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Foreigners' contribution to the Luxembourg economy: while diversity reigns, integration stalls (Executive Summary)



# Executive Summary

Throughout this 12<sup>th</sup> bulletin of the Chamber of Commerce's publication series *Actualité & tendances*, the Chamber of Commerce will highlight and analyse foreigners' major contribution to Luxembourg's economic success. The Chamber also aims to present primary paths for reflection ahead of future reforms aimed at strengthening social cohesion and the country's capacity for integration. Ultimately, foreigners' socio-economic contribution should be reflected fairly at the political level.

Although there are numerous ways to approach foreigners' influence on Luxembourg's socio-economic microcosm, the key figures below underline the magnitude of the phenomenon:

- 43% of the Grand Duchy's inhabitants do not hold Luxembourg nationality. Native inhabitants, older than their foreign counterpart, suffer from a negative natural balance in demographic terms. Despite natives' negative natural balance, Luxembourg's rate of demographic growth is more than seven times higher than the European average. Both the migratory balance and the (younger) foreigners' positive natural balance are preventing Luxembourg from experiencing demographic decline.
- More than three employees and entrepreneurs out of four in the private sector are foreign nationals. The number of jobs has doubled over the last 20 years, increasing cross-border work by 450% during the course of this period. Between 2004 and 2009, only 7% of the new jobs created were held by Luxembourgers. Consequently, 93% of these new jobs were held by foreign residents and cross-border workers. Thus it appears that the pool of native workers is largely exhausted and that foreigners' contribution is more than ever necessary in order to perpetuate Luxembourg's socio-economic model.
- Foreign trade is weighted as heavily in the GDP as the consumption of resident households. Foreign direct investments reached the dizzying sum of 114 billion USD in 2010, i.e. 2.8 times the wealth produced in terms of GDP. In addition, non-residents' consumption of goods and services produced on the Luxembourg territory amounted to 3.1 billion EUR in 2009, i.e. 8.1% of GDP.
- Total banks' balance sheets nearly reach 800 billion EUR and Undertakings for Collective Investment (UCIs) manage net assets worth approximately 2,200 billion EUR, i.e. 55 times the value of the GDP.

Regardless of the angle of approach, the country's socio-economic profile is anchored in cross-border contributions, without which the national economy would not be able to fulfil even its most basic functions. But, without its highly-performing economy, rooted in foreign and cross-border contributions, the country would not have been able to put in place one of the most generous redistributive systems in the world, a system from which residents benefit mostly.

The introductory chapter of this publication "*Actualité et tendances*" No. 12 is devoted to the heavy trends that have accompanied the genesis and consolidation of Luxembourg's economic success. Among these, and key to this success, are openness of mind, openness with regard to knowledge, know-how, work and capital, and the constant quest for political and economic integration. The second part of this contribution will try and grasp in detail the cross-border influence on our economy. Then the Chamber of Commerce will take an interest in the political framework that shapes Luxembourg's cross-border economic influence. Since the chapter in question has to be limited in scope, it will cover three key issues that the Chamber of Commerce deems to be especially important, i.e. the legal framework around the Luxembourg citizenship, foreign nationals' participation in the country's politics and the issues surrounding the use of languages in the country. The last part of this contribution aims to put forward primary paths for reflection. The analysis will be concluded with a brief discussion on the integration of foreign nationals.

## 1. Luxembourg, a society paced by migratory flows

Since the beginnings of industrialisation, the supply of cross-border labour and the attraction of foreign capital and know-how have largely been at the basis of Luxembourg's economic success and high standards of living. Gradually, family and cross-border migrations, as well as those of highly qualified international workers and civil servants, have come on top of the more traditional economic and seasonal migration patterns. Although these different migratory flows are distinguished from each other by their magnitude and by the social status of the immigrants, one common trait is perceptible: the overwhelming majority of the foreigners currently based in the country are European citizens. But this immigration has been carried and facilitated more by the free movement of workers within the single European market than by any sort of proactive, voluntary national policy.

Luxembourg's share of foreign residents represents around 43% of its total population. This share is significantly above the EU average's, estimated at 6.2%. Given the sustained migratory flows and natural growth of Luxembourg's foreign population, by the turn of the decade in 2020 (i.e. tomorrow at the scale of demographic time), the country's share of foreigners in its total population could even exceed that of the natives. The reforms established by the law dated October 23 2008 ruling Luxembourg nationality and, more specifically, the introduction of a general principle of multiple citizenship and of a second generation *jus soli* citizenship right will slow down the internationalisation of the composition of the population, without curbing it though. It seems obvious that the country will have to prepare itself for major reforms in order to guarantee orderly and democratic cohesion among natives, possibility soon in the minority, and foreigners.

## 2. Economic openness, a key element of Luxembourg's well-being

Luxembourg has by far the highest degree of economic openness of the European Union. Luxembourg's openness has allowed it to grow more quickly than the European average while the vigour of the national market alone - even helped by the sustained immigration - would not have allowed this: "*Luxembourg has thus succeeded in reaching a growth rate worthy of that of a developing country*".<sup>1</sup> The openness to exogenous production factors has also allowed to put in place one of the most generous social protection systems in the world. And only this openness has prevented the social protection system, until now, from sinking into bankruptcy.<sup>2</sup>

The dynamics and the composition of the labour force only add to the significant diversity of the population. In 2010, of every 100 employees, 29 were Luxembourgers, 27 were foreign residents, and 44 were cross-border workers. Beyond the raw figures, the fragmentation of the labour market is to be highlighted. On the one hand, certain sectors of the economy are now practically devoid of indigenous workers, such as for example the construction and the catering sectors, as well as real estate activities for instance. On the other hand, certain sectors are faced with a staff ratio dominated by Luxembourg nationals that largely exceeds average ratios in other sectors (especially the public sector and other protected sectors). Among natives, immigrant and cross-border workers, the latter group is in fact the largest. Excepted in the public sector, cross-border workers are now well represented in all the branches. In certain sectors, such as the industry, trade and the financial sectors, they even represent the majority of the total workforce. Moreover, their training profiles and qualifications are heterogeneous, with only half of them considered low-skilled. In 2010, cross-border workers contributed up to 43.5% of the contributions to pension insurance.

1 L. FONTAGNE, «*Compétitivité du Luxembourg : après la bulle*», February 2010.

2 In this regard, see the same article by R. Kieffer in «*Asti 30+ Migrations, recherches, engagements*», 2010.

With respect to entrepreneurship, some 75% of business creators are non-nationals. This finding deserves a detailed analysis in itself. It certainly suggests that challenges, even dangers, are to be awaited in light of an economic development that many would like to see more endogenous, steered from inside the national borders and independent from external pressures. Insofar as the creation of innovative start-ups is concerned, out of fifty start-ups created between 1998 and 2010 within the business incubator “*Technoport Schlassgoart*”, fewer than 10% were created by Luxembourgers. Therefore, the Grand Duchy heavily depends on foreign workers, not only within the context of salaried employment, but also within the realm of self-employed work and entrepreneurship.

The high degree of population and labour market diversity is both a key characteristic of Luxembourg’s socio-economic framework and a challenge to social cohesion: genuine integration of immigrants and cross-border workers within the Luxembourg society is of crucial importance.

### 3. Integration, languages, democratic representation and access to public sector work – the main challenges ahead

#### 3.1. Luxembourg nationality: does the willingness to integrate displayed by foreigners find an appropriate legal framework?

The socio-economic history of the country is closely linked to migratory flows and to foreign direct investments. But does the contribution of foreigners to the economy find a fair political counterweight, and can foreigners easily formalise their attachment to the country by adopting Luxembourg nationality? The Chamber of Commerce demonstrates in its bulletin that, despite a trend toward more openness on the subject, the legal framework surrounding nationality is also characterised by unjustified steps backward (e.g. the recent lengthening of the minimum period of residency before naturalisation procedures can be initiated, from five to seven years).

The modern definition of a nation is understood as an “*association of people, united by contractual bonds, demonstrating in this way their will to live under the same laws*”.<sup>3</sup> Thus a nation originates from the will and the free adherence to the principles of a political community. This concept puts emphasis on the determination of individuals to live together, in the same country, and to participate in a common societal plan. In the view of the Chamber of Commerce, this concept does not assume that all the members of the nation are residents by origin, themselves descendants of natives. The opposite is also true: foreign nationals who elect Luxembourg as their main place of residence and who integrate in their local community through their work and community have the same right to belong to the Luxembourg nation as natives do, even if they do not master all the languages officially recognised in the country. The different official languages should enable different angles of integration, with the Luxembourg language constituting an important vector of integration and cohesion without, however, forming an insurmountable obstacle (“*Eis Sprooch: eng Bréck, keng Barrière*”, or “*Our language: a bridge, not a barrier*”).

56% of foreigners declare that they want to adopt Luxembourg nationality. Among them, 82% declare that they want to keep their nationality of origin; a real plebiscite for multiple citizenship. This pool of more than 120,000 persons willing to obtain naturalisation could swell the stock of nationals by nearly 40% in comparison to the current situation. Although between 1990 and 2008, there were fewer than 800 naturalisations per year, these figures literally exploded in 2009 and 2010, concerning more than 8,000 people over two years. This was a consequence of the entry into effect, as of 1 January 2009, of the more attractive legal framework ruling access to nationality.

<sup>3</sup> L. SOSOE: «*Nation*», in the *Dictionnaire de Philosophie Politique* (dir. Philippe Raynaud and Stéphane Rials), Paris, 1996, *Presses Universitaires de France*.

### *3.2. Luxembourg's languages regime dating 1984: a framework overtaken by the realities of the country*

The law dated 24 February 1984 ruling Luxembourg's languages regime is at the heart of our languages system. Luxembourgish is the national language, French the language of legislation and German and French are both administrative and judicial languages. This situation has not changed since 1984 while the 1984 system itself substituted very old texts, which predated the country's independence in 1839. Luxembourgish, as the national language, made its entry into the legal arsenal only in 1984 and this law remains the sole legal act passed ruling Luxembourg's languages system, save for a 1948 constitutional revision that introduced the following arrangement into basic law: *"The law shall govern the use of languages with regards to administrative and judicial issues"*. Thus the law of 1984, while defining a national language on top, went beyond what was actually required by the Constitution.

Since 1984, realities in Luxembourg have changed profoundly. The population has increased by 145,700 units (+40%), among them some 125,000 foreigners. The share of foreigners has increased *de facto* from 27% to 43%. In 1985, 70% of resident salaried workers were Luxembourgers, and this ratio reached only 52% in 2008. Among salaried workers, 59% had Luxembourg nationality in 1985, compared to 29% in 2008. As for Luxembourg's economy, GDP quadrupled during this same period, after inflation is taken into account.

Since 1984, Luxembourg can thus pride itself on a dazzling increase of its population and its standards of living, thanks in particular to immigration and to cross-border work. But if the country's socio-economic development has been virtuous, the political and linguistic situation has proven somehow static, even frozen. While the economy has internationalised, the daily life of numerous indigenous residents has remained only very slightly affected. In a certain way, and perhaps unconsciously, Luxembourgers have often opted for security (creating some kind of segregation) through their work in the public sector. In parallel, the electorate and the native population have aged, and have become less representative of the socio-economic reality of the country. Non-workers (representing more than 50% of the voters in the 2009 general elections, 30% of them pensioners) and civil servants (representing around 20% of the voters in 2009), legitimately endowed with voting rights, are two population segments largely apart from the new realities of the country (economic reality first of all and linguistic reality as well). However, these segments influence political choices in a significant or, even, disproportionate way since they represented approximately 70% of the voters in 2009.

### *3.3. Political representativeness: foreigners blatantly under-represented*

During the previous legislative elections, voters represented only 45% of the resident population and 34% of the population present on Luxembourg territory. The latter group includes cross-border workers who "populate" the country during the week and pay their taxes and social contributions to the Grand Duchy. Today, less than one inhabitant out of two, one salaried employee out of three and one company creator out of four has the actual right to vote, and consequently, the right to influence public choices.

The multiple citizenship regime constitutes only a partial response to the lack of representativeness of political bodies and of the civil service. Foreigners contribute to a significant share of the country's economic development and social model, without participating to the collective decision making and to the framing of major directions taken by the country. In fact, the impression of being excluded from the political and policy-making processes can negatively influence foreigners' will to integrate.

Another problem is that of the representativeness of the public institutions *vis-à-vis* the driving forces of the economy that form the basis of the country's wealth. This situation is conducive to a democratic deficit that can give rise to collective choices that do not sufficiently take into account the concerns and requirements of an open economy subject to international competition. A lack of identification of numerous natives with the socio-economic problems of the country (context of economic crisis) also emerges. One can even speak of a perception gap *vis-à-vis* the existing stakes and the country's sustainable development, or even of a denial of the risks and dangers facing Luxembourg.

### 3.4. Luxembourg natives in a safe haven: civil service as a life choice

As of March 2008, one Luxembourg national salaried worker out of four was a civil servant ("*fonctionnaire*"). In 1995, 99.9% of civil servants had Luxembourg nationality, and that was still the case for 98.14% of them in 2008. In total, 87.3% of the salaried workers in the public sector had Luxembourg nationality in 2008. At the same time, only 29% of the salaried workers in the private sector had Luxembourg nationality (71% were foreigners). Natives increasingly value public sector work as a career choice. Indeed, Luxembourg staff working in this sector grew by 30% between 1995 and 2008 while it only grew by 3% in other sectors. At the same time, following the first half-hearted attempts to open up the public sector to non-Luxembourgers in 1999, the share of foreigners in this sector has registered a slight increase, from 7% in 1995 to 13% in 2009.

The law dated 17 May 1999 ruling the access of EU nationals to Luxembourg's civil service abolished nationality conditions, save for exceptions in the sectors of research, education, healthcare, transports, postal services and telecommunications, as well as in the water, gas and electricity sectors. But its entry into force has not been followed by a significant hiring of civil servants with foreign nationality. The corps of civil servants, which is found at the heart of the public sector, thus largely remains a kind of fortress for natives, to the detriment of social cohesion and mixing in the Grand Duchy.

The risk of creating a two-speed society might be amplified if civil service does not succeed in incorporating more foreigners and if, conversely, the private sector no longer attracts natives. Indeed, natives might increasingly distance themselves from economic realities, while dominating the democratic and redistributive processes. The 1999 partial opening of Luxembourg's civil service to foreigners could have enabled the recruitment of a higher number of foreign candidates would linguistic requirements have been well-proportioned and would a genuine determination in recruiting non-Luxembourgers have existed. Moreover, in light of law-makers' tendency to open up civil service only after being put on formal notice by the European Institutions to comply, the opening up of the civil service seems to be forced more than anything else. This is somewhat of a paradox since jurisprudence against Luxembourg denounces the fact that the country does not respect the fundamental liberties underlying the European construction, a paradigm that the country has been strongly supporting since the beginning of the European integration.

On numerous occasions, Luxembourg authorities have failed to raise the awareness of the public and of the voters about the non-representativeness of the public sector with respect to economic, demographic, wage and linguistic realities in the country. The same is true about the lack of social cohesion or even about the risk of disintegration and disentangling of Luxembourg society inherent to the existing dichotomy in the labour market. Opening up should have been, and should be, done in a proactive way and through dialogue with the public. A country that depends so fundamentally on foreign risk-taking for developing entrepreneurship, which needs immigrants to create and fill in jobs that it is not able to fill in with its own resources, and which is led to export more than 80% of its production because its internal market is too small, cannot continue to appropriate the civil service for itself. Nor can the country monopolise public debate and/or implement a redistributive policies from which its own nationals benefit above all. Luxembourg can simply not expect of such a model to function *ad aeternam*.

#### **4. Levers for infusing new dynamic into a welcoming land**

##### *4.1. For a flexible framework ruling the adoption of Luxembourg nationality*

The acquisition of nationality is a favoured instrument for allowing foreign residents to fully participate in democratic life. The fact that naturalised citizens are permitted not to give up their nationality of origin has given rise to the first encouraging signs concerning their propensity to adopt Luxembourg nationality.

The obstacles against the granting of nationality should not be insurmountable. Especially targeted here is the requirement of knowing the country's common languages. The obstacles to acquiring Luxembourg nationality cannot be too numerous either, given that the Luxembourg nation is characterised precisely by great cultural and linguistic heterogeneity. In spite of the differences with regard to their origin and their mother tongue, it is legitimate to accept that foreign nationals must be able to belong to the Luxembourg nation if they wish to, a country that they have supported by their choices of residence and to whose social and economic development they contribute every day. Today, one out of two youth residing in Luxembourg is a foreigner (49% of the age segment of the 12-29 year olds<sup>4</sup>). Thus the society of tomorrow will probably be even more heterogeneous than that of today, which reinforces the absolute necessity of incorporating the foreign nationals into the Luxembourg nation.

One recurring aspect of Luxembourg's socio-economic history is certainly foreign influence, in particular through constant waves of immigration even at times when the native population emigrated. Thus the people of Luxembourg today are, to a great extent, yesterday's immigrants, and Luxembourg's identity today is largely the result of past waves of immigration. These people, even though they come from different origins, are a part of modern Luxembourg and live here together. Each newcomer in the country should have a genuine possibility to officialise their sense of loyalty *vis-à-vis* Luxembourg through the adoption of Luxembourg nationality without disproportionate constraints.

The Chamber of Commerce supports the premise that basic knowledge of the Luxembourg language is at the same time useful and necessary for the purpose of naturalisation. However, the Chamber of Commerce is supportive of a proportional and objective approach in this regard. Equally, if the level of mastery of the national language is judged as sufficient for the purposes of naturalisation, aspiring Luxembourgers should not be obliged to take a language proficiency test when accessing the civil service. In any case, the required level for accessing the Luxembourg citizenship or the civil servant status should be assessed mainly with respect to the comprehension of the spoken language. Only to a lesser degree, should it be assessed with respect to its use.

<sup>4</sup> Le Jeudi: "Un jeune sur deux est étranger", 19 August 2010.



The Chamber of Commerce also feels that, in order to promote the integration of a foreign national on the labour market (and therefore for him or her to achieve professional autonomy), it is legitimate to accept that an aspiring immigrant worker must first of all perfect the main language practised in his or her host company, which is rarely Luxembourgish. Luxembourgish can thus only be acquired in a second phase. Under no circumstances is the sole mastery of Luxembourgish sufficient for joining the labour market. For these reasons, the requirement of mastering Luxembourgish applying to naturalisation candidates should be less stringent.

#### *4.2. For a linguistic regime in phase with the pragmatism displayed by private companies*

The Luxembourg economy is one of the best performing economies in Europe, in large part due to its services and financial sectors. The great cultural and linguistic diversity is hardly slowing down the economic dynamism; quite the opposite. Companies are demonstrating unequalled pragmatism when incorporating people coming from different cultures. It is difficult to draw general lessons on the linguistic heterogeneity faced by Luxembourg-based companies. However, based on a study sponsored by the Chamber of Commerce, one can conclude that French holds the status of main common denominator in the majority of companies: for 56% of them, it is the primary language used. When taking into additional languages used by these firms, French is quoted 99.6% of the time, followed by English (88%), German (83%) and, only in a fourth position, Luxembourgish (80%). Therefore a certain dichotomy appears: the dominant language in the economy is French while the principal language in the non-business sector and in daily life remains Luxembourgish. The realities of the business sector should be better taken into account according to the Chamber of Commerce as they form the foundation of Luxembourg's social model, also in the political, administrative and civil service spheres.

#### *4.3. For a strengthening of the status of French and German languages in daily life*

It is important to increase the use of the French and German languages in oral communication. This is especially true for electoral campaigns and in the audio-visual media. Indeed, the production of written supports in several languages calling on foreign nationals to register in the electoral lists seems of little use if, later on, the political campaign remains largely dominated by the use of Luxembourgish. The same type of obstacle applies to legislative and regulatory issues: legal texts are written in French but are discussed in Luxembourgish while German dominates written media coverage and Luxembourgish prevails in oral media coverage. Moreover, the content of numerous internet sites developed by the public administration is available in French only, although non-French speakers can validly be granted Luxembourg citizenship. So, is it acceptable that a citizen does not understand the primary, or even the only language used by the administration in writing?

Because the three national languages are used in silos and because translations are often unavailable (and the practical difficulties that result from this), it is hardly surprising, in the view of the Chamber of Commerce, that foreigners' interest in the socio-political debate remains below aspirations. In any case, it is not a matter of a lack of interest in Luxembourg politics on the part of foreigners; quite the contrary.

Beyond the problems that foreign nationals experience when attempting to immerse themselves in Luxembourg's complex and confusing trilingual system, even Luxembourgers themselves can face situations where they cannot follow all legal, societal or even administrative developments, when they happen not to master enough a given administrative language. Therefore, at least German translations should be available on all the administration websites and for all administrative forms since, according to Law dated 24 February 1984, German and French languages have equal footing in all administrative and judicial matters. English translations could also prove useful given the language's status as a *lingua franca* worldwide.

Without prejudice to its importance notably for the purposes of foreigners' definitive integration into the Grand Duchy, it is advisable not to excessively exaggerate the importance of Luxembourgish in the political and administrative spheres if the country really wants to achieve a high level of social cohesion and integration of foreign nationals and cross-border workers. Luxembourgish must co-exist with the principal languages, i.e. French and German but should not supplant them in certain specific contexts, or even in an opportunistic way. Doing this would run the risk of excluding an important part of the stakeholders who contribute to the country's economic prosperity from the political debate. This is all the more true given that, on top of long-term immigration, Luxembourg also experiences short-term economic immigration that is by nature limited in time and in the context of which learning the three common languages of the country is hardly conceivable.

#### 4.4. *For a modern and open civil service*

One powerful means for achieving a high level of social cohesion is to advocate diversity in all the economic sectors - which are also places for exchanges and meetings - including in the non-profit sector. Such a solution definitely applies to Luxembourg in order to make up for the indigenous population's a lack of identification with the socio-economic problems of the country and to combat inter-occupational jealousies. In addition, public administration services could doubtless be improved quality-wise by taking into consideration the innovative, complementary and different points of view of foreign nationals, impregnated with a culture other than that of Luxembourg.

Social mixing and diversity are tangible realities in the economy and in the society. The competition stemming from the civil service is strong *vis-à-vis* sectors that are exposed to economic woes, and especially in terms of remunerations. Higher wages in the public sector prevent numerous companies dealing with international competition from recruiting native employees, of whom they are sorely in need, e.g. when seeking Luxembourg natives' linguistic skills. The compartmentalisation of the public service and its apparent identity fallback must be surmounted while the dichotomy on the labour market must be broken if our society wants to achieve sustainable development and social welfare. Improved cohesion necessarily requires innovation with respect to languages use in the public sector. It further necessitates the gradual reduction of the differentials between public and private sector wages. More generally, civil servants' and salaried workers' status should be harmonised. The generalisation of a single status for both public and private sector workers would ensure genuine equal treatment of Luxembourg's entire labour force.

Since the partial opening of the civil service in 1999, the legal framework has evolved, at least on paper. Since 2009 and overall, a general opening up of the civil service exists, save for exceptions. But although this general framework is laid down, special conditions set by legal and regulatory channels must be considered as well. Within this framework, European jurisprudence has recognised the right to set aside positions affecting the exercise of public power or sovereignty for nationals. The Chamber of Commerce agrees with such an approach. However, the Chamber of Commerce stresses that the latter rule must be applied with balance and should not constitute a hidden barrier or obstacle to entering the civil service. Still, in Luxembourg all jobs concerned with, for instance, direct contributions, registrations, customs and indirect taxes, land registries and topography are reserved for nationals. The Chamber of Commerce believes that lower career or even middle to higher middle career administrative positions within these administrations hardly consist of a so-called “sensitive” exercise of public authority and thus should be open to foreigners.

Any opening up of the public sector must be sincere and followed by concrete results. This is why it is difficult to back an operating mode that is, as it is presently the case, built on general rules, exceptions and further derogations, often enacted in an opportunistic and *ad hoc* way through the annual budgetary law in particular. The relevant legal framework can only be as proactive as its implementing regulation. To do so, it would be enough to specify general principles governing the opening up of the civil service. Under such an approach, the notion of exercising public authority should be interpreted with balance, while the linguistic requirements should be gauged in a pragmatic and decentralised way. Until today, any tangible opening up of the civil service has been far from being proactive. Indeed, it has only occurred due to external constraints or because of some specific recruitment needs that could not be met with natives (or under a combination of both facts).

#### 4.5. For a modern linguistic regime in the civil service

Luxembourgers are now a minority on the labour market and so is the use of Luxembourgish in the economy. Concerning language requirements in the civil service, the 2009 reform changed the situation as follows: the applicant must “*have given proof [...] of a knowledge [...] of the three administrative languages [...] except for jobs [...] for which the knowledge of one or another of these languages is acknowledged as unnecessary due to the nature and the level of responsibility of these jobs.*” Generalised trilingualism thus remains the rule for all positions, save for exceptions that are enacted through regulations.

The Chamber of Commerce feels that there are way too few exceptions to the requirement of knowing Luxembourg’s three languages. In fact, a Grand Ducal regulation dated 2004 provides an exhaustive list strictly limiting the instances that could trigger an exemption from the trilingualism requirement. But this list is completely outdated and is in much need of being updated and extended. In particular, the authorities should think about generalising the exemption procedure to all the administrative or back-office positions as well as to all positions that are predominantly manual - all without notable interaction with the public - or even to all the lower career positions. In particular, there is no need at all to impose trilingualism on staff members who have little or no contact with the population, independently of the career category they are in.

The requirements in Luxembourgish applying to civil service work are more stringent than those applying to naturalisation. But harmonising these requirements seems to be the only way to guarantee coherency as far as accessing nationality and the civil service is concerned. This would help avoid aberrant situations where naturalised citizens are denied access to the civil service because they insufficiently master Luxembourgish.

One provision attracted little attention when voted because it was “concealed”, so to speak, in the law dated 17 December 2010 ruling the 2011 budget. It provided that: *“As an exception, the government [...] shall be able hire highly specialised agents who are not able to prove the knowledge of two of the three administrative languages in the event of a duly justified departmental necessity [...]”*. With this provision, priority is given to knowledge and know-how inherent to a position over linguistic skills alone. The importance of professional skills (over linguistic skills) thus seems finally, although indirectly, recognised by the authorities. And indeed, linguistic skills, like any type of skill, should always be strictly adapted to the requirements of a given position. Then why not applying such pragmatism beyond just “highly specialised agents”? In fact, with this case, specific needs justify an exception to the general, nearly sanctified, requirement of trilingualism.

#### 4.6. For a modernisation of local democracy

Municipalities (“communes”) undoubtedly represent foreigners’ foremost vector of integration. Every single citizen should thus be enabled to participate in local democracy, taking part in the collective decision-making process at their place of residence, in their local and cultural community, at their children’s school and so on. Since the local elections of October 2011, Luxembourgers and foreign residents share the same rights to vote and to stand for election in local elections. In order to reinforce foreigners’ political participation at the local level, the Chamber of Commerce is supportive of their automatic registration process on voting lists for local elections - or at least of a significant extension of foreigners’ registration period on these lists. As a matter of fact, the present system requires that foreigners register on voting lists well ahead of the beginning of the electoral campaign, which should be reviewed.

To strengthen the participation of foreigners and naturalised citizens in local politics, the Chamber of Commerce recommends that the legal frameworks ruling the use of languages in both municipal councils and councils of aldermen be modernised. In this regard, article 14 of the municipal law provides for example that *“the common language spoken in the municipal council is Luxembourgish. Council members may express themselves [...] in one of the other languages referred to [by] the law of 24 February 1984 [...]. However, none of them shall be able to demand an interpretation of the spoken language or a translation of written documents presented in one of the languages referred to by the aforementioned law [...]”*.

Especially for naturalised citizens, the incongruity of this provision can be demonstrated. Indeed, being trilingual is hardly necessary to be granted Luxembourg nationality: naturalisation is simply refused to a foreigner *“when he/she does not give evidence of a sufficient active and passive knowledge of at least one of the languages stipulated by the law [...] and when he/she does not pass a spoken Luxembourgish test”*. But from the moment a trilingualism requirement is not foreseen by law for the purpose of awarding Luxembourg nationality, refusing to provide naturalised citizens with translations, when needed, at the municipal level is devoid of any foundation, or even aberrant. Such a denial of non-trilingual citizens’ rights is discriminating and leads to a situation of segregation at the very heart of the population with Luxembourg nationality. When considering that foreigners are now granted a right to stand for election, the unfounded and disproportionate nature of the provisions at the heart of article 14 further unfolds.

#### 4.7. For a strengthening of foreigners' democratic participation at the national level

The Chamber of Commerce does not pronounce itself in favour of foreigner nationals' automatic registration on electoral lists. However, along this document, the Chamber of Commerce insists on the conditions that must be fulfilled at any time in order to ensure optimal integration of foreign nationals through the procedure of naturalisation. Thanks to the introduction of a multiple citizenship system, foreign nationals now have a real opportunity to make concrete and, above all, to officialise, their attachment to Luxembourg without renouncing to their origins and culture. Should a dual nationality system not have been introduced, the right to vote in national elections should have been granted to foreign residents, according to the Chamber of Commerce. This right should have been granted after a residency period of five years in order to compensate for the absence of dual nationality rights.

The Chamber of Commerce also calls for the setting up of a virtual right to vote among foreign nationals. Under such a system, electoral lists would be submitted for virtual vote among foreigners' communities. By subsequently comparing foreigners' virtual votes to the actual votes expressed by the natives, it would then be possible to judge whether natives' electoral choices are (or not) out of phase with those of foreigners. Moreover, the Chamber of Commerce strongly recommends that public authorities systematically conduct comparative studies between Luxembourgers' main electoral concerns and those of foreigners in order to adapt the political markers to be used as a consequence.

#### 4.8. For a democracy surplus vis-à-vis non-resident cross-border workers

The integration of cross-border workers should happen through voluntary measures aiming at reducing the dichotomy and the segregation of the labour market. Indeed, the great diversity among salaried employees, which represents the real composition of the work sphere and of the population, is in a better position to meet objectives of sustainable cohesion, aimed at preventing the development of parallel societies (or at preventing that the different communities isolate from each other). Throughout the present bulletin, the Chamber of Commerce proposes the following additional paths for reflection:

- on the model of the Luxembourg Home and Integration (OLAI), the establishment of a special Office of Luxembourg Commuters which would be primarily concerned with the problems encountered by cross-border workers;
- the support for cross-border workers to organise in associations or groups likely to become preferred contact points of the Office of Luxembourg Commuters and of the government for questions of public policy that impact them directly;
- the setting up of a constructive dialogue and effective participation of cross-border workers in Luxembourg society aimed at stimulating and encouraging the attachment of cross-border workers *vis-à-vis* the Grand Duchy;
- the launching of public consultations on subjects that concern cross-border workers directly (transport infrastructures, administrative procedures, environment, etc.).

## 5. From sovereignty niches to niches of expertise

Today our economic success depends to a considerable extent on the exploitation of fiscal and regulatory niches known as “sovereignty niches”. However, the gradual harmonisation of fiscal policy at the international level reduces the sustainability of the model, which can certainly generate high tax revenues, but which is also greatly dependent on external events over which Luxembourg has little or no influence. In a preceding economic bulletin,<sup>5</sup> the Chamber of Commerce demonstrated that around 30% of the central administration’s fiscal revenue stems from sources with an uncertain or volatile return. And yet these means of action are injected into the operating budget, without any effort to save for future generations. Thus in spite of its positive exogenous growth in the course of the last few decades, the country is living above its means.

In order to diversify the economy and to open it up to new sectors, the country must support endogenous development, based on growth niches and niches of expertise. A proactive legal and fiscal framework, appropriate infrastructures and targeted investments should aim at developing sectors such as those of logistics, biomedicine, ICT (including e-commerce), as well as environmental technologies, the management of intellectual property and headquartering functions. Most of these sectors have high added value cross-border demand and, consequently, are exposed to strong international competition. Their implementation and their development require a highly-skilled workforce, which is not available in sufficient numbers in the Grand Duchy. This is why Luxembourg has to continue and attract a highly-skilled foreign workforce to its soil, whether from Europe or beyond. The transposition into national law of the European directive aimed at facilitating the free movement of non-Community workers for the purposes highly-skilled work, known as the “European blue card scheme” is key to the country’s future development challenges.

The development of growth niches would also provide Luxembourg with competitive advantages that cannot be taken away overnight following (political) decisions taken abroad. In order to take its own destiny in hand and to make the best use of these potential new growth vectors, Luxembourg will have to put in place adequate investment policies. The country will further have to take coherent and prudent political decisions and rely on qualified men and women, outside any considerations of their nationality, if it wishes to complete these ambitious policies. Luxembourg’s University and Public Research Centres contribute to training the resources that its economic actors will need in the future. But, as it has already clearly emerged today, the financial, technical and human resources available locally are insufficient to make the economy (whose influence goes far beyond the tiny framework of the national territory) function. And as much as Luxembourg has opened itself up to cross-border labour and capital, it must not forget to lay the bases for the effective integration of foreigners into the Luxembourg society.

<sup>5</sup> Actualité & tendances no. 10: «Le développement durable au Luxembourg — Pour une économie durablement compétitive et au service du bien-être», June 2011.

## 6. For a reform of the languages system at school and for an optimisation of Luxembourg society's ability to integrate

In the view of the Chamber of Commerce, Luxembourg cannot, and should not, try and integrate each and every foreign national present on its soil. On the one hand, one has to recognise the fact that a large number of transient foreigners do not remain long enough in Luxembourg to develop a feeling of belonging to the country. On the other hand, it is pertinent to assume that some foreign nationals do not have the will or the determination to integrate, or to merge into a greater national whole. With its three official languages, its inhabitants coming from 170 different countries, its large number of cross-border workers and with the great social diversity of its economy, Luxembourg can hardly call for an assimilation of a small number of heterogeneous foreigners into a larger homogeneous national whole — assuming such a national whole even exists. Luxembourg cannot draw on an integration model described as “melting pot” (assimilation of the immigrant population into a homogeneous society). Instead, Luxembourg has to opt for an integration model of the “salad bowl”-type, i.e. a model that acknowledges the mutually complementary nature of the different ethnic communities present in a given country, which can keep their own cultural identity while integrating into the social mosaic of the host society. Our country must optimise its capacity for integration. It must act in such a way that foreigners feel good at ease in Luxembourg and demonstrate that it is open *vis-à-vis* foreigners. Finally, Luxembourg must optimise its chances for a successful integration of foreigners by offering a framework that is coherent and favourable to this purpose. In effect, any integration presupposes willingness to integrate from both sides: from the point of view of the foreigners and that of the host society.

Besides the paths of reforms presented above, the Chamber of Commerce especially stresses the fundamental role that school plays for the purpose of integrating non-Luxembourgers. In its view, children represent the principal vector of integration of foreign families. But in this context, one should keep in mind that the language situation in Luxembourg schools is such that a high number of pupils are confronted with school failure. This is due because too many children fail to master French and/or German languages, while they *a priori* have sufficient abilities to succeed in their secondary studies. Too many pupils are left behind and our efforts to provide every pupil with a chance to succeed in his or her strongest areas are too feeble. Worse, integrating older children into the Luxembourg school system appears nearly impossible. In sum, Luxembourg stands in front of obvious waste of human capital that it can hardly afford if it wishes not to be excluded from the knowledge economy, or at least not to be forced to import – if this is even possible – all the grey matter needed to become a knowledge economy.

Giving children a chance is thus a key priority, since integration happens mainly through children and schools. Their positive integration is the best guarantee for the successful integration of their families. Clubs, sports and cultural associations are necessary but not sufficient vectors of integration. As it happens, if schools fail to train responsible young adults who are to be duly integrated into the Luxembourg society, the broader discourse about integration of foreigners into the society becomes void. The importance of school within the framework of the socio-economic development of the country is also fundamental. This is even probably the most important challenge, which will directly shape the country's future socio-economic development. School dropouts and the significant failure rate of our pupils in their first year of higher education, as well as mentalities in the educational system and resistance to change count among the most urgent problems to address and solve.

However, the key objective of the bulletin "*Actualité et tendances*" No. 12 is not to discuss extensively about the educational system, on its social and economic role, nor to position itself on the reforms currently envisaged on the matter. This complex theme would need thorough discussion on its own in a separate publication.

*"Fir kënnen ze hale wat mer hunn kënne mer net bleiwe wat mer sinn"* ("In order to keep what we have, we cannot remain what we are"). We ought to display great open-mindedness. Mentalities that favour inertia and the myopic defence of all types of vested interests must be broken. We must face the fact that, without cross-border resources, our country would simply cease to exist. Luxembourg can choose between opening up and closing itself. If Luxembourg opts for openness, it must optimise its capacity for integration and carry out reforms. If, on the contrary, Luxembourg chooses to close itself, it will sound the death knell of what is known as the Luxembourg model. It can then continue to put off much needed reforms indefinitely while taking the risk of ending up sooner or later where inertia leads, i.e. in decline.