

Forecast 2025 

Luxembourg social dialogue looks fragile amid threat of industrial action

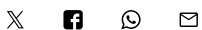
Talks between unions, employers and government on collective bargaining, absenteeism and pensions reform will come to a head over next 12 months



Luxembourg's social model, in which unions, employers and government meet to discuss the country's challenges, as here in April 2023, is key to the country's stability © Photo credit: Guy Jallay

**Duncan Roberts**

Reporter



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The so-called Luxembourg model of tripartite consensus between trade unions, employers and the government has rarely appeared to be so fragile as at the start of 2025.

Unions and the government are miles apart on the transposition of an EU directive on minimum wage, which includes a reform of the law governing collective bargaining that is supported by employer organisations.

The proposal has angered unions because they say it threatens to take away their monopoly on negotiating collective work agreements. At the end of October, they walked out of a meeting with Labour Minister Georges Mischo calling his stance on the law an attack on the Luxembourg social model.

Unions and employers have also engaged in a war of words over the rising rate of absenteeism and the government's plans to tackle the pension reform is another potential sticking point.

Luxembourg model vital for stability

One thing that both unions and employers do agree on is that the long-term stability provided by Luxembourg's model of social dialogue is essential to the prosperity and attractiveness of the Grand Duchy as a place to do business. Even ratings agencies mention that stability when handing Luxembourg its precious triple A rating.

“You just have to look at our neighbouring countries to see strikes and the streets burning”

Nora Back

President, OGBL

“It is important to acknowledge how important that model is,” OGBL president Nora Back told the *Luxembourg Times* this week. “You just have to look at our neighbouring countries to see strikes and the streets burning. We don't have that. We have significant social cohesion thanks to consultative dialogue.” However, Back added a warning: “It's not a very bright idea to start stirring that up, Mr Mischo...”

Marc Wagener, director of the UEL, Luxembourg's umbrella organisation of employer associations, agrees that the social model is important. “If you want the economy to grow, with the overall macro-economic picture being what it is, we should build even more on stability and dialogue,” he said.

But Wagener is more optimistic than Back that the social model will provide a solution to current disagreements. Last year was more of a “fact finding” phase in which all sides expressed their opinion, he said, even if some of those were what he describes as “heated”. That phase is coming to an end and needs to “cool down a little bit” before talks start again, he said.

Luxembourg's trade unions were in defiant mood at the end of 2024 and have promised to use all means within their power to get the government to meet their demands on a new collective bargaining law. That includes the threat of a general strike if necessary. That would be unprecedented in the 21st century.



OGBL president Nora Back says the Labour Minister's approach to social issues is "employee hostile" © Photo credit: Claude Piscitelli

Mischo has adopted an "employee hostile approach", said Back, who is also president of the Chamber of Employees, even arguing that the government was acting as if it wanted to crush the unions.

Her counterpart at the LCGB union, Patrick Dury, in December told a joint meeting of members from his own union and the OGBL that Mischo had adopted employers' theories as his own, "in a cynical and perverse manner". He accused Mischo of "using the pretext of modernisation... to take us back to the 19th century."

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Marc Wagener

Director, UEL

Wagener, unsurprisingly, refutes the argument that employers hold influence over current government policy, especially on collective bargaining.

"The fact that the government puts forward some ideas is not the result of some unholy alliance, which is a little bit how it has been portrayed. The government in its coalition agreement proposed a number of ideas to modernise labour legislation," he said in an interview. They just happened to coincide with several ideas that the UEL had been advocating for a number of years.

The collective bargaining draft law merely reflects reality, Mischo has said. Some 56% of workers elected to staff representations at the so-called social elections in March last year were independents not associated with a union. "We cannot ignore developments in society," he said at the time.

He is backed by the head of Luxembourg's crafts and trades association. Romain Schmit, director of the *Fédération des artisans* said earlier in January that in companies with fewer than 100 employees, which are typical in the skilled trades

sector, 77% of elected staff delegations have no trade union representation.

But Back has disputed this presentation of the numbers. “In fact, 65% of workers in the Grand Duchy are covered by a staff delegation that has union representation,” she said.

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She also concurs with Dury’s assertion that the government’s approach reflects that of the employers. “We have a government that is very close to capital, and less on the side of the workers,” she said.

Tackling rise in absenteeism

Back was at least pleased that Prime Minister Luc Frieden at the turn of the year said that his government would not change the law on sick leave. Employers had openly talked about the need to tackle the rise in absenteeism by introducing new legislation that would abolish or cut sick pay and require more checks on workers who take time off due to illness.



UEL director Marc Wagener says there needs to be discussions about easing the burden of absenteeism on employers © Photo credit: © Laurent Sturm, all

“We would oppose such a move with all our might, because it would be a catastrophic decision,” Back said. “It is a measure that doesn’t work. We have seen it imposed in other countries and it has done absolutely nothing to tackle absenteeism. It only punishes the weak and the sick. Of course there are people who abuse the system, as there will always be. So, we have to tackle that. But this move has long been on the wish list of the UEL and the Chamber of Commerce.”

For Wagener something must be done to tackle the rise in absenteeism. The rate of sick leave stood at around 4.5% in 2023. “This is costing companies around €1.2 billion directly in continued salary payments,” he said. The UEL would like to open discussions that would not leave businesses taking on the full burden of sick leave pay, and would also like to see

more resources given to the social security medical control administration so that they can carry out more frequent checks on employees claiming sick leave.

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Back says that this another example of how social dialogue in Luxembourg is currently failing. “It is chaotic,” she explains. “The government said nothing about pensions reform in its programme, then they say a few things about pensions that have us alarmed, then they row back on those and then they hold a public forum rather than have a tripartite.”

Wagener thinks, though, that a tripartite would not be productive at this stage. “I could imagine [the government] would hold individual meetings, because consulting unions and employers together on pensions is not very likely to yield an outcome that is very positive.”

OGBL

Nora Back

Georges Mischo