

Re-thinking approaches to labour migration

Potential and Gaps in EU Member States' Migration Infrastructures Case Study Summary — **Luxembourg**



KEY MESSAGES

- Luxembourg faces structural labour shortages in a variety of sectors and for various skill levels. Sectors affected by shortages include ICT, health (medical doctors, nurses), engineering, finance, business support and construction.
- Luxembourg relies on the 'Greater Region', other EU Member states as well as increasingly third-country nationals for its labour market. Over 74% of its labour force is made up of foreign workers (including from other EU Member States) residing inside or outside the country.
- Since attraction and retention of foreign talent are crucial for Luxembourg's economic competitiveness, labour immigration plays a significant role in the overall objectives of the government.
- Luxembourg's labour immigration system is geared more towards attracting highly-skilled talent. It utilises a labour market test to manage the entry of TCNs. A number of exemptions exist however to this general rule.
- Luxembourg has recently reformed its labour migration law to include more flexibilities and to attract TCNs.
- The government sees the EU Talent Pool initiative as part of its strategy to attract talent in the future, though private sector actors will need to rally behind the framework if and when operational.
- To be competitive globally in attracting needed talent will require a number of further efforts, such as further streamlining and digitising immigration procedures, developing better systems to facilitate skill recognition, creating financial incentives and affordable housing as well as marketing Luxembourg as a welcoming and attractive destination.

BACKGROUND AND CONTEXT

Luxembourg's migration history is characterised by a transition from being a country of emigration in the early 20th century to one of significant immigration, shaping its demographic and economic landscape profoundly.

Luxembourg is dependent on workers from outside its national borders and has a multicultural society including people from 195 nationalities. The ratio of foreigners has been on the rise for the past 70 years and today 47,4% (nearly half of the population) resident in Luxembourg does not have the Luxembourg nationality. Over 74% of its labour force is made up of foreign workers residing inside or outside the country.

The labour market in Luxembourg can be described as a labour market of the *Greater Region* rather than a national one. In the future it is expected that it will increasingly become an international labour market.

Immigrants are mainly from other European Member States and a smaller though growing number are third-country nationals. A high proportion of foreign workers are cross-border workers from other European Member States, in particular from France, Belgium and Germany. For Luxembourg's economy, attracting and retaining talent from other countries has long been an essential part for economic growth and competitiveness.

CURRENT AND FUTURE LABOUR SHORTAGES

Structural labour shortages affect a variety of sectors and industries in Luxembourg.

The ratio of vacancies over all jobs reached a historic high in 2022. Since the beginning of 2021, there has been a sharp increase in labour shortages, especially in non-financial services. Those affected by shortages include ICT, health (medical doctors, nurses), engineering, finance, business support and construction. Shortages are high in traditionally high-skilled occupations, *"such as computer engineers or legal experts as well as in certain traditionally medium- and low-skilled occupations, such as cooks, head waiters or draft workers"* (OECD 2023a; Goerens 2024). But also the crafts sector is concerned of a lack of workers and the inability of business to replace retirees. Projections show that the highest-demand occupations with the largest creation of new jobs until 2023 include business & administration

professionals, legal, social & cultural professionals as well as science and engineering professionals.

ADEM, Luxembourg's Employment agency, regularly (every half year) publishes a shortage list.¹ For professions on the list, employers will be able to hire non-EU nationals more quickly. For 2023, the most sought after profiles were credit and risk analysts, front office workers as well as customer management staff in banking. In high demand were also roofers, engineers, care workers, nurses, psychologists, educators as well as auditors and accountants.

LABOUR MIGRATION POLICY IN LUXEMBOURG

The political discourse related to labour migration in Luxembourg generally centres around European citizens, who constitute the largest group of immigrants. The country has a history of welcoming immigrants, and this attitude is supported by traditional political parties. However, concerns about the impact of labour immigration on social cohesion exists. Research has shown that officials have mixed attitudes towards economic migration. While the importance for Luxembourg's economy is recognised, they also display concerns about the impact on Luxembourgish society.

The government's immigration policy focuses overall on promoting integration, economic growth, and maintaining social cohesion. While political discussions concerning migration emphasise balancing humanitarian responsibilities, economic needs, and integration efforts to maintain social cohesion and support the country's economic framework, a strong driver of labour migration policy lies in economic factors and labour market needs.

The attraction and retention of foreign talent are crucial for filling shortages, sustaining economic growth and maintaining competitiveness. Labour immigration plays a significant role in the overall objectives of the current Luxembourgish government.

As TCNs are likely to become an increasingly important source of foreign labour in the future, Luxembourg is implementing a whole-of-government **strategy to attract and retain talent** in order to address labour market shortages. The strategy includes a number of measures regarding talent attraction such as setting up a portal (website) to

¹ For the full list for 2024 (based on 2023 data) see [ADEM List of Occupations in very high demand 2024](#).

inform about Luxembourg as a place for immigration; involvement in the envisaged EU Talent Pool, observing bilateral partnerships and projects on skills mobility at EU level, expansion of the network on work and travel agreements, digitalisation of immigration procedures, better processes for the recognition of diplomas and skills as well as a new package with financial incentives for skilled immigrants.

The legal basis for Luxembourg's labour migration policy is primarily established through a combination of national legislation and transposed European Directives. Luxembourg's **law on free movement and immigration** of 28 August 2008 has been amended several times. In 2023, the government introduced a number of changes designed to simplify the hiring of third-country nationals. These changes include the easing of some of the visa rules, reduced waiting times for obtaining a work permit for professions that are on the shortage list (as well as reduced length of the labour market test for professions not on the shortage list). The government also introduced more liberal rules regarding accompanying spouses and their access to the labour market, who now no longer need to apply for a work permit separately and can access the labour market. The latest reform shows that Luxembourg's government aims to adapt its labour immigration policies to the evolving needs of its labour market and is focusing increasingly on attracting third-country-nationals, specifically highly-skilled labour migrants and talents.

LEGAL LABOUR MIGRATION PATHWAYS

The Luxembourgish economy benefits from a large number of cross-border workers and European citizens joining the workforce. TCNs are increasing but still make a smaller share of Luxembourg's labour force. The following pathways exist for TCNs to enter and work in Luxembourg.

In general, third-country nationals have to have a work permit (based on an existing employment contract or employer sponsorship) and a long-stay visa to live and work in Luxembourg, although exceptions apply for specific occupations.

Luxembourg does not apply annual quotas for the employment of third-country nationals. Instead, the country utilises a labour market test to manage the employment of TCNs. Also here exemptions exist to this general rule.

National schemes

Salaried worker

This pathway is the main pathway for third-country nationals who want to come to Luxembourg as salaried employees and who do not qualify for the EU Blue Card for highly-skilled migrants. A labour market test applies in the form of declaring the vacant position to the National Employment Agency (ADEM), which then checks whether a suitable candidate is available on the local or EU job market. The period of validity for the first residence permit for a salaried worker is a maximum of one year and it is tied to one profession only and in one sector.

An important change was introduced with the most recent legal amendments as of September 2023. The labour market test does not apply for specific professions that are on the **list of occupations facing 'significant shortages of skilled workers'** published by ADEM on a yearly basis (Loyens & Loeff 2023). In this case the timeframe for ADEM to issue the certificate is five working days (Loyens & Loeff 2023).

In 2022, 5.605 permits for salaried workers were issued (first permits (2.538) as well as renewals). This marks an increase from the 3.698 permits in 2021, 3.765 in 2020 and 3373 in 2019. The gender ratio is fairly balanced with 3.131 male and 2.474 female. Top nationals for this labour migration pathway include Indian (361 new permits in 2022), Tunisian (185 in 2022) and Mauritian (165 in 2022). In terms of professions, salaried workers have predominantly, with 1.296 permits in 2022 worked as business administration specialists, information and communication specialists (385 permits in 2022), as specialists in technical sciences (138 permits) or skilled construction workers (125 permits) (Ministry of Foreign and European Affairs 2023).

According to research results, the permit for salaried workers is believed to be effective and recent changes are promising for attracting talent. The new list of shortage occupations should streamline the procedure. However, given widespread shortages, exemptions from the labour market test primarily reduce processing times without major impact on facilitating permits per se.

Self-employed worker

Third-country nationals can apply for a *self-employed worker* residence permit if they want to come to Luxembourg for more than 3 months to carry out self-employed work. They must provide

proof of required qualifications to carry out the planned activity and, if applicable, be registered with the relevant professional body or register. They must possess sufficient resources and proof that the activity carried out serves the interests of the country in terms of social or cultural interest or economic benefit. The residence permit for self-employed people is valid for 3 years. It is renewable on request for a new maximum period of 3 years as long as conditions are met.

The number of self-employed permits has grown during past years but remains relatively low compared to the other pathways. In 2019, 49 such permits were issued (only new permits), in 2020 only 24, in 2021, 61 and in 2022, 71 new permits (Ministry of Foreign and European Affairs 2023: 21). Interviewees noted that the low numbers may have to do with a branding issue and how the permit is named. In the future the government may change it to 'Entrepreneur' to improve its branding.

Investors

Luxembourg has introduced a residence permit for investors. Through this program, affluent individuals can substantially invest in the country and attain Luxembourgish residency, with the possibility to obtain citizenship after five years. Minimum investment of various forms applies. An important step is that they will need to have obtained an approval from the Minister of the Economy or the Minister of Finance concerning their investment. The investor scheme is not strongly utilised. Between 2008 and 2022 only six such permits were reportedly granted (5 to Chinese investors and one to an Australian investor). After 2017 no such permit has been issued. One reason for the lack of interest seems to have been the fact that real estate investment did not qualify for the scheme (Balakrishnan 2023).

Researchers

Researchers employed by or holding a hosting agreement with an approved research institute for over 3 months can apply for a temporary stay authorisation and visa. Upon arrival in Luxembourg, they must declare their arrival, undergo a medical check, and then apply for a residence permit. Only approved institutes can sign valid hosting agreements, and these can only be established after obtaining stay authorisation. Applicants need a signed hosting agreement, diplomas, and professional qualifications. The permit is valid for one year or the research project's duration and is renewable if conditions are met.

Athletes and Coaches

Luxembourg allows third-country nationals to work as athletes or instructors by applying for a temporary stay authorisation. Upon arrival, they must declare their arrival, undergo a medical check, and apply for a residence permit. They need an employment contract with an approved sports federation or club, with a salary at least equal to the social minimum wage. The residence permit is valid for one year and is renewable if renewal conditions are met.

European legal provisions

EU Blue Card (Highly-skilled employment)

The EU Blue Card is Luxembourg's only residence permit that is for workers with a specific skill level. Third-country nationals are eligible for an EU Blue Card if they possess higher education qualifications or can prove at least five years of relevant professional experience of a level comparable to higher education qualifications. They also must have a job offer for highly-qualified work.² A salary requirement of 1,5 times the amount of Luxembourg's average gross annual salary applies. For specific high-skilled professions that are in a [shortage occupation list](#), the salary requirement is only 1,2 times the average gross annual salary. Unlike the permit for salaried employees, for the EU Blue Card no labour market test is carried out.

In 2022, 1.392 such permits were issued (both new and renewal) of which 914 were newly issued EU Blue Cards. EU Blue Card holders work in business administration, as ICT specialists, managers in administrative or commercial services or as specialists in technical or social sciences, justice and culture. Top three nationalities in 2022 included India, Russia and the USA.

ICTs

Third-country nationals who wish to come and work in Luxembourg as temporary intra-corporate transferees need a temporary authorisation to stay and then a residence permit with work authorisation. These workers have an employment contract with a company abroad (that acts as transferring company), which transfers them to another entity within the same company or group of companies, either as a specialist or as a manager in order to provide specific skills. There is also a trainee track in order to acquire certain business techniques. However all permits in 2022 have been for managers/specialists. The permit is valid for 1 year for managers/ specialists and for

² Luxembourg uses the International Standard Classification of Occupations (ISCO) categorisation and ISCO level 1 and 2 qualify for the EU Blue Card.

the duration of the stay if the duration is shorter than one year. For trainees the validity is the same as the duration of the stay. The permit can be renewed but cannot in total exceed 3 years for managers/specialists and 1 year for trainees.

The EU Talent Pool and the EU Talent Partnership Framework

In general the envisaged EU Talent Pool is perceived as a tool. Yet its successful operationalisation will still require a lot of work. According to interviewees, success will depend on whether initially the proposed EU Talent Pool will be able to show positive results for the private sector. They noted that it very much depends on whether the private sector and employers see the added value and will rally behind the EU Talent Pool. Luxembourg seems to consider the proposed EU Talent Pool however as part of its strategy to attract talent in the future.

At the time of research, the government was undergoing an internal analysis regarding the approach to the EU Talent Partnership initiative as indicated by interviewees. Other than a bilateral agreement with Cape Verde, Luxembourg does not have much experience with partnerships similar to the envisaged EU Talent Partnerships.

Temporary work permit and seasonal workers

Third-country nationals who aim to work in Luxembourg for less than 90 days must apply for a work permit, next to a valid visa. For short-term workers Luxembourg applies a labour market test. Employers must declare the vacant position to the National Employment Agency (ADEM), which then checks if there are candidates available on the national or European labour market. If the job cannot be filled within 3 weeks, the employer is allowed to enter into an employment contract with the third-country subject to specific conditions. For this, similar to the permit for a salaried employee, the employer must request a certificate that allows them to hire a third-country national.

Luxembourg also has a pathway for seasonal workers after having transposed the EU Seasonal workers Directive into national legislation. The process is similar to that of obtaining a temporary work permit. Seasonal activities are clearly defined in the national legislation and the two main sectors in Luxembourg where the seasonal workforce is required are agriculture and hospitality industry (HORECA). Not many third-country nationals have

entered Luxembourg through this pathway given that Luxembourg's economy is service-oriented and does not strongly rely on sectors requiring seasonal employment. Seasonal work in Luxembourg takes place predominantly in agriculture (e.g. grape, asparagus or strawberry harvesting) and hotel industry, restaurants and catering (summer holiday months). Between 2017 and 2019 reportedly no seasonal work permits have been issued to TCNs (EMN Luxembourg, 2020).

Temporary mobility and migration schemes for youth

There are a number of possibilities for young people to work and gain experience in Luxembourg, namely through the **au pair permit**, the **volunteer workers permit** or the **trainee permit**. Various criteria apply and all need to apply for a temporary authorisation to stay before entering Luxembourg and then submit an application for a residence permit once in Luxembourg. Moreover, a **'holiday and work'** programme exists for nationals of specific countries, namely New Zealand, Canada, Taiwan, Chile, Australia and Japan. While the main focus is on cultural exploration, the government aims to expand this network in the context of talent attraction.

Bilateral labour migration agreements

Luxembourg does not have strong experience with bilateral labour migration agreements with third countries. One bilateral agreement on labour migration has existed with **Cape Verde** since 2015. It is a bilateral treaty that is part of the overall labour migration and development assistance policy with Cape Verde. Amongst other objectives, it aims to promote the movement of persons between the two countries and facilitate admission and issuance of residence permits. The broader context is one of managing migration overall, including readmission and jointly addressing irregular migration. However, there is no information available on the number of Cape Verdeans that arrived under the agreement during the past years.

Possibility of Status change

Asylum seekers do not automatically have access to the labour market but they can under certain conditions obtain a temporary work permit called Temporary Employment Authorisation which is then valid for a single occupation and a specific employer (ADEM 2024d). This AOT is valid for 6 months and can be renewed. However there is otherwise no pathway to change status.

International students may stay and work in Luxembourg after having completed their studies. They however must apply for a residence permit for the purpose of finding a job or setting up a business before the expiry date of their student residence permit. This pathway exists for higher education students who are still looking for a job. The response time for applying for the permit is usually 4 months. The residence permit is valid for 12 months. If they have found a job or start a business they can then apply for an authorisation to stay as an employee or self-employed worker.

SUGGESTIONS FOR POSSIBLE FUTURE ADAPTATIONS TO LABOUR MIGRATION POLICY AND THE USE OF EXISTING PROVISIONS

Luxembourg has been and is today an attractive destination for European and other international labour migrants (OECD 2023a). Over the past decade, Luxembourg has greatly benefited from the European labour market and the free movement of people, and this remains largely true today. However, the immigration of third-country nationals for work has increased in recent years. Larger international firms are increasingly filling positions with third-country nationals. For smaller businesses, the required paperwork and expenses for hiring a third-country national often mean that recruitment outside the EU only occurs for very specific positions.

Given the skills shortages experienced in Luxembourg's economy, it is crucial for Luxembourg to continue to focus efforts in attracting foreign talent to address the labour market's demands. Luxembourg has recently reformed its labour migration policy and introduced flexibilities for third-country nationals to join the workforce in Luxembourg. While too early to assess, these measures can help with attracting more third-country nationals to the country in sectors that increasingly require workers. Yet there are a number of other measures that can be relevant to attracting and retaining talent that Luxembourg needs to continue to consider when further strengthening its labour migration system. Many of them are already part of strategic efforts of the government and will continue to require attention over the coming years.

Consider adapting existing pathways

Most current measures are geared towards attracting highly-skilled (tertiary educated) labour migrants to Luxembourg. However, structural skill shortages also exist at lower skill-levels (e.g. in the health or construction sector and in crafts professions). The current pathways do not strongly facilitate attracting at these lower-skill levels which could be a stronger focus in the future. For instance wage requirements could be lowered for specific professions or marketing efforts directed at people with various skill levels.

Streamlining the efficiency of admission procedures

The procedures for TCNs to gain access to the Luxembourg labour market can take long and that there is room to streamline them. Luxembourg's processing time for work permits takes on average more than in most other OECD countries. Digitalisation of application and processing procedures are already part of the talent attraction and retention strategy and currently underway. They can help with reducing processing times and in increasing transparency of labour migration procedures. The process will need to ensure that data protection standards are complied with.

Collection and sharing of information

The existing inter-ministerial committee and the involvement of social partners has already contributed to better information sharing. However, more cooperation between ADEM and the private sector and the collection of more granular and qualitative feedback from employers federations on what skills (diplomas, type of workforce) are needed could help to provide information to better gear policies towards attracting the 'right' talent at various skill levels.

Improving processes of skill and qualification recognition

The procedures around skill recognition have been identified as one of the bottlenecks in the process of facilitating immigration of TCNs. The recognition of diplomas (e.g. through the national registry in the health sector) is currently strict and focused on educational qualifications. The government is exploring how to make the system more flexible and to recognise skills and diplomas that are not purely academic - especially with a focus on the health sector. Improvements in this area will be important to make Luxembourg more attractive as a destination.

Skills recognition would ideally also focus on recognising skills in lower-skilled and practically-oriented professions in which there are shortages in Luxembourg beyond those with tertiary academic education.

Better facilitating the transition of international students into Luxembourg's labour market

Luxembourg has a relatively high share of international students in the higher education system (49%) compared to other OECD countries. Measures to better facilitate their transition to employment in Luxembourg upon graduating highlighted by the OECD include, awareness raising, language training, comprehensive integration programmes for accompanying spouses, increasing opportunities to establish connections to the private sector while studying, amongst others.

Creating further incentives for TCNs to come to Luxembourg

Luxembourg can further usefully improve its "nation brand" abroad in order to increase its standing as a migration destination for highly-educated individuals. Improving Luxembourg's image is part of the government's strategy on talent attraction. The government is thus already investing in better marketing and is in the process of developing a dedicated one-stop-shop website to attract talent. A more simplified labour migration system and streamlined digitised procedures can help with marketing and communication efforts. Financial incentives are another tool to attract talent. Part of this are current living costs and housing prices which are high in Luxembourg. Affordability can be further improved for both citizens and TCNs alike.



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