

**8th ESPAnet Conference 2010. Social policy and the global crisis: consequences and responses.**

**Stream 7. Economic Crisis and Social Policy Reactions in the Past and Present.**

**Stream 7.1. Economic Crisis and Social Policy Reaction (Bent Greve).**

**How does the Luxembourg social model meet the challenge of the global economic and financial crisis?**

The economic and financial crisis hit Luxembourg at the end of 2008. Unemployment rate rose from an average of 4.4% in 2008 to 6.5% in February 2010. The industrial sector is undergoing an important reorganization and short-term work is rising up. In January 2010, the Government called in the *Tripartite Coordination Committee* in order to find solutions. Several meetings are taking place until the end of April and they will be followed by changes in the legislation, notably in employment and social security policy. These discussions follow the ongoing social dialogue since 2005/2006, when the public expenditures deteriorated dramatically.

Social dialogue and the Tripartite Coordination Committee are at the heart of the Luxembourg social model from the 1970ties on. At that time, Luxembourg had to reorganize its metal and steel sector, a mono industry, and it invented the tripartite approach, which brought together the Government, trade-unions and employers to elaborate consensus. Since this method was successful, the Government institutionalized in 1977 the tripartite approach by creating a Tripartite Coordination Committee, called *Tripartite*, as a 'crisis body'. On several occasions, the Government called for consensus. For example, the first National Action Plan on Employment has been elaborated by the *Tripartite* in 1998 (implementation of the European Employment Strategy) and ratified afterwards by the Parliament.

But the *Tripartite* is not only the search for consensus. It also means *sharing the efforts that have to be done*. Each partner – the State, the representatives of the employers and the representatives of the employees – has to commit itself to make 1/3 of the efforts. In the social security system, the *Tripartite* often becomes a *Quadripartite*, which means that the representatives of the providers have to play a role in sharing the efforts. In 2005, the Government faced the deterioration of the public finances and it called in the *Tripartite*, which had to decide to cut back part of the public expenditure (implementation of the European Stability and Growth Pact), especially in the field of social security. On this occasion, it was difficult to find a consensus, because the subject of the *Tripartite* was the deterioration of public finances, which implied that social partners had to make most of the efforts. For example, trade-unions did not want to cut back unemployment benefits.

Did the global economic and financial crisis affect the *Tripartite* approach? It is difficult to answer this question for the time being, because discussions are still taking place. What is clear is that, since the beginning of the crisis, the Parliament asked for more transparency and the Government committed itself to report the discussions and the outcomes of the *Tripartite* to the Parliament.

Is the global economic and financial crisis changing the Luxembourg Welfare State, which is based on the Bismarckian system? For the last ten years, universal rights have been rising and activation measures have been implemented. Are these changes in line with the normal evolution of the

Luxembourg society? Are they related to rapid *Europeanization* of the Luxembourg social policy? Alternatively, are these changes the first signs of a new paradigm under the pressure of the global economic and financial crisis? I would like to address these issues by replacing the recent developments back into the history of the Luxembourg Welfare State since its creation in the early 20<sup>th</sup> century (ESPAnet Conference Helsinki 2008).

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