, the centre-left Luxembourg Socialist Workers' Party (LSAP, *Lëtzebuerger Sozialistesch Arbechterpartei*) and the Green Party. The main opposition party is the Christian Social People's Party. The next general election will be held in October 2023.

On the main international political development, the war in Ukraine, there has been a broad consensus in the political debate on Luxembourg's financial and military support for Ukraine. The fallout of the war in form of surging inflation and energy prices has however led to stronger debates among political parties and between the government and social partners.

Besides the economic difficulties linked to the rising inflation and energy prices, the main points of contention between the different parties represented in Parliament were in 2022 the reform of the taxation system and the housing crisis. The governing coalition had announced that it would enact a fiscal reform, but currently there seems to be no consensus within the coalition on the concrete outlines of such a reform. While the social democrats from the LSAP advocate higher taxes for the well-off and trade unions ask for an adaptation of tax rates to inflation (which would lower the tax pressure on poorer households), the minister of Finance from the Democratic Party highlights the need for "responsible fiscal policies" in economically uncertain times. As a result, there is currently a political standstill on taxation issues.

The political debate on housing prices, another key issue in the Luxembourg public debate, also seems to be deadlocked. While there is a growing societal consensus that housing prices are too high, the government is internally divided over the answers to put forward. A draft law introduced by the minister of Housing from the Green Party has met with widespread criticism both from the construction sector and property owners (who criticize the fact that the reform will make it less profitable to invest in real estate) and from tenant associations (which condemn the project for allowing in some cases landlords to raise rents). The Prime Minister declared in a press interview that the draft law, which had already been approved by the governmental council, would need to be revised.

No progress has been made on a longstanding issue of concern to trade unions: a reform of the law on collective bargaining. While trade unions see the revision of this law as a way of increasing the collective bargaining coverage (which has been stagnating at approximately 60% for some time now), employers are reluctant to see the government introduce new obligations and constraints.

Actors, institutions and processes

Social partners

The national statistical office Statec published in 2022 data on unionization figures in Luxembourg, derived from data from the OECD and the EU Labour Force Survey (Hartung, 2022). According to the Statec, the unionization rate among workers residing in Luxembourg stood at 25% in 2019. The OGBL was the largest union in 2019 with almost half of all union members in Luxembourg (45%), followed by the LCGB with 26% and the public sector union CGFP with 19%. While in 2019 the unionization rate was 39% for Luxembourg-born workers, it was 23% for Portuguese immigrants residing in Luxembourg, 18% for Belgian immigrants, 12% for German immigrants and 8% for French immigrants. While some of the differences in unionization rates can be attributed to the workers' sector of activity or their sociodemographic characteristics, the fact remains that, even after controlling for these factors, immigrants remain significantly less unionized than nationals (Fleury et al., 2011; Hartung, 2022). Statec's publication was met with criticism by the main trade union OGBL. The OGBL alleged in a press statement that the statistical office's publication was based on "erroneous data regarding the evolution of the OGBL's membership". The OGBL also highlighted the fact that the Statec's publication considered that 3% of union members were affiliated in 2019 to FEP-FIT, although this white-collar splinter-organisation disbanded in 2003. In its press statement, the OGBL asked the Statec to revise its publication, which the statistical office did not do.

The merger process between the OGBL and the National Federation of Luxembourg Railway, Transport Workers and Civil Servants (FNCTTFEL, *Fédération nationale des cheminots, travailleurs du transport, fonctionnaires et employés du Luxembourg*), which organises mostly railway workers, seems to run into obstacles. While the merger was agreed in principle at the FNCTTFEL congress in December 2019, the FNCTTFEL congresses in 2022 and 2024 were to confirm the merger. The FNCTTFEL congress in October 2022 saw however a debate over the timeline of the final absorption of the FNCTTFEL by the OGBL. The current president of the FNCTTFEL pleaded for a merger before the upcoming social elections in March 2024, while an influential former president of the union successfully argued for merging only after the social elections. It remains to be seen whether this difference in appreciation over the timeline of the absorption hides some deeper disagreements over the modalities of the process or not.

Social dialogue bodies or frameworks

There are no relevant developments to report as concerns social dialogue bodies or frameworks.

Other working life related institutions

There are no relevant developments to report as concerns other working life related institutions.

Governmental responses to inflation

The surging inflation rate has led to a strong debate over Luxembourg's wage indexation mechanism, which was introduced for public servants in 1921 and gradually extended to the general economy in 1965 and 1975. Under the wage indexation system, wages are indexed to the cost of living. If the consumer price index increases by 2.5%, wages are automatically raised by the same amount. The wage indexation mechanism is a contentious issue between employer organisations and unions. While employers ask for a fundamental reform of the mechanism, unions oppose any change.

The key measures to address the surging inflation were agreed upon during Tripartite coordination committee meetings in March and September 2022.

The first agreement was negotiated in the Tripartite coordination committee in March 2022. The agreement was supported by the umbrella employer organisation Union of Luxembourg Enterprises (UEL, *Union des Entreprises Luxembourgeoises*) and by two nationally representative trade unions, LCGB and CGFP, while the main union confederation, OGBL, opposed the agreement. The agreement foresaw that only one index tranche would be paid out in 2022 and 2023. As an index tranche had already been paid out in April 2022, the index tranche planned for the summer 2022 would be postponed to April 2023. If additional index tranches would need to be paid out, then these tranches would all be postponed and paid out in April 2024, according to the tripartite agreement. The loss in revenue for households due to this temporary modification of the wage indexation system would be compensated, or even "over-compensated" in the case of poorer households, by fiscal measures[1]. In addition, temporary subsidies for petrol and diesel fuels were introduced[2]. With a general election upcoming in 2023, the vocal opposition by the OGBL against the postponement of any index tranche represented a problem in particular for the LSAP, usually a close ally of the union. Amidst mounting worries over the effects of the surging inflation on households' purchasing power, parliament decided finally to postpone only the index tranche planned for July 2022 to April 2023, and to reconvene the Tripartite coordination committee in case other index tranches would need to be paid out in 2022 or 2023.

The second tripartite agreement was concluded in October 2022. This time, all trade unions supported the agreement. The umbrella employer organisation UEL supported it too, but its representatives left little doubt that they were unhappy with some of the agreement's key points. The Tripartite coordination committee decided to limit the increase of gas prices to 15% above the average level of gas prices in September 2022, to limit electricity prices for households, to pay financial transfers to companies destined to help them face rising energy costs and to lower the value added tax by 1%. This time the indexation mechanism was left intact. In case more than two index tranches would need to be paid out in 2023, the government committed to "entirely compensate" employers for the additional wage costs caused by a potential third indexation tranche

[1] Eurofound (2022), Energy tax credit based on income level replaces second wage indexation, measure LU-2022-14/2255 (measures in Luxembourg), EU PolicyWatch, Dublin.

[2] Eurofound (2022), Reduction of fuel prices for all consumers, measure LU-2022-16/2256 (measures in Luxembourg), EU PolicyWatch, Dublin.

(employers would not have supported the agreement without such a commitment). While unions strongly welcomed the preservation of the wage indexation mechanism, employers did not hide that they would have preferred a limitation of the indexation mechanism or a capped indexation only applying to lower wages. Environmental NGOs criticized the decision to subsidize gas prices for all households without consideration of their revenues, as this limits incentives to reduce consumption.

According to the national statistical office, wages have increased more strongly in Luxembourg than in most other EU member states, inter alia because of the index tranches of October 2021 and April 2022 (Statec, 2022). In Luxembourg, the average wage cost per capita is expected to rise by 6.3% in 2022 and by 5.6% in 2023, mainly because of the successive indexations (Statec, 2022). The strongest annual increases in hourly wage costs per capita were in transport (because of rising bonuses), real estate and financial activities, while hospitality, industry, and information and communication services had the smallest increases (Statec, 2022).

According to a Statec forecast, an additional index tranche would be paid out in the first quarter of 2023, followed by the payment of the index tranche that has been delayed from July 2022 to April 2023. An additional index tranche could be paid out in the last quarter of 2023, depending on the evolution of inflation. This would be a noteworthy development, as since 1984 never more than one index tranche has been paid out per year because the wage indexation system has always been temporarily modified during times of high inflation, with the exception of 1991 when two index tranches were paid out (*d'Lëtzebuerger Land*, 13 May 2022).

Collective bargaining and inflation

How inflation features in wage negotiations

Given the existence of the wage indexation mechanism which ensures a regular increase in wages, salary increases destined to compensate for inflation are traditionally not a key issue of sector- and company-level collective bargaining in Luxembourg. Nevertheless, the OGBL asked systematically during recent negotiations over collective agreements for a wage bonus to compensate for the reported indexation tranche from July 2022. In a context of uncertainty over the inflation and upcoming wage indexation tranches, employers did generally not accept this demand.

According to a representative of the employer association Luxembourg Business Federation (FEDIL, *Fédération des industriels luxembourgeois*) employers are reluctant to grant linear general pay increases. Instead, they prefer individualized merit-based bonuses. A representative of the OGBL stressed that merit-based bonuses are losing in attractiveness in his opinion because they make it necessary for employers to enact often cumbersome evaluation programmes. The OGBL representative also expects a more favourable context for negotiating wage increases over the coming years because of an increasingly tense labour market.

Examples of recent responses

In the public sector, the CGFP and the government concluded in December 2022 a wage agreement which included for the first time since 2018 a general wage increase. The agreement provides for a temporary increase of €106 of public servants' wages in 2023. As a result of this measure, the wages of the lower paid worker will proportionally rise more strongly than those of the higher paid civil servants. In 2024, this temporary increase will be replaced by a general rise of public servants' wages by 1.95%. When presenting the result of the negotiations, the general secretary of the CGFP declared that "the indexation mechanism is nowadays not enough to compensate the rising inflation" (*Luxemburger Wort*, 13 December 2022). In addition, a contested evaluation system of public servants introduced in 2015 was abolished. The OGBL had requested to participate in the negotiations of the wage agreement for public servants, as the agreement will have effects on the wages of railroad workers, health and care workers, and municipal workers. The president of the OGBL criticized the "total lack of transparency" of the negotiation process between the CGFP and the government and a "violation of its right to bargain" (*Tageblatt*, 15 December 2022; *d'Lëtzebuerger Land*, 16 December 2022).

The sectoral collective agreement for hospital workers was also renewed in 2022. The Federation of Luxembourg hospitals signed an agreement with OGBL and LCGB that increases wages for several categories of health workers and pays out a retroactive bonus of 3% for the year 2021.

It is also noteworthy that wage bargaining is influenced by the setting of the statutory minimum wage. According to several collective agreements in the low-wage sector, such as in cleaning and security, but also in a number of company-level agreements in retail, the entire wage scale set in the collective agreement is automatically upgraded with each rise of the statutory minimum wage. These dispositions aim to ensure that the negotiated wages do stay above the statutory minimum wage. Given that the minimum wage was raised by 3.2% on 1 January 2023, this made for noteworthy increases of these wage scales.

Developments in working time

Changes to legislation

There have been no relevant modifications to working time legislation in 2022.

Bargaining outcomes

In 2022, none of the negotiated collective agreements contained a reduction of working time, according to an OGBL representative. Collective agreements do, however, often contain dispositions on additional holidays for older workers or additional holidays for specific purposes (mostly for family and health reasons). According to a representative of the OGBL, more and more collective agreements contain dispositions on time saving accounts (*comptes épargne temps*), which were introduced by a 2019 law. A representative of FEDIL states that Luxembourg labour law already provides so many specific holidays, that there is not much space for employers to go beyond. Employers are also reluctant to set longer reference periods for working time in collective agreements as unions ask for too many compensations in form of additional holidays or wage increases, according to the FEDIL representative. In general, employer representatives advocate for a flexibilization of working time and for giving companies more possibilities to make individual working time arrangements with workers.

Debates on duration and organisation

Shortly after taking office in January 2022, the new minister of Labour and Employment, Georges Engel, put forward a proposal to reduce working time in Luxembourg. Engel stressed that the regular working week of 40 hours in Luxembourg is higher than the legal working weeks in Belgium (38 hours) and France (35 hours) and the need to increase the attractiveness of Luxembourg's labour market. Although Engel's political party, the LSAP, had included in its electoral program for the previous general election the goal of adopting a 38-hour working week, the coalition agreement negotiated in 2018 did not include a reduction of working time. While trade unions welcomed Engel's proposal, the Prime Minister Xavier Bettel (Democratic Party) declared that a general working time reduction was not the right choice in a context of increasing labour market shortages. The Green Party appeared reluctant to back the proposal. The president of the Democratic Party suggested instead that working time be flexible over a reference period of one year, on the basis of one-on-one discussions between the employer and individual workers.

The Chamber of Employees (CSL, *Chambre des salariés*) came out in support of a reduction of the weekly working time. The CSL put forward results from its recurrent Quality of Work survey where workers, especially aged 35-44 years, self-declare growing difficulties in balancing family and work. Workers also report an increasing risk of burn-out. The umbrella employer association UEL highlighted the obstacles to a general reduction of working time, in particular the current labour market shortages, and advocated a flexibilization of working time organization granting employers more freedom. The sectoral employer organisation Federation of Craftsmen (FDA, *Fédération des artisans*) also stated its opposition to an overall reduction of working time by law. The FDA said that it would be better to negotiate over a possible flexibilization of the working time at company level.

Given the lack of consensus between government parties, but also between unions and employers, no decision on working time duration is to be expected over the coming months. Working time is however sure to become an issue during the upcoming campaign for the general election in October 2023.

Labour market shortages and social partners

Labour market shortages remain an issue in Luxembourg. While the vacancy rate has markedly declined in the hotel and catering sector, it has strongly increased in business services during 2022. In this sector which accounts for nearly 20% of total employment in Luxembourg, vacancies have mostly increased in “accounting and management”, “information and telecommunication systems”, “organization and studies” and “banking”, according to the national statistical office (Statec, 2022a). Because of the high number of vacant jobs, the rise of unemployment is expected to be moderate in 2023, according to the statistical office (Statec, 2022a). In December 2022, there were 10,925 vacant positions declared at the public employment service (at the same moment, there were 15,760 registered employment seekers). The number of vacant positions has increased by 6.9% in one year. Workers in Luxembourg do not seem to have changed industries more frequently in 2020 and 2021 than before the COVID-19 pandemic.

During a meeting of the Tripartite coordination committee held in July 2020, the decision was taken to develop a skills strategy and to promote continued and vocational training. In line with this decision, an initiative titled *Skillsdësch* (round table on skills) periodically brings together since autumn 2020 the Ministry of Education, the Ministry of Labour and Employment, companies, and trade unions to analyse skills needs, to define activities in the field of training and to implement them with the goal of addressing skills gaps.

In the framework of the FutureSkills Initiative of the public employment service ADEM, studies and sectoral surveys aimed at anticipating the evolution of sectoral skills needs in the labour market are enacted in collaboration with employers’ organisations. In addition, companies are supported in analysing and planning their skills needs.

Over the last couple of years, skills and vocational training have also been key issues discussed in the tripartite Permanent committee of Labour and Employment (*Comité permanent du travail et de l’emploi*) chaired by the Minister of Labour and Employment.

Both employer organisations and trade unions support the initiatives undertaken in the field of skills. As the Chamber of Employees and the Chamber of Commerce fulfil an institutional function in continued and vocational training, these chambers have been specifically involved in the debate over skills.

Other important policy developments

Gender pay gap

According to Eurostat data, Luxembourg has the lowest gender pay gap in the EU. For equal work, women receive 0.7% less than men for each hour of work. Having on average a higher education level than men, women are more likely in Luxembourg to work in high-wage industries and large corporations, according to the statistical office (Statec, 2022c). However, annual pay differences between men and women are larger because men tend to receive higher bonuses. Women are also much more frequently working part-time in Luxembourg, which negatively affects their retirement income.

Health and safety

On 15 January 2022, a mandatory COVID-Check health pass system was introduced at workplaces, supported by employers and unions. Under this system only workers who were vaccinated, recovered or tested negative could access the workplace. Tests had to be paid for by workers themselves, while workers refusing to be tested could be put on leave without pay by the employer. Barely one month after the introduction of the mandatory COVID-Check health pass system, a new agreement between unions, employers and the government rendered the application of the COVID-Check system in companies voluntary and conditional upon approval by the staff delegation. In March 2022, the government then decided to abolish the COVID-Check system altogether, citing the lesser pressure on hospitals and improved vaccination rates, as well as the need for a return to “normal life”. Trade unions and employer associations did not oppose the abolition of the COVID-Check system, which unions had only half-heartedly supported. The COVID-Check health pass system did remain mandatory for the staff of hospitals and retirement homes until 1 July 2022. Draft legislation on mandatory COVID-19 vaccinations for the over 50 years old general population and for healthcare workers launched in early 2022 by the government was put on hold during the summer 2022. While the employer association UEL and the LCGB supported vaccine mandates, the OGBL and the CGFP were much more reluctant and raised mostly caveats.

Work–life balance

Telework has been an important issue in working life in Luxembourg in 2022. No country in the EU had as many teleworkers as Luxembourg during the early stages of the COVID-19 pandemic, according to the EU Labour Force Survey. The structure of Luxembourg’s economy, with its strong orientation towards financial services, facilitated the widespread use of telework. To enable the cross-border workers, who make up 46% of the Luxembourg labour force, to work from home during the pandemic, Luxembourg’s government negotiated agreements with the neighbouring countries France, Belgium and Germany in order to grant cross-border workers temporary exemptions from regular tax and social security laws.

Although telework and hybrid work arrangements are still widespread, 2022 saw a return to an increased on-site presence. This return was accelerated by the expiration of the temporary agreements that Luxembourg had negotiated during the COVID-19 pandemic with the neighbouring countries in order to make possible widespread telework for cross-border workers. Although there is a widespread demand among cross-border workers to be allowed to telework more often, among others because of strong road congestion, Luxembourg's government has not yet negotiated new agreements. Concluding such agreements addressing the complex taxation and social security issues raised by cross-border telework would probably make it necessary for Luxembourg to agree to fiscal transfers to its neighbouring countries.

In the public sector, the CGFP and the government concluded in October 2022 an agreement on telework which highlights the voluntary character of telework and the right to disconnect. At the level of each administration, the modalities of telework are to be discussed between the head of administration and the representatives of the personnel.

The intersectoral agreement negotiated in 2021 between the OGBL, LCGB and UEL on the right to disconnect has not yet been transposed into law.

Working life of Ukrainian refugees

Employment and working conditions

From the start of the war in Ukraine in February 2022 to September 2022, Luxembourg has received more than 4,000 Ukrainian refugees, according to Luxembourg's statistical office. This corresponds to 0.7% of Luxembourg's total population (in comparison: in Poland, the EU member state hosting the most refugees from Ukraine, they made up 3.6% of the total population, and in France, the member state hosting the least refugees, they made up 0.1% of the population). More than one-third of Ukrainian refugees in Luxembourg are minors (35% in September 2022), 9% are over 64 years old, and some 2,400 people (57% of Ukrainian) are between 18 and 64 years old (i.e., of working age). Among them, 15% (363 people) were registered with the public employment service as job seekers and 20% (471 people) were employed, according to social security data. Most Ukrainians already in the labour market in Luxembourg before the war are active in specialized, scientific and technical activities and in the financial sector, while the newcomers arrived after the start of the war are mainly employed in the hotel, restaurant and catering industry (Statec, 2022). Associations advocating for migrant workers' rights such as the Association for the support of immigrant workers (*Association de soutien aux travailleurs immigrés*) have criticized that migrants from other countries such as Afghanistan or Syria do not benefit from the same access to the labour market as Ukrainian refugees.

Social partner initiatives to support Ukrainian refugees

In March 2022, the Ukraine-Luxembourg Business Chamber launched Biz4ukraine.org, a website for companies ready to support Ukraine. The initiative aims to support Ukrainian refugees looking for a job in Luxembourg and to incite Luxembourg-based companies to support Ukrainian refugees wanting to found start-ups in Luxembourg through mentoring and help with the administrative procedures.

In order to support refugees from Ukraine accessing the Luxembourg labour market, the Ministry of Labour and Employment, in cooperation with the Labour inspectorate (*Inspection du travail et des mines*) and the public employment service ADEM, published an information sheet in Ukrainian, English and French. The information sheet provides information on the fundamentals of Luxembourg labour law and collective labour agreements. While associations dealing with refugees were involved in the drafting of the information sheet, social partners were apparently not involved.

Commentary and outlook

The surge in inflation led to an unexpected revival of national-level tripartite bargaining in Luxembourg. Policymakers had been reluctant to reconvene the Tripartite coordination committee since the failure of the tripartite talks in 2010 to agree on a response to the economic crisis (Thill and Thomas, 2011), while employers have tended to consider tripartite bargaining as a cumbersome burden from the past. In 2022 however, crucial measures to address the fallout from the war in Ukraine were agreed upon during Tripartite coordination committee meetings in March and September 2022. If unions and employers were divided over the wage indexation mechanism, the decision to subsidize gas and electricity prices met with broad support.

The Tripartite coordination meeting of March 2022 saw a fallout between the three “nationally representative” trade unions – the Luxembourg Independent Trade Union Confederation (OGBL, *Onofhängege Gewerkschaftsbond Lëtzebuerg*), the Luxembourg Confederation of Christian Trade Unions (LCGB, *Lëtzebuerger Chrëschtleche Gewerkschaftsbond*) and the General Public Sector Confederation (CGFP, *Confédération Générale de la Fonction Publique*) – over a temporary modification of the wage indexation system. While the LCGB and CGFP accepted the principle of this temporary modification in exchange for fiscal compensations, the OGBL vigorously denounced a “treason” of the wage indexation system. While it looked for a time as if the OGBL would be on the losing end of the ensuing blame game, parliament ended up voting a less extensive modification of the wage index and the following meeting of the Tripartite coordination committee in September 2022 left the indexation mechanism intact. Both decisions can be seen as a vindication of the OGBL’s position.

Besides the housing crisis and a tax reform, the wage indexation mechanism can be expected to play an important role in the upcoming general election in October 2023 and over the next years. Employer organisations and political actors have been floating the idea of a capped index, benefitting only the lower salaries. Interestingly, the putative top candidate of the centre-left Luxembourg Socialist Workers’ Party (LSAP, *Lëtzebuerger Sozialistesch Arbechterpartei*), which usually portrays itself as a staunch defender of the indexation mechanism, has said that she was open to “discussing” the possibility of capping the wage indexation mechanism. As the wage indexation system is a key building bloc of Luxembourg’s industrial relations system, the introduction of a capped indexation system would have major repercussions on all levels of collective bargaining.

Luxembourg’s historic high growth rates since the 1980s have been enabled by an ever-increasing number of cross-border workers and immigrants attracted by the country’s buoyant labour market. In a context in which many workers are about to reach retirement age and in which the cross-border labour market seems to have reached its limits, many companies are struggling to recruit and retain new workers. With the recent increases of minimum wages in Germany and France, Luxembourg wages are losing in attractiveness. Traffic congestion and long commuting hours are also obstacles to attracting new cross-border workers, while the high housing prices stand in the way of attracting immigrants ready to reside in Luxembourg.

References

Fleury, C., Maas, R. and Thomas, A. (2011) *Les immigrants et les syndicats*, CEPS/INSTEAD Working Papers n°2011-63.

Hartung, A. (2022), *Les syndicats en déclin dans un monde du travail en mutation*, Statec, *Regards*, n°1.

OGBL (2022), *Etude du Statec sur la représentativité syndicale − Une analyse qui contient des erreurs manifestes*, Luxembourg: OGBL, 15 March 2022. available at: http://www.ogbl.lu/blog/etude-du-statec-sur-la-representativite-syndicale-une-analyse-qui-contient-des-erreurs-manifestes/

Statec (2022a), *Note de conjuncture. La situation économique au Luxembourg. Évolution récente et perspectives*, Luxembourg: Institut national de la statistique et des études économiques, December 2022.

Statec (2022b), *Conjoncture Flash December 2022*, Luxembourg: Institut national de la statistique et des études économiques.

Statec (2022c), *Rapport travail et cohesion sociale 2022*, Luxembourg: Institut national de la statistique et des études économiques.

Thill, P. and Thomas, A. (2011). The End of Consensus? The Effects of the Economic Crisis on Industrial Relations in Luxembourg. In: *Changing Labour Relations: Between Path Dependency and Global Trends*. PIE Peter Lang: 71-85.

The European Foundation for the Improvement of Living and Working Conditions (Eurofound) is a tripartite European Union Agency established in 1975. Its role is to provide knowledge in the area of social, employment and work-related policies according to Regulation (EU) 2019/127.