

# Executive summary

While the COVID-19 pandemic did not affect all countries with the same intensity, the response to the crisis was an unprecedented challenge for most. In this context, Luxembourg deployed significant human, financial and technical resources in a short period of time to manage and mitigate the consequences of the crisis. This report, which is part of the OECD's work to evaluate responses to the COVID-19 crisis, aims to understand which measures worked and which did not, for whom and why, to learn lessons from this experience and in so doing strengthen the country's future resilience.

## Factors affecting Luxembourg's response to the COVID-19 pandemic

To assess the measures adopted by Luxembourg, their implementation and results, it is important to understand structural issues in the country that could affect the performance of the policies adopted. With a population of 645 397 over 2 586 km<sup>2</sup>, the country's small size was an advantage in the management of this major crisis in that it facilitated the implementation of measures. On the other hand, the high level of openness, cultural heterogeneity and dependence on workers from abroad, corollaries of its size, have posed a significant challenge in terms of educational continuity and keeping key sectors running. The stability of the political system over the past 30 years and the country's highly centralised governance structure have also allowed the government to make decisions quickly. On the economic front, Luxembourg was able to rely on good fiscal space and a highly service-oriented economy to weather the pandemic-induced shock and the new world of remote working imposed by the lockdown.

## Emergency anticipation and preparedness in Luxembourg

Even before the COVID-19 crisis, Luxembourg had a mature risk management system. While an influenza pandemic was considered less likely than other critical risks by public authorities, they were able to deploy and adapt the government's influenza pandemic plan very quickly to respond to the emergency. Luxembourg is the only country in the region to have mobilised its crisis unit the day the first case of COVID-19 was detected in the country. Luxembourg was also able to leverage its diplomatic network to repatriate the almost 1 000 Luxembourg residents abroad and avoid travel restrictions being imposed at the borders that would have negatively affected its economy and the functioning of its health system. However, the concept of critical infrastructure used in Luxembourg, which determines which operators must have emergency response plans, should be reviewed in favour of a broader definition – one that covers all essential services.

## The management of the COVID-19 crisis

The management of complex modern crises involves multiple stakeholders other than emergency services and therefore requires significant co-ordination and steering by the government. In Luxembourg, the interministerial management of the crisis, led by the highest level of government, was particularly agile.

Similarly, the country's crisis communications, which were issued in the three official languages, benefited from strong leadership and reached a wide audience, despite some challenges around the coherence of the messages expressed. While Luxembourg stands out for the very active involvement of its parliament throughout the crisis, which adopted 30 laws on pandemic control measures, greater participation of civil society in crisis management would be desirable. Luxembourg could strengthen its system for providing scientific advice to the government and more systematically assess the impact of the measures adopted during the crisis to learn the relevant lessons.

## **The resilience of the health system to COVID-19**

While the excess mortality rate in Luxembourg was, at the start of 2022, more than 60% lower than the OECD average, the pandemic disproportionately affected people aged over 80 years and disadvantaged populations. The indirect consequences of the pandemic in Luxembourg are also worrying, in terms of delayed care and the deterioration of mental health. Considering these challenges, the mobilisation of resources and actors was remarkable and enabled new systems to be developed rapidly and health services to expand to absorb the shock of the health crisis. The effectiveness of the vaccination campaign, the mass testing policy and contact tracing efforts is undeniable. However, Luxembourg should strengthen key aspects of its preparedness to ensure its health system is more resilient to future threats. This includes strengthening information systems, improving health worker capacity and setting up a central procurement and logistics unit for essential products. Following the crisis, the health system must also be adapted to address long-term needs and mitigate the indirect effects of the pandemic by paying greater attention to risk prevention, strengthening primary care and continuing to address vaccine hesitancy.

## **The education system during the pandemic**

Luxembourg differs from other OECD member countries in terms of the low number of days that schools were closed: 48 days for primary and 34 days for secondary. On the whole, the education system was able to adapt to the upheavals caused by the crisis, allowing for good educational continuity. However, the priority given to reopening schools did not always respond to the challenges posed by the crisis, particularly in terms of preventing widening inequalities and providing better support for teachers. In this regard, the government must, for example, improve its measures to provide differentiated support to certain categories of students. Despite having a good governance framework, the crisis education policy would have benefited from better consultation with stakeholders on the ground, such as the 170 public primary schools and 41 public secondary schools, to better adapt certain measures to their needs.

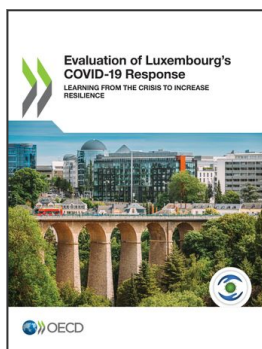
## **Emergency economic and fiscal measures**

Luxembourg's relative fiscal effort in favour of households and businesses, amounting to EUR 2.85 billion or 3.9% of GDP in 2021, is in line with that of other similar OECD member countries. This effort helped to safeguard businesses' financial situation and maintain a relatively high level of employment. Support was granted quickly and easily to companies, despite some initial hesitation. This agility allowed them to obtain this assistance quickly to protect their liquidity – a decisive factor in safeguarding their operations. The support package has covered the economic sectors most affected by the crisis and the measures appear to have preserved the financial situation of businesses in the most affected sectors. However, short-time working did not apply to self-employed people, who received a set lump-sum payment later than the others. In future, it will be important to take better account of self-employed people and consider a sliding scale of support to better target interventions. In the short term, it will also be important to monitor the sectors most affected by the crisis to ensure their resilience, including through the use of administrative and corporate balance sheet data. It will also be necessary to continue the process of digitalising administrative

processes, which has proven its worth during the crisis and which can facilitate future interventions to support businesses.

### **Social and employment policies put to the test by the crisis**

Labour market and social policies were relatively well prepared for the COVID-19 pandemic in Luxembourg. Although Luxembourg's unemployment rate rose by 1.8 percentage points in the second quarter of 2020, the impact of the crisis was relatively modest compared with the OECD average. When employees fell ill, reduced their hours or lost their income, paid sick leave, extraordinary family leave, job retention schemes and unemployment benefits were quickly brought into play. Existing schemes were also expanded and strengthened, while new measures were adopted to address emerging needs. A strong recovery allowed the labour market to tighten after the crisis. Many of those hardest hit have since recovered their livelihoods. Nevertheless, it is still possible to refine policies to ensure that, if a similar crisis occurs, assistance reaches those who need it and no one is left behind.



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