

EGGE – EC’s Expert Group on Gender and Employment

Supplementary information regarding policies to promote gender equality and employment

Luxembourg

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**Supplementary information regarding policies to promote gender equality
and employment : Luxembourg**

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1. Reasons of low women employment rates

Following Guastalli, Lejealle and Lorentz (2002)¹, the four main factors of the low employment rate of women in Luxembourg are : the household's incomes, the educational level, the legal framework about the part time work, and the share of the family tasks. We will develop these factors in the following points.

1) The household's incomes:

For women in couple, the incomes of the household (that is mainly determined by the wage of the husband) is a determinant factor of her participation on the labour market. This is due mainly to two reasons :

- The fiscal system : the unit that is used to compute the "income tax" is the household and not the person. It means that higher is the wage of the husband, higher is the marginal tax rate for the wife. The household's incomes are relatively high in Luxembourg. Joint with high state allocations, it does not encourage women to participate to the active life.
- The low wages and the bad work conditions for low qualified jobs does not encourage women to work . We will see in the next section that women are generally less qualified than men, especially for the older generations.

2) The educational level:

The correlation between the educational level and the rate of participation to the labour market is very strong for women in Luxembourg. For each level below the higher level of education, the participation rate is less than 55 % for women. It goes to 74,3 % for the higher level of education. In comparison, the participation rate of men is already 68,8 % when they only have reached the primary level of education.

In addition, women have in average a lower educational level than men, and the length of the studies is lower for women than for men. But these differences are reduced for the younger generations.

Finally, the participation of women in the activities of continuous vocational training is lower than for men.

3) The legal framework of the part time work

The law of the 26th February 1993 had, by her rigidity, a negative influence on the part time jobs supply. The modalities about the work time repartition and about the overtime work had to be fixed in the contract. If not, the worker was not allowed to do overtime work. Because of that, employers where not encouraged to supply part time jobs that are generally useful for women who want to conciliate private and professional life.

The legislation on the voluntary part time work was changed in the framework of the NAP 1999 (law of the 12th February 1999) : part time and full time workers may do overtime work

¹ *Les femmes et le Marché de l'Emploi*, Ministère de la Promotion Féminine, 2002, Luxembourg.
Study conducted by E. Guastalli, B. Lejealle and N. Lorentz.

if they do not more than 20 % of the daily and weekly schedule that are in the contract. This measure is temporary in order to observe the effects on the part time jobs supply.

4) Share of the family tasks:

The share of the family tasks in Luxembourg is a traditional share where the husband works and the wife has to take care of children and of the house.

The following statistics illustrate this point :

1. The activity rate for married women is nearly half of those of divorced women (49,8% against 81%).
2. The number of children in charge is also determinant of the participation of women : the activity rate is 62% with one child and 38% with four children. For men, the number of children does not significantly determine the decision to work. In addition, more a women have children, less she works in a week (if she works).
3. If we compare lone mothers and mothers in couple, we can see that :
 - there is a big difference in the participation rate between lone mothers (83%) and mothers in couple (57%) for women between 20 to 55 years old. Moreover, the lone mothers work more frequently full time;
 - lone mothers who are more than 41 years old have in average a higher educational level than mothers in couple of the same age. Below 41, the difference is not significant anymore. It may mean that only women who where educated enough to earn money by herself have quitted the household;
 - lone mothers have in average less children than married mothers (1.43 against 1.7);
 - the age of the child determines the situation of the lone mothers on the labour market: when the child is between 0 and 4 years old, the mother is more frequently inactive or in search of work than when the child is between 5 and 9 years old (when he is in primary school). There is not such a difference for mothers in couple.
4. 55 % of women who worked during more than 6 consecutive months have interrupted her career at least one time. For the first interruption, in more than 40 % of the cases it was in order to educate the children, and 30 % of these women interrupted her career after the wedding. 66 % of the first interruption where definitive ones.

The difficulty for women to work or to quit the household is emphasised by the short supply of children care structures. In November 2000, there was a non satisfied demand of 1219 places. In 2000, measures were taken to create chairs, and to rent chairs in non conventioneer structures in order to supply those places to the low incomes households. The demand is mainly focused on places for children between 0 and 4 years old, that are also the most expansive ones.

In conclusion we can say that the model of Luxembourg woman is a traditional one, with a woman who has generally a low educational level that does not allow her to work in good conditions. Because of the comfortable wage of her husband (who is more educated than her), the tax system, the short supply of children care places and of part time jobs, she has no incentive to earn a second wage. So, she stays at home and takes care of the children and of the house. If she has an educational level high enough, she can divorce and earn her life by herself. If not, she must depend of her husband until the end of his life (or the life of her husband). This model concerns mainly the older generations.

2. Information on fiscal reform from a gender perspective

A two stages fiscal reform has taken place in 2001 and 2002. This reform has the following characteristics :

- increase of the exonerated income by 45,7 % for all imposition classes ;
- linear reduction of the marginal tax rates by 8 % for all class of income.

The Ministry of Women's Affairs, that has the policy of mainstreaming in charge and has the right to look at any policy from a gender impact assessment point of view, has analysed the impact of the fiscal reform from a gender perspective and did not found any difference of impact between women and men.

The reform will normally raise the labour supply of both genders because their incomes will be less taxed. Note that the increase of the women labour supply could be bigger than for men because the men labour supply is already very high, and the one of women is very low.

For more details about this fiscal reform, see the web site (in French) :

http://www.etat.lu/FI/reforme_fiscale_presentation_officielle_201101.pdf

3. Study on individualisation of social security rights

A this moment, nothing is decided about the individualisation of social security rights. A workgroup (that is composed by the Ministry of Social Security Rights, the Ministry of Women's Affairs, the Ministry of Finances, the social partners and the National Council of Women) is about to meet on the 26th April 2002.

A study was conducted by the National Council of Women and funded by the Ministry of Women's Affairs in October 2000².

The National Council of Women concludes this report by proposing three ways to develop the Social Security and fiscal system :

- staying in the logic of the wedding by extending the derived rights;
- individualisation of rights with acknowledgement of the role's sharing between men and women;
- individualisation of rights with acknowledgement of equality between men and women.

1) Extension of the derived rights :

This way is an alternative to the individualisation. The National Council of Women proposes to extend the derived rights to the heterosexual and homosexual couples, instead of only to the wedding.

² *Etude Descriptive et Comparative de la Situation des Femmes et des Hommes dans le Système de la Sécurité Sociale et de la Fiscalité*, Ministère de la Promotion Féminine, Luxembourg, 2000.

2) Individualisation of rights with acknowledgement of the role's sharing between men and women :

In this way, the National Council of Women presents the following propositions :

Extension of the "spouse - helper" model :

For the moment, for independent workers, the spouse is automatically considered as helper and the subscriptions to the pension and to the sickness assurance are mandatory for this person (if the two spouses have not asked for a derogation). The proposition is to extend this system to other parts of the population.

Advantage: because the helpers are almost always women, it allows to acknowledge the woman's work when she works with her husband.

Disadvantage : for the moment, the upper limit of subscription is 2 times the minimum social wage for the helper, and 5 times for the principal contributor. An alternative is to put the upper limit at 3.5 times the minimum social wage for both of the spouses.

Reciprocal splitting of pension rights for spouses that live in a legal union:

For the moment, the pension rights are acquired only on the basis of the periods of the obligatory assurance, that are linked to a professional activity or others activities like the education of children (baby years). A person who has not completed the minimum number of periods may only benefit of the derived rights. It is mainly the case of women who stay at home and who benefit from their own pension only at their husband's death (survival pension).

The proposition is to split the pension rights between the two spouses that live in a legal union.

In case of change from the derived rights to the individual rights, this measure would be temporary in order to help persons who would not be able to constitute proper rights by fulfil assurance periods.

Advantages : soft transition between derived rights and individual rights for persons who would not be able to fulfil assurance periods.

Disadvantages: stays in the logic of the derived rights (if the measure is not transitory).

Obligatory payment of the gross monthly domestic wage to the pension fund

There is an hidden cost for the derived rights. Consider a married couple where the man works and not the woman : the woman does not have to pay subscription for the sickness assurance and for the pension. Moreover, the amount of the income tax that the worker has to pay is lower than it would be the case if he would not be married. All this money that this couple has not to pay, compared with the situation where both of them would have proper rights are the costs of the derived rights. The gross monthly domestic wage is the monthly amount of this cost for the couple. The proposition is to pay this amount to the pension fund, in order to create a career for the spouse that does not work.

Advantage : constitution of proper rights for the spouse that does not work.

Disadvantage : this is an extension of the derived rights because the domestic wage is computed on the basis of the worker's wage.

Separated taxation with abolition of the splitting

The wedding is neutral : the two spouses have to work, have to pay her own subscriptions and tax.

Advantage : constitution of proper rights

Disadvantage : This system is not in favour of the couples where one of the spouse does not work.

Creation of a guaranteed domestic wage

The spouse who does not work and takes care of children and of the house earns a wage for this occupation.

Advantages : constitution of proper rights and proper income for the spouse who does not work ; pecuniary acknowledgement of the domestic work

Disadvantage : only one of the spouse has the responsibility of the education of the children and of the domestic work ; strengthen the stereotypes of the traditional roles of the man and of the woman in the couple.

Model of the CID-femmes

Theses organisations of women have proposed a model with a new way to compute the pension that is closer to the evolution of the society : the impact of the proportional additional charges is reduced and the impact of the lump additional charges is bigger. The number of year in the career in order to receive the total lump amount would be reduced. All those modifications are made in order to reduce the gap between persons with complete career and persons with incomplete ones.

Advantage : this model is more adapted to the actual situation of women and acknowledges the children care work.

Disadvantage : this model is not in favour of the high incomes.

3) Individualisation of rights with acknowledgement of equality between men and women

The National Council of Women presents the following propositions for this way :

Introduction of a new redistribution in the fiscal system

In addition to a separated taxation, the proposition is the payment of allocations to women that does not work in order to educate the children or to take care of the house.

Advantages : acquisition of proper rights and proper income ; acknowledgement of the domestic work.

Disadvantages : incentive for women who cannot work to make babies ; incentive to make clandestine work ; high costs.

The Dutch model

The system of the Dutch survival pension is the following : only a certain group of age may benefit from this pension because there are less and less persons that are financially dependants after the death of the spouse. Moreover, if a person benefit from this pension, he may earn incomes from his work without having a pension reduction, in order to have incentives to work. Some transitory measures would be taken.

The Danish model

Each individual is considered as a worker, responsible, economically active and taking part to the society, no matter if he is married or not.

Advantage : this model encourages the employment and the constitution of proper incomes.

Disadvantage : the persons who have not proper incomes are penalised. Transitory measures have to be taken.

Choice between collective and separated taxation

The proposition is to give the choice to be taxed collectively or separately. In Luxembourg, there is no advantage to chose a separated taxation because the collective taxation is always better for the taxpayer. Moreover, in Luxembourg, there are two taxation classes for persons who are taxed individually : the class 1 for persons without children and the class 1a for persons with children in which the taxpayer pays less taxes. If a couple with children decides to be taxed separately, there will be a difference between the tax charges of the mother and the charges of the father because one of them will be in the class 1 and the other in the class 1a. In addition, there is a lack of transparency to consider married couples as non married couples.