

Luxembourg

Luxembourg is a high-income country. Luxembourg's income per capita is among the highest in OECD, even when adjusted for the high number of cross-border workers. Productivity, measured as GDP per hour worked, is also among the highest in the OECD in part reflecting the dynamic services sector, notably in banking and other financial services. Luxembourg has a sizeable share of foreign and cross-border workers, with over 40% of jobs filled by non-residents. While catching up, the employment rate is still below the OECD average and hours worked are among the lowest in the OECD, despite a below-average share of part-time employment. Real median household income growth has not kept pace with GDP per capita during the post-crisis recovery.

Luxembourg is a small high-income country

LUXEMBOURG	Pre-crisis 2003-08	Post-crisis 2011-16
<i>Levels</i>		
GDP per capita**	68210 (33712)*	67285 (35776)*
GDP per hour worked**	80.5 (41.6)*	80.1 (45.6)*
Employment rate, %	63.2 (66.4)*	65.7 (66.8)*
<i>Average annual growth rate</i>		
GDP per capita	1.1 (2.8)*	0.5 (1.4)*
GDP per hour worked	0.3 (2.0)*	0.4 (1.1)*
Employment	1.6 (1.6)*	3.1 (1.0)*
Median household disposable income***		-0.3 (1.4)*

Note: * Unweighted OECD average in brackets.

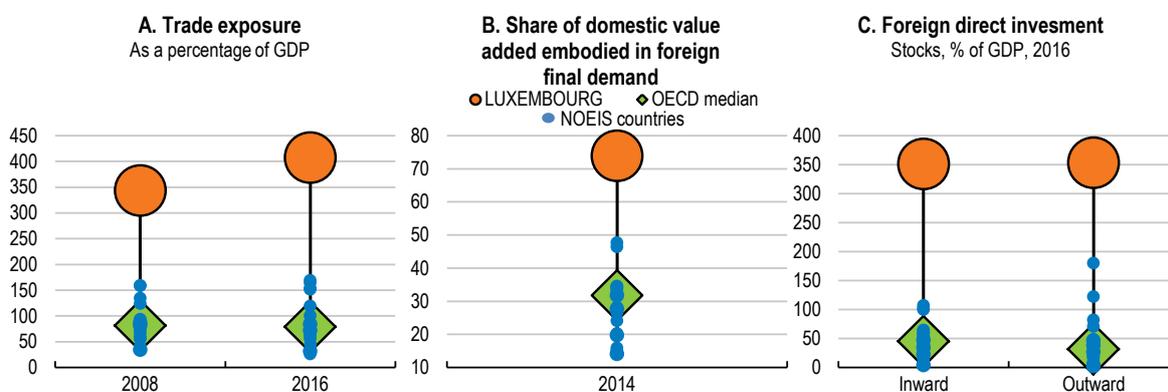
** USD, constant 2010 PPPs and constant prices.

*** Data refer to 2011-15 and are deflated by the consumer price index. 2011-14 for Luxembourg.

Source: OECD, National Accounts, Productivity, Labour Force Statistics and Income Distribution Databases.

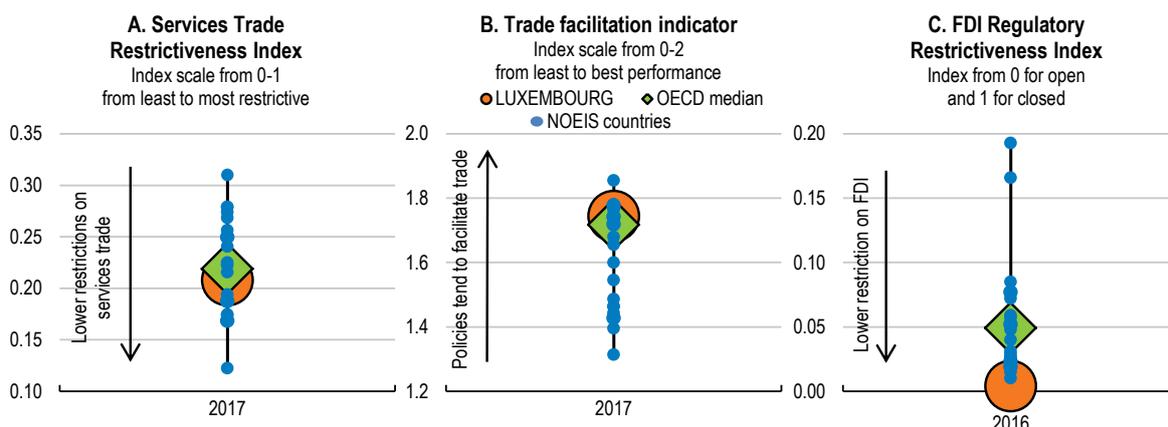
Luxembourg is the most open economy in the OECD. As a small economy, Luxembourg is highly open to trade and investment and very integrated in GVCs, with almost three-quarters of economic activity depending on foreign markets and the foreign value added in exports reaching 60% (in both cases the highest shares in the OECD). Openness is supported by policies that facilitate trade and FDI. EU common customs tariffs applied to goods imported from outside the EU are regarded as low on average. Border procedures are less burdensome than in a majority of OECD and NOIES countries. Trade in services also face lower restrictions than in other OECD countries with a lower score on the STRI than the average in 18 out of 21 sectors thanks to a favourable general regulatory framework. Legal services and air transport are the two sectors with the highest score. Services play a major role in the economy accounting for more than 80% of gross exports, value added exports, GDP and employment. Regulatory restrictions to FDI are the lowest in the OECD and, as a result of the large stock of inward investment, foreign-owned enterprises account for close to 40% of jobs in the private sector and 45% of value added produced (excluding the agriculture and finance sectors) - among the highest values in the OECD.

Luxembourg is the most open economy in the OECD



Source: Panel A: OECD, [Economic Outlook Database](#) and World Bank, [World Integrated Trade Solution](#); Panel B: OECD, [TIVA Nowcast estimates Database](#); Panel C: OECD, [Foreign Direct Investment Database](#) and UNCTAD.

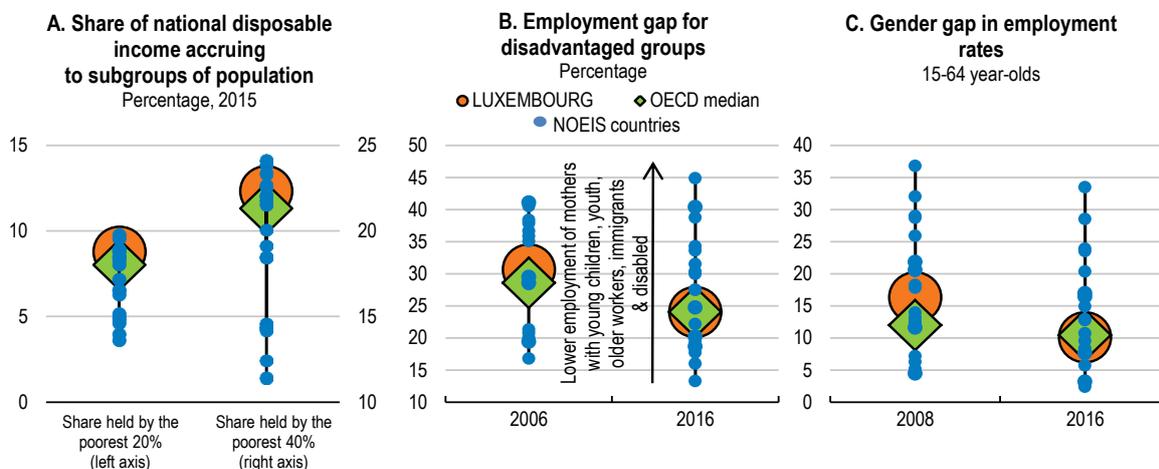
Policies support trade and investment



Source: Panel A: [OECD, Services Trade Restrictiveness Index Database](#); Panel B: OECD, [OECD, Trade Facilitation Indicators Database](#); Panel C: [OECD, FDI Regulatory Restrictiveness index database](#).

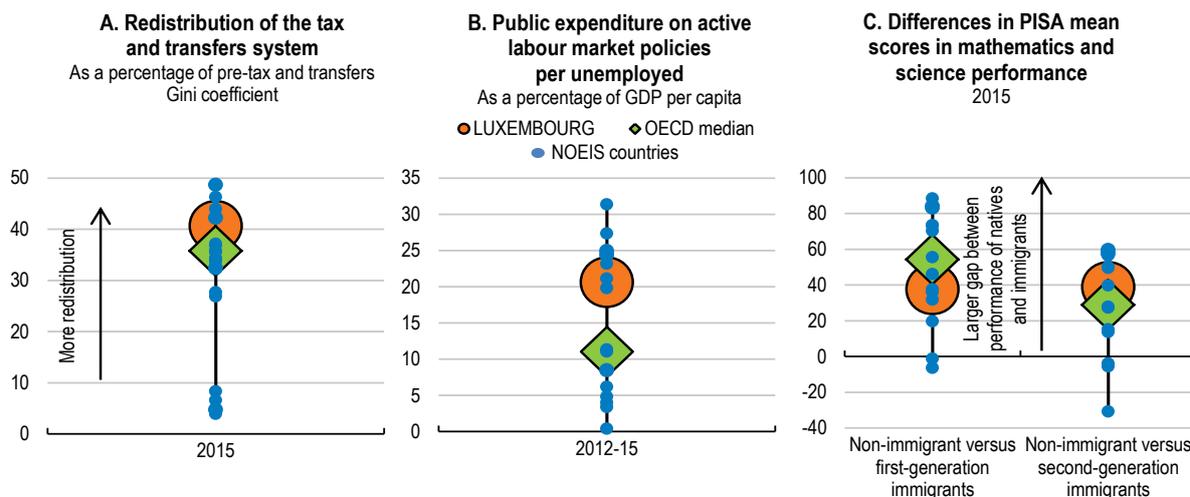
Inequality is relatively low but there is scope to boost employment among some disadvantaged groups. The share of income accruing to the poorest households is higher than in most OECD countries thanks to a highly redistributive tax and transfer system. On average, the gap between the employment rates of traditionally disadvantaged groups – such as mothers with young children, immigrants, youth or disabled or older workers - and the employment rate of prime-age males is close to the OECD median. However, labour force participation of older workers is relatively low and non-EU immigrants, who account for one-tenth of total population, have much lower employment rates than natives or EU migrants. Youth unemployment remains high and is concentrated among the low skilled. Public spending on active labour market policies is high but the share allocated to training is low. In addition, the education system faces important challenges related not only to the below-average PISA results but also in terms of providing equality of opportunities and decoupling education outcomes from students’ socio-economic background. First generation immigrants perform worse at PISA than non-migrants, though the gap is lower than in many other countries, and the performance gap persists for second generation immigrants. On the other hand, the employment of women has increased in the past decade and the gap vis-à-vis men is now slightly below the OECD average, as is the gap in hours worked. Moreover, the gender gap in earnings of full-time employees is among the lowest.

Income inequality is low but employment gaps are high



Source: Panel A: OECD, [OECD, Income Distribution Database](#) and World Bank, World Development Indicators Database; Panel B: OECD (2018), OECD Jobs Strategy Analytical Volume, forthcoming; Panel C: OECD, Labour Force Statistics Database and ILO, Key Indicators of the Labour Market.

Policies support redistribution and activation



Source: Panel A: OECD, [OECD, Income Distribution Database](#); Panel B: OECD, [OECD, Public expenditure and participants stocks on Labour Market Programmes](#) on Labour Market Programmes and [Economic Outlook Databases](#); Panel C: OECD, [PISA 2015 Results \(Volume I\): Excellence and Equity in Education](#), Annex B1.7 Results (tables): Immigrant background, student performance and students' attitudes towards science.

 METADATA ANNEX

Economic openness

- **Trade exposure** is defined as exports and imports over GDP.
- **The share of domestic value added embodied in foreign final demand** is defined as domestic value added, from industry, meeting foreign final demand, as a percentage of industry value added. It can be considered as a measure of an industry's reliance on foreign final demand. Here, the denominator is value added adjusted to be consistent with final demand (both domestic and foreign).
- **Foreign Direct Investment stocks** are defined as the total level of direct investment at a given point in time, usually the end of a quarter or of a year. The outward FDI stock is the value of the resident investors' equity in and net loans to enterprises in foreign economies. The inward FDI stock is the value of foreign investors' equity in and net loans to enterprises resident in the reporting economy. For the Netherlands, FDI stock data exclude positions to and from resident Special Purpose Entities (SPEs); SPEs are entities whose role is to facilitate the internal financing of the MNE but that have little or no physical presence in an economy. Excluding such entities from the FDI statistics provides a better measure of the FDI of the country that is having a real impact on its economy.

Trade and FDI

- **The Services Trade Restrictiveness Index (STRI)** identifies which policy measures restrict trade. It provides policy makers information and measurement tools to improve domestic policy environment, negotiate international agreements and open up international trade in services. It can also help governments identify best practice and then focus their domestic reform efforts on priority sectors and measures. The index presented is a geometric average of all sectors and takes value from 0 to 1, where 0 is completely open and 1 is completely closed.
Data are missing for Argentina and Peru.
- **Trade facilitation indicators (TFIs)** identify areas for action and enable the potential impact of reforms to be assessed and help governments to improve their border procedures, reduce trade costs, boost trade flows and reap greater benefits from international trade. The index takes values from 0-2 (least to best performance). The index presented is a simple average over 11 dimensions of the TFI.
Data are missing for Iceland.
- **The FDI regulatory Restrictiveness Index** is gauging the restrictiveness of a country's foreign direct investment rules by looking at four main types of restrictions: foreign equity restrictions, discriminatory screening or approval mechanisms, restrictions on key foreign personnel and operational restrictions. Implementation issues are not addressed and factors such as the degree of transparency or discretion in granting approvals are not taken into account. The index takes values between 0 for open and 1 for closed.

Inequality

- **The share of national disposable income held by the poorest 20% and 40%** is defined as the share of income that accrues to subgroups of population indicated by deciles or quintiles.
For the poorest 20%, data refer to 2014 for Argentina, Germany, Hungary, Luxembourg; 2012 for Japan.
- **The employment gap for disadvantaged groups** is expressed as a percentage of the benchmark group (prime-age male workers). Disadvantaged groups include mothers with young children, youth (15-19 years old) excluding those in full-time education or training, older workers (55-64 years old), non-natives and people with disabilities.
Data are missing for Colombia and Costa Rica in 2006 and for Peru in 2006 and 2016.
- **The gender gap in employment rates** is defined as the difference between employment to population ratios of men and women aged 15-64.
Data refer to 2010 and 2014 for Argentina.

Redistribution, activation and inequality of opportunities

- **The redistribution of the tax and transfers system** is measured as the difference between pre-tax and transfer and post-tax and transfers Gini coefficients, relative to the pre-tax and transfer Gini coefficient. The Gini coefficient measures the extent to which the distribution of income (or, in some cases, consumption expenditure) among individuals or households within an economy deviates from a perfectly equal distribution. The coefficient takes the value of 0 in the case of perfect equality and 100 for perfect inequality.
Data refer to 2014 for Germany, Hungary, Luxembourg and Peru; 2012 for Japan. Data are missing for Argentina and Colombia.
- **Public expenditure on active labour market policies per unemployed** are measured by all social expenditure (other than education) which is aimed at the improvement of the beneficiaries' prospect of finding gainful employment or to otherwise increase their earnings capacity. It includes spending on public employment services and administration, labour market training, special programmes for youth when in transition from school to work, labour market programmes to provide or promote employment for unemployed and other persons (excluding young and disabled persons) and special programmes for the disabled. Data are expressed as a percentage of GDP per capita. Original data can be accessed under: <http://stats.oecd.org/Index.aspx?DataSetCode=LMPEXP>. *Data are missing for Argentina, Colombia, Costa Rica and Peru. For Canada, data include federal expenditures on programmes implemented by the provinces and territories, but do not generally include the provinces' and territories' additional or complementary funding of these programmes.*
- **Differences in PISA mean scores (average of mathematics and science) between natives and first and second generations of immigrants.** PISA assesses the extent to which 15-year-old students, near the end of their compulsory education, have acquired key knowledge and skills that are essential for full participation in modern societies
Data are missing for Japan, Poland and Peru. For Argentina, data refer to the region of the capital city of Buenos Aires.
- **The variance of educational achievement** is measured as the total variance in PISA scores in reading, mathematics and science, compared to the OECD (OECD=100). The Programme for International Student Assessment (PISA) assesses the extent to which 15-year-old students, near the end of their compulsory education, have acquired key knowledge and skills that are essential for full participation in modern societies. The variance components in mathematics, sciences and reading were estimated for all students in participating countries with data on socio-economic background and study programmes. The variance in student performance is calculated as the square of the standard deviation of PISA scores in reading, mathematics and science for the sample of students used in the analysis.
For France, average of PISA scores in mathematics and reading only in 2015. For Argentina, data refer to the region of the capital city of Buenos Aires.