

# INEQUALITIES IN LUXEMBOURG

RICH COUNTRY, WITH AN  
ALARMING INCREASE OF PEOPLE  
LIVING IN POVERTY AND NEED

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# EXECUTIVE SUMMARY

## Income and Wealth

Although Luxembourg has the highest disposable income per capita in the EU, poverty has risen steadily since 2000, and at a faster rate than in any other EU member state. Without social transfers 47% of the population would fall below the poverty line but, even with income inequality at 0.30 after transfers (2016 Gini ranking), slightly below the EU average,<sup>1</sup> 21.5% of people in Luxembourg are living at risk of poverty or social exclusion,<sup>2</sup> with children and adolescents especially at risk (23.6%), as well as single-parent families. 18.7% of working people in Luxembourg are considered as working poor.<sup>3</sup> This proportion is one of the highest in EU. The working poor, mainly people aged 18-24, are increasing faster than in any other EU Member state. This generation risks being the first generation in Luxembourg's history to be worse off than the previous one.

The cost of housing is a major factor in inequality. On average, housing accounts for 36% of household budgets, a figure which rises to 42% for low-income households. The insufficient provision of social housing, currently only 5,000 units, makes Luxembourg the worst performer in the European Union and creates huge difficulties for the 40,000 households who are already below the risk-of-poverty threshold and unable to compete in the housing market.<sup>4</sup>

## Gender

In terms of gender and employment Luxembourg, with a gender pay gap of 5.4%, performs well. The record in politics is not as good: there are only 15 female deputies in the 60 seat national parliament and five women out of 17 cabinet ministers.

Single mothers provide an example of inequality at the other end of the spectrum: nearly half of all single parent families in Luxembourg live below the poverty line, above the EU average of 33%. Eight out of ten single parents are women. High rates of taxation of single parents, together with the high housing costs, push them near or below the poverty line. Being a single parent is one of the main poverty risks in Luxembourg, along with being unemployed and/or having a low level of education. 35.5% of women work in part time jobs (compared to 6.1% of men). Women also spend on average four hours a day doing unremunerated domestic work and childcare, twice as much as men.<sup>5</sup>

## WORKING POOR IN LUXEMBOURG



Source: EU-SILC

### Trafficking in human beings

Luxembourg is a destination and transit country for men, women and children subjected to trafficking for sexual exploitation and forced labour. Groups vulnerable to trafficking include migrant workers in domestic work, catering, construction, and beggars as well as unaccompanied foreign children and people working in Luxembourg's legal and illegal commercial sex industry. There is a lack of accurate and reliable data on the dimensions of trafficking but between 2013 and 2017, 65 trafficking victims were identified - 42 women, 14 men and 9 children. The appointment of the Advisory Committee on Human Rights (CCDH) as an independent national rapporteur for human trafficking is a positive development, together with the establishment of an inter-ministerial committee for coordinating anti-trafficking activities. This includes a national action plan.<sup>6</sup>

### Policy coherence for development

Luxembourg, with ODA of USD 470 million (0.98% of GNI) is one of five industrialised economies to achieve the 0.7% UN target. More than half is spent in Least Developed Countries. Luxembourg, however, besides being a generous aid donor, is also a financial centre which has attracted criticism because of its generous tax treatment of corporations and high net worth individuals from around the world. It has been described as a pass-through economy with special purpose investment entities that are mainly set up for tax reasons. Luxembourg in this way plays a part in diverting billions of dollars in tax income from developing countries which could be invested in social protection and public services like health care, education and infrastructure – essential services to reduce inequalities. Those most affected by this

situation are marginalized and low-income populations in developing countries who would benefit most from social protection programmes and public services, especially women and children, and people who are heavily dependent on the land and natural resources – such as indigenous people.<sup>7</sup>

### Recommendations

- Improve existing measures to combat poverty, including state support for childcare, a dependency insurance system focusing on older and vulnerable persons, social housing and social groceries.
- Government should work towards a better primary distribution of benefits (tax justice).
- Luxembourg authorities should put human trafficking and all forms of exploitation higher on its political agenda, drawing on the analysis and recommendations made by the national rapporteur and international bodies.
- Ratify and implement the ILO Protocol on Forced Labour.
- The Government's ongoing reassessment of its policies on sustainable development should look at issues of policy coherence for development. The Government should complete this reassessment and implement its conclusions.
- Luxembourg should be vigorous in holding Luxembourg-based companies to account for human rights violations, and be effective in protecting human rights defenders.
- Luxembourg should commit to the BEPS (base erosion and profit shifting) process and review its fiduciary practices based on equality and global impact.

## 1. Luxembourg's challenge: Rich country, with an alarming increase of people living in poverty

Poverty is increasing faster in Luxembourg than in all other EU member states. The disposable income of households per capita in Luxembourg is the highest in the EU. But the high level of inequality harms our society in many ways; they can impact social cohesion, result in lost opportunities for many and reduce social trust in institutions. Inequality is rising. Although many factors have played a role, technological innovation and financial globalisation, favouring people with specific skills and those with accumulated wealth, have been important driving forces behind rising inequality within countries. The gap between the rich and the poor is widening worldwide, also in Luxembourg.

### People at risk of poverty or social exclusion<sup>8</sup>

21.5 % of people in Luxembourg are living at risk of poverty or social exclusion. According to the figures, the risk of poverty or social exclusion does not make much difference between the sexes. 22.8 % of women and 20.3 % of men are at risk of poverty. Much more severely discriminates against the risk of old age. 23.6 % of children and adolescents under the age of 18 are at risk of poverty.

Households where children live, among them the most vulnerable are single-parent families, have a greater risk of slipping into poverty or being socially excluded (23.3%) than childless households (19%).

People with a job are much less at risk of poverty and social exclusion than people who are not in pay. 13.9 % of employees are at risk of poverty and marginalization compared with 62.3 % of the unemployed.

The risk of poverty has risen steadily since the year 2000.

STATEC (National office of statistics) sets the poverty risk threshold for 2017 as equivalent income per capita per month of 1,804 euros. Those below this limit are counted among the population group at risk of poverty (around 109,600 people altogether).

As the 'Revenu d'inclusion sociale', (below the € 1,804 REVIS), is limit, it is not enough to save people from poverty. If you quote the STATEC's two-year Budget de Référence of € 1,923 a month, which indicates how much a person needs to live decently in the Grand Duchy, that number would be even higher.

Many workers in Luxembourg do not earn their income. A resident family with a modest monthly income of less than € 3464 is worse off than in 2012.

18,7% of the working people in Luxembourg are considered as working poor.<sup>9</sup> **This proportion is one of the highest in EU. The working poor are increasing faster than in all other EU Memberstates**, mainly regarding the young age group, from 18 -24. This generation risks being the first generation in modern history to be worse off than the previous one.

## Inequality of income distribution is very high in Luxembourg

The ratio of total income received by the 20 % of the population with the highest income (the top quintile) to that received by the 20 % of the population with the lowest income (the bottom quintile) in **Luxembourg is 5.0 and higher than in the neighbour states**. The income share of the bottom 40% of the population with 20,7 % is very low with a decreasing tendency.

Housing costs in Luxembourg are the major burden, on average 36 % of the household budget is affected to housing, this increases in low-income households up to 42 %. The biggest problem, however, is still that Luxembourg has too few social housings. The people who fall below the risk-of-poverty threshold cannot compete in the first housing market. This corresponds to around 40 000 households. However, there are currently only about 5.000 social housing in the market. This puts Luxembourg at the bottom of the European Union.

The main findings: 1. Income in Luxembourg is unevenly distributed 2. Housing costs are very high 3. Increasing the risk of poverty 4. Social transfers are an effective means of combating poverty.

## Recommendations

The state has an important role to play in the fight against poverty. Without social transfers, 47 % of the population would be at the poverty line.

To improve equality, it is necessary to tackle systemic changes: There are several measures introduced by the government to combat poverty, which should improve e.g. the state supported system of child care (Maisons relais), the dependency insurance system with the focus on elderlies and deficient people, social groceries, which help poor people and the improving of the social and solidarity. Needs are in regard to improve social housing and to better the REVIS. The main point is to work for a better primary distribution of benefits (tax justice) in and by GDL.

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## 2. Gender inequality in Luxembourg

The second target of SDG 10 aims to "empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status". The following section will show that Luxembourg still has way to go to reach the social, economic and political inclusion of women.

Luxembourg is mostly described as exemplary in terms of gender equality on an international background, with for instance a quite small gender pay gap of only 5,4%.

However there still are big gender inequalities, which become very visible with a look at the national parliament with only 15 female deputies (out of 60) or at the government with only 5 women out of 17. This is a very bitter diagnosis for the year 2019, exactly 100 years after Luxembourgish women gained the right to vote. In terms of female representation, numbers even become worse comparing women and men in leading roles in the free economy. Only 19% of manager careers are held by women (the EU average lays at 34%). Even if the Ministry for equality between women and men tries to increase female representation in politics and in the economy through "positive actions", a more radical approach (fixed gender quotas by law) seems needed to change the status quo a little faster than so far.

A quite dramatic example of gender inequality in Luxemburg is the situation of single mothers. Nearly half of all single parent families in Luxembourg live below the national poverty line (EU average: 33%). Poverty risk is twice as high for single parent families than for families with two parents.

Women are disproportionally high touched by this situation. The majority of single parents are women with 8 of 10. Following the gender equality index, 47 % of lone mothers are at risk of poverty, compared to 19 % of lone fathers. Many of those women are part of the so called "working poor". They work but their salary isn't high enough to cover all their living fees.

One reason for the elevated poverty risk is the high taxation of single parents. They often pay more taxes than families with two parents.

Another reason is the high accommodation costs in Luxembourg. One fourth of single parents in Luxembourg use more than 40% of their income to pay their rent.

A study from 2017 shows, that being single parent is one of the main poverty risks in Luxembourg (besides being unemployed or having a low education level). Besides changing the taxation system, social benefits must increase for single parents in order to reduce their poverty risk. There still is also the need for flexible and free child care services, even if the situation has improved in the last years. And finally, there has to be an improvement of the system holding financially accountable the other parent (mostly the fathers).

Another subject we want to highlight in this shadow report is the big inequality in the repartition of the unpaid care work. 92% of women take care of children/educate children everyday compared to 78% of men. Concerning daily cooking and housework, 78% of women and only 39% of men are concerned. In other words: women spend in average 4 hours a day with domestic work and child care, twice as much as men.

In Luxembourg 35,5% of women work in part time jobs (only 6,1% of men). On average, women work 34 hours per week, compared to 40 hours per week for men. These numbers show, that even when considering the difference in paid working hours, women still invest more time in unpaid care work than men.

But this is not only of importance with the perspective on justice (equal division of work) but also with regard on financial security. Part time job means less salary and less retirement pension. Women not only receive much less pension, they also receive it later than men. The gender equality index states: "as age increases, the gender gaps reach their peak among women and men aged 65+. In this age bracket, men earn 49 % more compared to women".

The reason for this inequality is without doubt directly linked to the stereotypes of the gender roles distribution: childcare, caring for relatives in need and household work are still seen as mostly "female roles". Furthermore, unpaid care work still doesn't receive the recognition it deserves. To change this situation, we need awareness rising. Unpaid care work must be understood as an absolutely essential pillar of our society, which must be sustained by every member of our society in a joint effort. This awareness rising must start at early childhood (through gender-sensitive pedagogical materials and workers) but should be accompanied by media effective campaigns directed towards all members of our society.

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### 3. Trafficking in human beings is a pandemic of the 21<sup>st</sup> century, Luxembourg is not immune to trafficking, forced labour, and slavery-like practices, as highlighted in international and national reports.

Social, economic, and political inequalities increase the vulnerability of certain groups of people - notably migrant workers and refugees, and mostly women and children within these groups - to human rights abuses and crimes such as trafficking, forced labour, and slavery-like practices. Trafficking in human beings is a crime and a gross violation of human rights. It is also a business with huge illegal profits, it responds to and is driven by demand, whether for cheap goods, cheap labour, or commercialized sex. Most people involved are never identified as trafficking victims and therefore cannot access most of the assistance or protection provided.

Preventing and combating human trafficking and forced labour is in line with targets 2, 3 and 7 of SDG 10.<sup>10</sup> It requires a combined effort and many actors working together, both at national, regional and global level.

As reported over the past 5 years by the US Department of State, **Luxembourg is a destination country for men, women, and children subjected to sex trafficking and forced labour.** Victims of sex trafficking from Europe, Africa, Asia, and South America are exploited in prostitution in cabarets, private apartments, and on the streets. Forced labor occurs in various sectors, including restaurants and construction. Groups vulnerable to trafficking include migrant workers in domestic work, catering, construction, and begging, as well as unaccompanied foreign children and people in Luxembourg's legal and illegal commercial sex industry.



In its 2018 report, the **Council of Europe's Group of experts on action against trafficking in human beings** (GRETA) assessed the situation in Luxembourg as a country of destination and transit for trafficking. From 2013 to 2017, 65 cases were detected, of which 42 involved women, 14 men and 9 children. The majority of cases (42) concerned sexual exploitation, while 24 cases concerned people trafficked for forced labour. Authorities also detected four cases of forced begging and two of forced criminality. The main origin countries of victims were Romania (12), Brazil (9), Albania (8), China (4) and Moldova (3).

The report acknowledges that some progress has been made, as far as the legal framework, training and awareness-raising are concerned. The appointment, in 2014, of the Advisory committee on human rights (CCDH) as an **independent national rapporteur for human trafficking**, and the establishment of an inter-ministerial committee for coordinating anti-trafficking activities, including the national action plan, are welcome developments.

The national rapporteur (CCDH) published the first ever report on trafficking in Luxembourg in March 2017. CCDH reported a lack of accurate and reliable trafficking data and emphasized the need to coordinate and centralize data collection across the government. In its recommendations, the CCDH called inter alia for greater powers and resources for agents at the Inspection du Travail et des Mines (ITM), to proactively seek out and recognise human trafficking victims; for raising awareness about different types of trafficking among the wider public, media, hospital staff, social offices and teachers; for more rigorous detection procedures among people working with asylum seekers, and for improved staff training to better identify potential instances of trafficking.

The second biannual report by the CCDH is expected in the first semester of 2019.

In its report GRETA urges the Luxembourg authorities to take additional measures to ensure that victims of trafficking in human beings are identified as such. Greater attention should be paid to detecting trafficking victims among asylum seekers and foreign workers. GRETA also calls on the authorities to systematically refer all presumed and identified victims of trafficking to specialised assistance services, regardless of whether the victim co-operates with the police. As regards children, a clear identification procedure involving child specialists must be established, and special attention be paid to unaccompanied foreign children and children in street situations. GRETA stresses the importance of ensuring that all presumed foreign victims of trafficking are offered a recovery and reflection period, and that residence permits are issued without undue delays.

### **ILO Protocol on Forced Labour (2014)**

We would like to draw attention to the Protocol and Recommendation adopted by the ILO International Labour Conference (ILC) in June 2014. The Protocol works on three main levels - protection, prevention and compensation - it supplements the Forced Labour Convention from 1930 (No. 29) and complements existing international instruments to tackle forced labour in all its forms. Among other things, it requires employers to exercise "due diligence" to avoid forced labour in their business practices or supply chains; it requires countries to ensure the release, recovery and rehabilitation of people living in forced labour and protects them from prosecution for any offences they were forced to commit while they were in slavery.

The Protocol came into force November 2016 and to date it has been ratified by 30 countries, of which 14 EU member states. Luxembourg has not ratified it yet.<sup>11</sup>

We urge the Luxembourg government to inform on the current status of the procedure, about the reasons and possible constraints for having not ratified it yet and to announce a deadline for ratification.

## Recommendations

- Luxembourg authorities to put higher on the political agenda the prevention and fight of human trafficking and all forms of exploitation of persons, drawing on the wide sets of analysis and recommendations made by the national rapporteur and international bodies.
- A thorough review of ITM resources and processes and focus to immediately strengthen capacity to control and curtail forced labour and trafficking in human beings in Luxembourg.
- Ratify and implement the ILO Protocol on Forced Labour.

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## 4. FAIR POLITICS - Policy coherence for development

Policy coherence for development is an important mechanism to assess progress towards the targets of SDG 10 as its link to equality is inherent. Political decisions made in Luxembourg can negatively impact lives of the same populations, development cooperation tries to support.

With regard to target 10b "Encourage development assistance and investment in least developed countries", the annual report 2017 from the Direction of Development Cooperation and Humanitarian Affairs confirms that bilateral aid for least developed countries has been increased by 4%, which brings it up to 26 billion USD. This is higher than Luxembourg's commitment to the Istanbul Programme of Action to allocate at least 0,2% of GNI to these countries.

However, Luxembourg experiences policy incoherencies for development in its national and European political action, mostly pertaining to finance and tax policies, and it would be interesting to get more information about how this undermines SDG10 directly and indirectly.

Oxfam research recently highlighted that if the EU would apply to its member states its own tax haven criteria for being blacklisted, Luxembourg would be on the list with four other EU countries. Luxembourg would fail its criterion of fair taxation, by means of patent black box schemes and tax credits. Luxembourg is also one of the major pass-through economies that develop special purpose investment entities that are mainly set up for tax reasons.

In this way, Luxembourg contributes to the billions of tax income that development countries miss out on that could be invested in public services like health care, education and infrastructure – services that aim at reducing inequalities.

The groups most affected by this situation are marginalized and low-income populations in developing countries that would benefit most from social protection programmes and public services – mostly women and children – and people that rely heavily on their lands - like indigenous people.

### Example: Odebrecht

The development NGO ASTM (Action Solidarité Tiers Monde) has published a case study about the Belo Monte dam in the Brazilian Amazon Basin, which will be the third largest dam worldwide when completed this year. To make this happen, parts of the Xingu River have been diverted, affecting more than 300,000 people, either by floods or by loss of access to water.

The construction went ahead without consultation with the indigenous population of the Xingu and although, the Brazilian Government was asked to stop construction due to violations of the ILO Convention 169 as well as due to human rights and environmental concerns, construction continues to this day.

A group involved in the construction of this dam is the Odebrecht Group, which has five companies registered in Luxembourg. All of them are managed from the same office. Two of the companies have direct links to Odebrecht SA in Brazil and some Odebrecht subsidiaries in Latin America are financed through Luxembourg.

### Recent developments

The Government is currently developing a policy check for sustainable development that hopefully will include questions to assess policy coherence for development. This could prove to become a good practice. This is helped through the fact that the national sustainable development plan includes Luxembourg's global responsibility with regard to policy impact.

In 2018, Luxembourg has ratified the United Nations Declaration on the Rights of Indigenous Peoples, which includes the following article: "Indigenous peoples deprived of their means of subsistence and development are entitled to just and fair redress." (article 20.2)

Luxembourg has proposed itself as a candidate for the UN Council for Human Rights. It is to expect that the Government will follow up more closely with human rights violations by companies and has developed a national action plan.

These developments are too recent to evaluate their effectiveness

### Recommendations

- The Government should continue these developments and turn its plans into action. Luxembourg should be determined in holding Luxemburg based companies accountable for human rights violations, and being innovative about protecting human rights defenders.
- Further on, Luxembourg should be committed to the BEPS process and review its fiduciary practices based on equality and global impact. The federation of development NGOs, Cercle de Coopération, published a third assessment of policy coherence for development in 2017 and concluded that the Luxembourg government should support that country by country reporting on the business activities by multinational businesses are made public for transparency reasons.

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<sup>1</sup> <https://data.oecd.org/inequality/income-inequality.htm>

<sup>2</sup> This indicator corresponds to the sum of persons who are: at risk of poverty after social transfers, severely materially deprived or living in households with very low work intensity. Persons are counted only once even if they are affected by more than one of these phenomena.

- Persons are considered to be at risk of poverty after social transfers, if they have an equivalised disposable income below the risk-of-poverty threshold, which is set at 60 % of the national median equivalised disposable income.
- Severely materially deprived persons have living conditions severely constrained by a lack of resources, they experience at least 4 out of 9 following deprivations items: cannot afford i) to pay rent or utility bills, ii) keep home adequately warm, iii) face unexpected expenses, iv) eat meat, fish or a protein equivalent every second day, v) a week holiday away from home, vi) a car, vii) a washing machine, viii) a colour TV, or ix) a telephone.
- People living in households with very low work intensity are those aged 0-59 living in households where the adults (aged 18-59) work 20% or less of their total work potential during the past year.

<sup>3</sup> The indicator measures the share of persons who are employed and have an equivalised disposable income below the risk-of-poverty threshold, which is set at 60 % of the national median equivalised disposable income (after social transfers). For the purpose of this indicator, an individual is considered as being employed if he/she was employed for more than half of the reference year. The indicator is based on the EU-SILC (statistics on income, social inclusion and living conditions).

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<sup>8</sup> This indicator corresponds to the sum of persons who are: at risk of poverty after social transfers, severely materially deprived or living in households with very low work intensity. Persons are counted only once even if they are affected by more than one of these phenomena.

- Persons are considered to be at risk of poverty after social transfers, if they have an equivalised disposable income below the risk-of-poverty threshold, which is set at 60 % of the national median equivalised disposable income.
- Severely materially deprived persons have living conditions severely constrained by a lack of resources, they experience at least 4 out of 9 following deprivations items: cannot afford i) to pay rent or utility bills, ii) keep home adequately warm, iii) face unexpected expenses, iv) eat meat, fish or a protein equivalent every second day, v) a week holiday away from home, vi) a car, vii) a washing machine, viii) a colour TV, or ix) a telephone.
- People living in households with very low work intensity are those aged 0-59 living in households where the adults (aged 18-59) work 20% or less of their total work potential during the past year.

<sup>9</sup> The indicator measures the share of persons who are employed and have an equivalised disposable income below the risk-of-poverty threshold, which is set at 60 % of the national median equivalised disposable income (after social transfers). For the purpose of this indicator, an individual is considered as being employed if he/she was employed for more than half of the reference year. The indicator is based on the EU-SILC (statistics on income, social inclusion and living conditions).

- <sup>10</sup> **10.2** By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status  
**10.3** Ensure equal opportunity and reduce inequalities of outcome, including by eliminating discriminatory laws, policies and practices and promoting appropriate legislation, policies and action in this regard  
**10.7** Facilitate orderly, safe, regular and responsible migration and mobility of people, including through the implementation of planned and well-managed migration policies

<sup>11</sup> The Council of the EU has authorized the EU member states to ratify the ILO Forced Labour Protocol and urged them to do so “as soon as possible, preferably by 31 December 2016”, see Council Decision (EU) 2015/2071 of 10 November 2015 - <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32015D2071>), signed for the Council by Pierre Gramegna.







The European-wide project **Make Europe Sustainable for All (MESA)** is coordinated by the European Environmental Bureau (EEB) and implemented in 15 European countries by 25 partners. It aims to raise citizens', CSOs', and policy-makers' awareness on the Agenda 2030 and the Sustainable Development Goals (SDGs), adopted by the 193 Member states of the United Nations in 2015. At the core of the project are campaigns and advocacy on inequalities, sustainable agriculture, gender equality, climate change, migration and sustainable consumption and production. This report was produced as part of the **Fighting Inequalities** in Europe campaign of the project, and contributes as well as the global **Faces of Inequality** campaign, which gives social exclusion, poverty and discrimination a face.

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#SDGS4All ■ <https://makeeuropesustainableforall.org> ■ <https://makeeuropesustainableforall.org/fight-inequalities>  
<https://gcap.global/faces-of-inequality>