

## The Luxembourg paradox

*Over the last twenty years the workforce in Luxembourg has doubled and there is no sign that this rate of increase is set to slow. We could see twice as many cross-border commuters by 2025, but even this might not be enough, so the country should open up its labour market to Central and Eastern European's next 50 years. In his speech "Employment in Luxembourg - future scenarios" Luxembourg Chamber of Commerce Managing Director Pierre Gramegna spelt out the size of the human resources task facing the country.*

At the 20th October British Chamber lunch at the Golf Club Grand Ducal, Gramegna pointed out that when he was first asked to speak earlier in the year he had intended to comment on unemployment. However, given the sustained growth seen over the last twelve months, the main issue facing the country is once again how to find enough people to do the work available. Although unemployment remains high by recent Luxembourg standards at around 4.5%, it is the second lowest in the EU.



### More new jobs than jobless

The Luxembourg jobs market throws up a rather curious paradox: the number of new jobs created in the last twelve months exceeds the number of unemployed. In the year to August, the workforce grew by 3.7%, that is to say over 10,000 new jobs, but at the same time unemployment has remained steady at around 4.5% or 9,000 people. If state-run back-to-work schemes are included the figures are more like 6% or 14,000 but the basic anomaly remains.

Of this workforce, 40% are non-resident, 33% Luxembourgers and 27% foreign residents. There were 12,000 frontaliers in 1980 but this has risen to 128,000 this year. Gramegna called this "a marvellous deal for Luxembourg as we receive taxes and social security payments to help us pay for our ageing society, meaning this is not

an immediate problem." As for the foreigners, he pointed out that between 1981 and today, the number of Portuguese has tripled to around 70,000 with a doubling in the numbers of French, Belgians and British.

### Where are the Luxembourgers?

The nationality distribution of staff is also very startling. If one excludes the public sector and utility companies, Luxembourgers are hugely outnumbered in most work places by an average ratio of 80/20. However, within these sectors Luxembourgers are in the majority, this time 80/20 in their favour. Gramegna felt this could have long lasting implications for society and this was one of the reasons why the government is hopeful that double nationality will help rebalance the situation by helping the integration of long term residents.

Economic growth has averaged 5.5% since 1981 and this is due to be repeated this year, but over this time unemployment has doubled. Gramegna underlined the necessity of vocational training to give a new direction to people who have seen their livelihoods disappear, but he understood that it is hard for them to find equally well-paid jobs, especially given the competition from commuters.

### So what is the outlook?

A recent report from the Economic and Social Committee has made projections about the employment situation in 2055, assuming 3% growth and a 1.7% increase in productivity. Given what Gramegna called these "conservative" parameters, they predict a workforce of 580,000, up from just over 300,000 at present. Of these 580,000 around

260,000 would be residents and 320,000 commuters.

"In the last 20 years we have seen the workforce double on growth of 5.5%," he said, highlighting how far these figures could be out. "We will probably need many more, perhaps as many as half a million. To achieve this we have to open up to the new EU member states. We will have to open the borders in 2011 anyway, but keeping them shut makes no sense for Luxembourg because if we open now, we will get the best as there is less competition."

On a shorter time scale, Gramegna said the country will require 200-250,000 frontaliers by 2020 anyway, emphasising the need to build new roads and trains. As well, the government needs to act to build houses but to do this will require facing down the powerful Nimbyism of the local electorate.