

INTEGRATION ISSUES

Luxembourg in Figures,
Luxembourg in Force



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By Neel A. Chrillesen

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As country reports and statistics go, those concerning Luxembourg have rarely been anything other than enviable. Through figures and facts, the Grand Duchy has obtained a well-earned status as a sustainable, post-war economic miracle, staying well in course until the 2000s, flaunting robust growth, buoyant job creation, marginal unemployment and a generous social model. The country even managed a rather exceptional recovery between 2003 and 2007.

However, the Luxembourg Chamber of Commerce recently stated in its recommendations to the new government that the years of strong growth were gone, with public expenditure wavering and macroeconomic stability faltering. Amid a series of suggestions—including consolidating growth sectors, developing export markets and making the labor market more flexible—the Chamber noted that because Luxembourg's economic success and high standard of living is closely linked to migration and foreign investments, it is essential to keep attracting the workforce, know-how and capital from outside the borders.

It also pointed out the importance of managing Luxembourg's diversity better, considering it an even more valued factor of wealth, while strengthening social cohesion. Several measures have already been proposed in this sense, and one can only hope they will come through. In the meantime, in order to get a general overview of Luxembourg's population and economy and, thus, perhaps obtain a clearer picture of what the future may hold, we have gone through

STATEC's latest edition of "Luxembourg in figures".

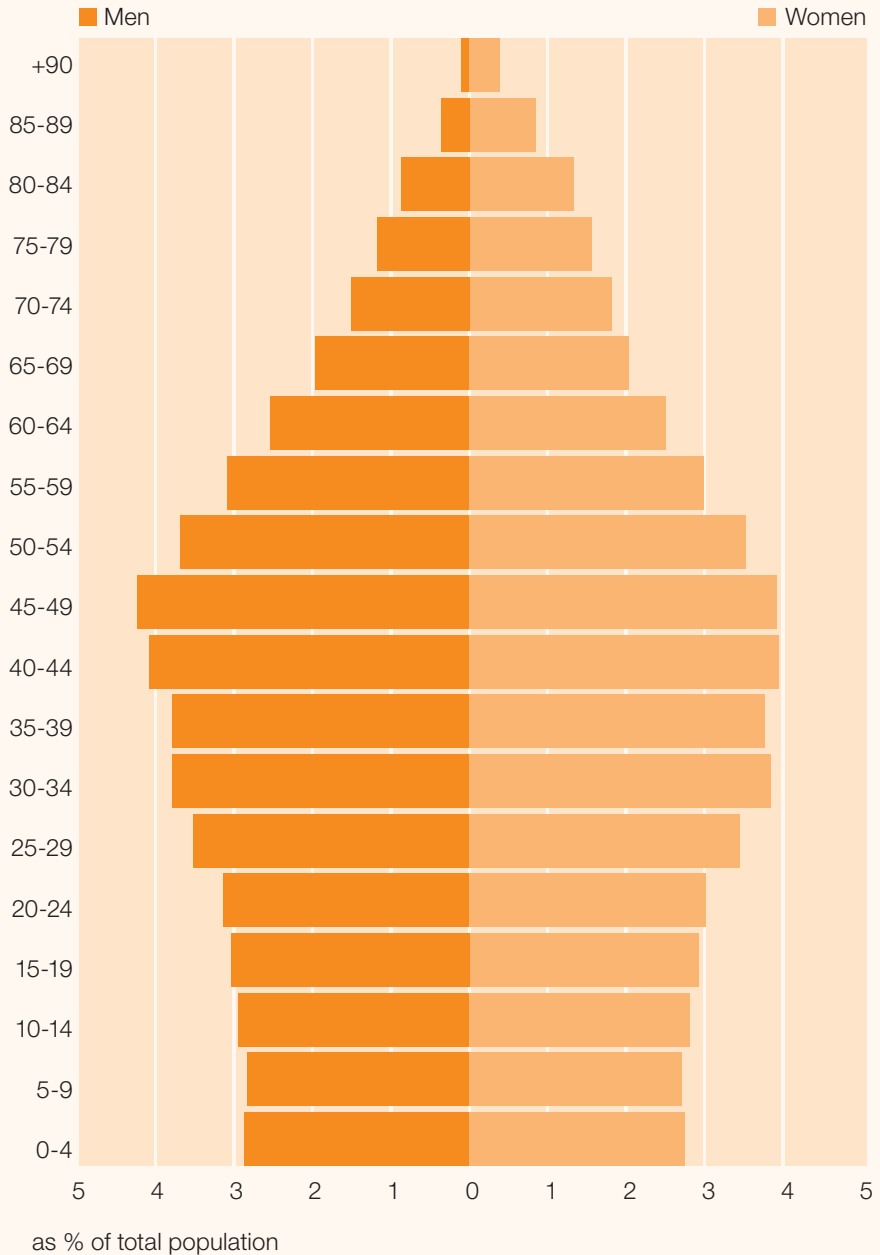
A Growing Population

The number of people living in Luxembourg reached 537,039 in 2013, an impressive 18.2% total rise (or 1.5% annual growth) since 2001. In 2011, foreigners made up 43% of the population. In 2013? 44.5%. "People have not stopped coming to Luxembourg despite the crisis," confirms Jean Ries, STATEC Head of Unit, Labor Market and Education. Luxembourg City, which offers the most employment possibilities, remains the most populated municipality, with 103,600 people living there in 2013. The capital draws approximately one-third of the new arrivals, while Luxembourg nationals instead tend to leave the city, many to seek lower housing prices.

An Aging Population

For many years, migration ensured that the Luxembourgish population stayed relatively young—and this is still somewhat the case. However, Luxembourg demographic projections by Eurostat show that Luxembourg will also be confronted with an aging population due to an increase in life expectancy and a decrease in the fertility rate. In 1990, life expectancy was 72.6 years for men and 79.1 years for women. In 2012, it was 79.5 years and 84.3 years. The demographic projections show that in 2060, men's life expectancy will be 84.9 years and women's life expectancy 89.5 years.

Total Population by Age Group (January 1, 2013)



A Foreign Workforce Majority

It is no secret that foreigners have played a key role in Luxembourg's economic development over time. In the beginning of the 1960s, 79% of the country's working population were Luxembourgers and 18% were foreign residents. Today, a whopping 44% of the workforce are cross-border workers (the French making up the largest part of this figure), 27% are foreign residents and only 29% are Luxembourgers. "When the financial crisis started, cross-border employees were hit the hardest, as they occupy 80% of the temporary jobs available in Luxembourg, and those are always the first to be cut," explains Ries. In 2009 alone, temporary employment dropped by 30%. "The situation is better now, but we have still not reached the same levels as before the crisis." Between 2008 and 2012, 58% of jobs created in Luxembourg went to residents, while cross-border workers took on 42% of them.

More Unemployment Despite Employment Growth

Luxembourg's unemployment rate has surged in recent years. From a mere 2.4% in 2000, the unemployment rate was 7.1% at the end of 2013—and that is without taking into account the people in job schemes. Between December 2012 and December 2013 alone, unemployment rose from 6.4% to 7.1%. Among young people, the unemployment is much worse: 18.8% of the under-25s currently looking for a job can't find one. "Luxembourg's unemployment rate has never been this high," says Ries. "Yet net job creation has not come to a halt. Even

though the annual employment growth has fallen slightly, Luxembourg still does better than most other European countries, including its closest neighboring countries and even regions."

Annual employment growth in Luxembourg was 2.3% in 2012. "The main problem today is not a lack of job creation but the imbalance between labor demand and supply," says Ries. "Half of the unemployed are unskilled or lack qualifications, and the jobs created don't match that criteria. This problem is bound to get worse as skilled unemployed will be inclined to accept the jobs destined to unskilled." The disparity between the jobs created and the type of labor in demand also tends to indicate that a readjustment within training and education is necessary.

Annual Employment Growth

Year	Annual growth in %
2008	5.0
2009	1.1
2010	1.8
2011	2.9
2012	2.3

Social Security Under Pressure

A larger population with more pensioners and more unemployed generally equals a social security system under pressure, and in Luxembourg it is no different. "We are running into a situation we have never known before, and it will become an issue," says Ries. "At

some point, contributions will have to be increased to finance the system.”

In 2010, only 14% of the insured population in Luxembourg was aged 65 years or over, and 1.5% was aged 85 or more. Demographic projections show that by 2060, the percentage of over-65s will nearly double and the percentage of the over-85s will be four times as high. A more pressing issue is maybe the number of people living on full unemployment benefits: it increased from 7,603 at the end of November 2013 to 8,529 at the end of December 2013. However, Ries is quick to add that “there is no need to be too pessimist. With sustained recovery, employment will take off again. In addition, other sectors than the ones that have traditionally driven our economy are growing.”

A Shift in Activity

The recent years have indeed seen a shift of dynamics within the different professional branches in Luxembourg. While the activity of the banking sector has slowed down (the number of banks in Luxembourg has fallen from 202 in 2000 to 141 in 2012, and the number of employees has barely changed since 2010), other activities have taken over. “The recent years have seen a steady increase of job creation in several specialized branches, mainly within legal, accounting and consultancy activities,” explains Ries. “And, of course, because on the aging population all health and social work related activities have developed immensely and will, without any doubt, continue to do so.”

Social Security

	2000	2009	2010	2011
Health and maternity insurance				
Number of people insured	352,636	465,097	474,966	488,645
Number of covered persons	535,424	681,958	699,539	720,310
Regular expenditures (in millions of EUR)	1,069.4	2,076.0	2,217.1	2,355.2
Long-term care insurance				
Number of covered persons	535,424	681,958	699,539	720,310
Regular expenditures (in millions of EUR)	223.1	695.3	729.1	582.0
Pension benefits				
Number of contributors	247,253	342,781	347,887	357,934
Number of pensioners	107,571	134,200	138,641	143,380
Total amount paid in pensions (in millions of EUR)	1,476.5	2,708.5	2,849.5	3,030.2

Domestic Employment by Branches

	2000	2010	2011
	x 1000		
Agriculture, forestry and fishing	4.0	4.4	4.5
Mining and quarrying	0.3	0.3	0.3
Manufacturing (food goods, metal products, computer, electronic and optical products, etc.)	32.6	32.7	33.2
Electricity, gas, steam and air conditioning supply	1.1	1.4	1.3
Water supply	2.1	2.6	2.7
Construction	27.2	39.5	40.2
Wholesale and retail trade, repair of motor vehicles and motorcycles	38.7	46.5	48.1
Transportation and storage	17.1	24.4	24.7
Accommodation and food service activities	12.9	17.1	17.8
Information and communication	9.0	14.1	14.9
Financial and insurance activities	30.5	41.1	41.7
Real estate activities	1.8	3.0	3.1
Professional, scientific and technical activities (legal, accounting, consultancy, engineering, etc.)	15.6	29.5	30.8
Architectural and engineering activities	3.9	6.3	6.5
Administrative and support service activities	15.3	21.9	22.2
Public administration and defence, compulsory social security	13.8	18.7	19.1
Education	12.3	16.6	17.4
Human health and social work activities	16.4	30.4	32.0
Arts, entertainment and recreation	2.1	3.7	3.9
Other service activities	4.8	7.0	7.2
Activities of households as employers,	5.9	4.9	5.0
Total activities	263.8	359.7	370.1

Living Conditions

Luxembourg continues to have a high standard of living and quality of life. In 2012, the Gross Domestic Product (GDP) per capita in Luxembourg, expressed in purchasing power standards (PPS), was more than two and a half times the EU28 average according to Eurostat, and even though this exceptionally high GDP per capita is partly due to cross-border workers (who contribute to the GDP but are not taken into consideration as part of the resident population which is used to calculate the GDP per capita), there is no doubt that Luxembourg remains an attractive place to live. In every Better Life Index (OECD), Best Quality of Life Worldwide

Survey (ECA) or Global Competitiveness Index (IMD), among others, the Grand Duchy places at or near the top. And let's not forget nature: as the latest STATEC publication also details, 85.5% of Luxembourg's area is agricultural or wooded area—and that's also something to appreciate!



For more information

The 2013 edition of “Luxembourg in figures”, STATEC’s annual publication, can be downloaded on www.statistiques.public.lu (under “Publications”). The 48-page booklet is also accessible via the STATEC smartphone app and is available in an ebook version.



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A M C H A M  LUXEMBOURG
AMERICAN CHAMBER OF COMMERCE IN LUXEMBOURG A.S.B.L.

American Chamber of Commerce in Luxembourg

6, rue Antoine de Saint-Exupéry
L-1432 Luxembourg
Phone: (+352) 43 17 56
Fax: (+352) 26 09 47 04
Email: info@amcham.lu

www.amcham.lu