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Policy Maps

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The reform of the general regime in 1993

The first reform of the French pension system was conducted by the right-wing government of Edouard Balladur in Summer 1993 and affected the general regime of private sector wage earners. It represented the implementation of measures advocated by the official reports for a decade in order to restore the financial viability of the pay-as-you-go system.

Agenda Setting

In the 1980s, pensions became an important challenge in France. A series of reports denounced the evolution of the demographic ratio and proposed plans of reforms¹. The projections showed that if the goal was to preserve a balanced pension system in 2025, it should either increase the contributions of 170% or diminish the benefits of 50% (Ruellan, 1993, p. 911-912). The reports also underlined the necessity to change the calculation formula in order to preserve the financial sustainability of the pension system. They proposed the following options: to increase the required period of contributions to obtain the right to a full pension; to change the reference wages for the calculation of the pension amount; or to change the mode of indexation². Since the mid-1980s, the successive governments and experts also diffused information campaigns about effects of population ageing, denounced the dramatic development of the dependency ratio (proportion of active people/ proportion of inactive people), and developed pessimistic projections on the future of pension schemes in France, even though the trade unions tried to defend pensions and to mobilize people. In France, pension reform is seen as one of the most politically sensible issues. Each reduction proposition results in a strong opposition of trade unions. The pension system is one of the core elements of the social security system. People consider pensions as a social right and feel they have worked and paid to obtain these generous benefits, which are financed through contributions based on wages and represent 70% of the average wages. Pension benefits are seen as a “differed wage”, and are highly supported by the French population.

Furthermore, the French pension system is highly fragmented, because each “professional category” is covered by a particular pension scheme. There are more than hundred different schemes in France and each social group aims at preserving its own advantages. This corporatist fragmentation into many distinct regimes reinforces resistance to change. Furthermore, trade unions (principally CGT, CFDT, FO, FEN, and CFTC) homogeneously defend the status quo against official initiatives that appeared to threaten pensions, and have been veritable “veto players” (Tsebelis 1995,

¹ L. Tabah, *Vieillir solidaires*, 1986, Rapport du Commissariat général du Plan, Paris, La Documentation française ; P. Schopflin, *Evaluation et sauvegarde de l'assurance vieillesse*, Ministère des Affaires sociales ; R. Teulade, *Rapport de la Commission protection sociale*, Paris, La Documentation française, 1989 ; *L'avenir des retraites*, 1990, Rapport de l'INSEE ; *Livre blanc sur les retraites. Garantir l'équité des retraites de demain*, 1991, Rapport du Commissariat général du Plan, Rapport de la mission Retraites, 1991, Mission Cottave ; B. Bruhnes, *Rapport sur les retraites*, 1992.

² These ideas are proposed in the *Livre blanc sur les retraites. Garantir l'équité des retraites de demain* of 1991, that synthesises the precedent reports.

see also Immergut 1992). These institutional features explain the slow emergence of the pension problem. This “corporatist-conservative” configuration appeared to block reform, even if certain economic events and policies have progressively contributed to opening a pathway to change.

Till the early 1990s, the successive governments preferred to postpone the implementation of the proposed reforms and continued to use traditional recipes (i.e. increasing contribution in order to finance pension schemes deficits), less dangerous politically. Between 1985 and 1991, employee pension contributions increased from 4.7% to 6.5% of the social protection system ceiling. Trade unions, reassessing the obligatory supplementary pension schemes (AGIRC and ARRCO) in 1993 and in 1994, also used the well-known method: they increased social contributions and diminished supplementary pensions by indexing the reassessment on prices instead of gross wages.

However, a political window of opportunity has opened up the pension debate. In March 1993, the legislative elections gave a strong majority to the coalition UDF-RPR (center-right wing coalition), what could facilitate the elaboration of a consensus in the Parliament and therefore the adoption of a law proposition. The reform was also proposed in a context where the financial situation of the French social protection system seemed to be catastrophic. After the legislative elections of March 1993, the Balladur government announced he would like to reform the private sector’s employees pension scheme, what is called the general regime, and concerns two-third of the French workers.

The Balladur justified the necessity of the reform by its concern for the financial viability of the pension system that had been underlined in the precedent reports. At this time, numerous discourses coming from political, state and academic circles, and relied by the media, also underlined that the welfare state system threatened the competitiveness of firms in a context of growing competition and weighed on employment. On the whole, the idea predominated that the welfare system no longer contributed to the economic growth and had to be subordinated to the requirements of the economic order. As in other social arenas, the problem of financing and the economic vision determined the treatment of the pension problem. This new formulation of the pensions’ issue was also shaped by development and discussions abroad. Indeed, pension policy is tightly connected with the more global debate on the reform of social protection that developed in the international arena at this period, notably embodied by international organisations like the IMF and the World Bank, and also influential in the European institutions.

The necessity of the reform was also legitimized by contextual economic factors. After the early 1990’s, European integration also included the adoption of the single currency and imposition of the Maastricht Criteria. During the 1980’s, one solution to the problem of financing the social protection system deficit was to increase the level of social contribution paid by employees rather than cut back on social spending. After Maastricht, French governments were obliged to control the public deficit (including the social protection deficit) as well as the inflation rate, and therefore to control the growth of social expenditure. After 1992/1993, retrenching social expenditure had to be included in the strategy of reducing public expenditure and public deficits in order to meet the Maastricht criteria. Commitment to the single currency has been highlighted in the pension reform debate and facilitate the agenda setting of the reform on the political agenda.

A second contextual element was the economic recession that arrived in France in 1993, and made the pension easier to implement. The economic crisis led to the

renunciation of old solutions, such as increases in contributions financing pension expenditure, especially because the deficit of the social protection system increased considerably. Since 1992, social protection deficits have turned into debt, that constantly augmented through the 1990s'. Furthermore, the life conditions of pensioners appeared less difficult than those of young and of unemployed people who suffered from social exclusion (Ruellan, 1993). These economic constraints occurring in the early 1990's gave new arguments to governments that appeared to "impose" changes, especially the building of the European Union.

Key actors

Even if the administrative reports proposed in the 1980s' reflects a great homogeneity in the circles of state experts, there were some cleavages between the key actors. On the one hand, most politicians and state experts stressed the necessity to control pension expenditure. They met some of the demands of the representatives of employers, who refused an augmentation of social contributions, arguing that such a measure would threaten economic competitiveness. On the other hand, trade unions and parts of the left wing refused cuts in pension benefits (Bozec, 32).

For economic circles and parts of the French right wing, the priority was given to economic considerations. The existing pension system was considered as not anymore adapted to the requirements of the economic environment. Faced with the demographic evolution, increases in contributions would be necessary to ensure the financial viability of the pay-as-you-go scheme. These actors considered this increase as an unbearable charge for the economy. To cope with this situation, they proposed to restrict or at least to control the pension expenditure of the PAYG scheme and to develop capital funded arrangements. Two main arguments were proposed to legitimate the introduction of capital funded plans: they are less vulnerable to demographic evolution than the PAYG systems, and they would let develop long-term savings, favouring the dynamism of the economy. However, these actors were especially cautious, given the attachment of the French population to the existing pension schemes and insist on the fact that these supplementary pension funds would only supplement the PAYG scheme and not replace it.

Diverse projects³ have been proposed in the 1990's for implementing pension funds in France, which were variable in their conception of the role and the shape of capital funded arrangements: there might be individual or collective plans, management could be internal or external to the firm and firmly controlled or not by the trade unions; the benefits could be in the form of life annuity of capital; the investments could be taken out in the firm's own funds or not, etc... The differences reflected the interests divergences. The industrial employers who had taken part in the creation of complementary pension systems were cautious and did not widely encourage the development of capital funded plans. The financial circles were much more interested by such plans, notably because banks and insurance companies will certainly play a decisive role in their development (Join-Lambert, 1997). Furthermore, the bankers

³ The FFSA (French federation of insurance companies) exposed its view a few days after the publication of Michel Rocard's white paper, in what was called at that time the "White paper of insurers". This project was immediately followed by the competitor's proposals: the French mutual insurance companies (GEMA for the insurers and GROUPAMA for the farmers), the AFB (French bank association) in 1993, and the provident societies in 1996. The CNPF (employer's organization, called the MEDEF today), also made suggestions on capital funded plans in 1993.

and the insurers opposed as potential competitors on the market of capital funded plans. Concerning politicians, the most liberal elements of the right wing advocated individual affiliation. Others defended a project trying to conciliate the capital funded pension scheme with traditional elements of French social protection: they called for collective plans targeting all salaried workers (and not only high-income persons) and whose management would involve social partners.

Trade unions and parts of the left wing were opposed to any reduction of benefits and argued that new resources could be found and did not exclude the resort to an increase in contributions. They especially called for the extension of the financing means of the system through taxation on the profits of companies and on capital. These actors refused the development of capital funded pension schemes for ideological as well as strategic reasons. Contrary to official positions, these actors refused to consider any complementarities between pay-as-you-go systems and capital funded arrangements, arguing that the development of this kind of pension plans would threaten the financing of the existing schemes. Indeed, to encourage this development, financial incentives such as exemptions from social contributions are considered, which tends to affect the resources of the PAYG pension system. Furthermore, trade unions did not want to leave in the hands of economic actors a sector traditionally managed by social partners. They presented the extension of capital funded plans as tending toward a 'privatisation' of the French pension system. Trade unions were also interested in preserving their role within the pension system. Therefore, they focused on the distinction between non-contributory pension expenditure – which should be tax-financed – and contributory pensions benefits. The separate financing of these two kinds of expenditure would first constitute a form of response to the financing problem of the pension system. In addition, by ensuring the pure insurance character of the main pension scheme, it would reinforce the legitimacy of trade unions to intervene in the administration of the system.

In sum, trade unions have two different stakes regarding pension issues (Bonoli, Palier, 1998). On the one hand, as the representatives of salaried workers, they are supposed to protect their interest, which generally results in the refusal of any cuts in pension provision. On the other hand, they need to preserve their managing role within the system, which also explains why they advocate the upholding of existing arrangements and refuse the development of capital funded plans that they are not certain to be able to control.

Institutional Setting

The French pension system is highly fragmented, because each professional category is covered by a particular pension scheme. Despite a movement towards greater harmonisation of regimes in the 1970s, there are still more than hundred different schemes. Almost all the French population is covered but this generalisation has been achieved by juxtaposition and addition of particular schemes. Besides the general regime, which covers two third of the working population, there are numerous autonomous regimes, which concern civil servants and public sector's employees. Workers who benefit from a specific regime, are especially attached to it, insofar as it proposes more generous benefits. Furthermore, the politics of pension reform are marked by the presence of a "veto group" represented by trade unions, whose demands are supported by the attachment of the French population to existing

arrangements. Therefore, a reform of the PAYG system is viewed as highly politically risky. Michel Rocard, the Prime Minister that commanded the White Paper had said that a pension reform might lead several governments to resignation. Therefore, as long as it was possible, successive governments preferred to increase the contribution rate. It was usually more accepted by public opinion that prefers to pay a little more than see pension benefits cut back.

These specific institutional constraints also explain why the Balladur government chose to restrict its pension reform to the private sector's employees, and does not extend its decision to the public sector's employees pension scheme, where the trade unions are stronger and better prepared to resist.

The government's way was also blocked with regard to the issue of capital funded plans. The pension policy community remained closed to the advocates of these plans. That is why the projects of these actors were situated at the periphery of the pension reform process, which remained circumscribed by the traditional French conception of pension. The debate over capital funded plans took place through parliamentary initiatives, supported by the economic actors concerned but not yet by governments. As the executive pathway was blocked, the parliamentary pathway was thus chosen by those who wished to defend pension funds.

Three parliamentary proposals were made, coming from right-wing politicians (the RPR MP Philippe Marini to the Senate in March, 1993, the UDF MPs Charles Millon and Jean Pierre Thomas to the National Assembly in November, 1993, the CDS MP Jacques Barrot to the National Assembly in March, 1994).

Reform Process

Between April and June 1993 the government met the social partners and explained its project. The government tried to obtain the support of CFDT and the neutrality of other trade unions (Bonoli, 1997). The reform proposed to reduce benefits but was limited to the private sector's employees (*régime général*) and didn't concern the civil servants (*régimes spéciaux*), although their pension schemes were more generous (but where the trade unions are more present and the employees better prepared to resist).

The 1993 general elections gave a substantial majority to the right-wing government of Edouard Balladur, but still in cohabitation with the President, the socialist François Mitterrand. The perspective of presidential elections in 1995, and the decision of Edouard Balladur to run for President also meant he must avoid the blame of the French population for the pension reform. Consequently, the Balladur government has been extremely cautious when it proposed the reform, it sought for negotiations with social partners and tried to limit the public exposure of its pension reform.

The reform was made possible thanks to the elaboration of a careful reform package, which included both cuts in pension provision and concessions to trade unions with regard to their role on the management of the pension system (Bonoli, 1997).

Throughout April and May 1993, negotiations developed between officials at the Ministry of Social Affairs, the employers' association and trade unions. The preparation of the reform included important concession to trade unions.

In order to convince trade unions and to reach a consensus, the government proposed another reform, which separated the expenses linked to social insurance and the ones linked to social assistance. A "*Fonds de solidarité vieillesse*" (FSV) was created and financed non-contributory benefits for retirees who had made insufficient

contributions to the system during their working lives (*'minimum vieillesse'*, means-tested benefits). FSV is financed by 1.3% of increase in the rate of CSG (*Contribution sociale généralisée*) adopted in June 1993. These benefits represented no longer the financial liability of the social insurance budget. The creation of FSV was a response to one of the main demands of trade unions, who argued that the state should pay for the non-contributory benefits. Indeed, the creation of the FSV corresponded to an important demand of trade unions that developed since the 1980s'. The creation of a special scheme for the non-contributory benefits represented a recognition of the insurance character of the main scheme and of the managerial role played by the unions.

Although the change of the calculation formula was accepted only by CNPF (employers' organization) and CFDT and CFTC, the creation of FSV was supported by all the confederations, except CGT (Bonoli, 1997). After this negotiation, the government carried out this reform, announced in August 1993, during the holiday period. Only CGT and FO officially protested against this reform, without organizing any demonstration of employees.

The reform has also been favored by a change in features of the labor movement since the 1980's. Parallel to the radicalization of FO⁴, the CFDT had moved towards more "reformist" positions. This trade union had decided to adopt new views on social protection, based on a concern for the control of costs. This move made the CFDT closer to governmental options and to some positions of the employers' association. On the basis of these new orientations, the CFDT progressively took over as the head of the social security funds. FO lost all its important positions to the benefit of the CFDT, which made alliances with the employers' representatives. In 1993, the CFDT headed the CNAVTS when the Balladur government launched its pension reform. While the CFDT did not support officially the reform, it did not criticize it as the CGT and FO did. It is probable that the change in the position of at least one of the main trade unions is one of the most important political conditions for policy changes in a "corporatist-conservative" social insurance system (Palier, 1999).

Reform Elements

The reform of 1993 had two main elements. First, it changed the calculation formula and the way of indexation. Since this reform, the level of pension is calculated in reference to the wages of the best 25 years (before it was the best 10 years). To receive a full pension (50% of the reference wage under the ceiling of the social protection system fixed to 2 352 € the 1 January 2002), employees need to have contributed during 40 years, instead of 37.5 years before the reform. The measure is progressively carried out and the process will be achieved in 2004. Furthermore, the indexation of pensions is no longer based on primary wages but on prices' evolution. This proposition was adopted in 1993 for 5 years, but has been extended by the Jospin Government. This reform stressed the link between contributions and benefits, like all reforms of social protection introduced in Bismarckian countries, and induced a reduction in the replacement rate of pensions under the general regime (from 50 per cent to 33 per cent of the reference salary, Babeau 1997).

Second, the Veil law of July, 1993, created a "Fonds de Solidarité Vieillesse" (Old age solidarity fund), for financing those pensions not based on contributions. The idea

⁴Since a change in the leadership of the union at the end of the 1980's.

of distinguishing between insurance and solidarity expenses organizationally and in terms of accounts was not new. Whilst it did not form part of the proposals advanced by the White Paper of 1991, it was present in other previous official reports. It even led to a bill presented by René Teulade (the Social affairs Minister of the former socialist government) and voted at the first reading by the National Assembly. After the general elections of March 1993, the new right-wing government again took the idea and designed a new bill. Three kinds of expenses, which have nothing to do with professional activity and which had been however endured by wage earners through social contributions up until the passage of the law, were transferred to the new fund: the benefits that make up the minimal old age pension, the additional pensions due to dependents (children and spouse), and the benefits that are based on the validation of inactivity periods (military service and unemployment periods). The resources of the FSV derive from the generalized social contribution ("Contribution Sociale généralisée", known as CSG, that is, a tax levied on all kinds of revenues and applied to the whole population), and from other diverse taxes.

Reform Assessment

None of these measures represent an innovation: they had been proposed in the previous official reports. What is noteworthy about the 1993 reform is the lack of public debate in the policy process. The reform definitely favored a reduction of benefits compared with the alternative solution, i.e. to increase the resources dedicated to pension expenses. It is not certain that the meaning of this reform was clearly noticed by the French population at that time, insofar as the public exposure of the reform in the media and in the population was limited. The place of the Parliament came to very little even if the text adopted is of legislative nature, and neither the government nor trade union actors tried to reinforce the social visibility of the reform. The government used a strategy of "blame avoidance" based on the resort to technical solutions, which were not really visible for the public, and meant that the details of the reform remained largely unknown. Furthermore, the reform occurred in the summer, at a time where the majority of the French population is on holiday. However, the reform implied a major break with the past. Some projections show that the basic private employees' pension scheme would in 20 years guarantee only 33% of the last wages, compared to 50% today. With the extension to 40 years of the period of contribution, many employees would have to work after 60, which does not correspond to the possibilities of the labor market. The reform therefore has the consequence of diminishing the level of pensions (Babeau, 1997). Less pessimistic, the *Conseil d'orientation des retraites*, created in 2000 in order to consult the social partners and to prepare the next reform, declared in its report of December 2001 that the rate of replacement will pass from 78% to 64% in 2040 (COR, 2002). In comparison, the way of calculation of public pensions remained unchanged: public sector employees still have to contribute 37.5 years to be entitled to a full pension. This one is calculated in reference to the six last months of wages in the career, when

the wage is generally the highest. The public pension schemes provide 75% of the salary. Consequently, it appeared as necessary to extend these new rules to the public sector's employees, as the Juppé's government tried to do it two years later. The establishment of the FSV was also perceived as an important change, insofar as it dissociated insurance and solidarity benefits (Charpentier, 1997). The French pension system is now divided between an insurance scheme financed by wage contributions and a tax-financed scheme based on the principle of solidarity.

The Juppé plan of 1995: the failure of the reform of special regimes

After the reform of 1993, the issue of the particular conditions provided by the "special regimes" to civil servants and public sector employees, while private sector wage earners had to cope with the changes introduced by the Balladur's reform, became central in public debates. The reform had reinforced the differences between public and private sector, and the media often gave the image of a "deep gulf" between both sectors, publishing many dossiers about the advantages enjoyed by civil servants and public sector workers.

In a plan presented to the Parliament on 15. November 1995, Alain Juppé announced the reform of the specific regimes. He wishes to extend the rules for calculating pensions from the private systems to the public ones, and especially to increase the contribution period for a full pension from 37.5 to 40 years. Equity and financial reasons were put forward by the Juppé government. Alain Juppé thought he had enough political support of its right wing majority to prepare his social security reform in secret, without any negotiation with the social partners. He feared the negative effects of a pre-negotiation of the social reform package.

Reaction of trade unions came quickly. On November 23, public sector's employees decided to go on strike (SNCF, RATP...). Massive strikes developed until December 22, 1995, and this social protest became one of the biggest France had ever seen. Given the extent of the strikes, which were also focused on the plan to restructure SNCF, the government withdrew its pension reform plan.

One of the main factors that explain the failure of the 1995 reform is the government's approach. Contrary to Balladur, the Juppé's government enjoyed a favourable political situation. Alain Juppé became Prime Minister after the election of Jacques Chirac in May, 1995. Both of them belonged to the same party and could also rely on a substantial majority in the parliament. Moreover, the next important national election was scheduled in 1998, and they did not face with the same exigency of blame avoidance. Given its position of force, the government chose a confrontational approach, while the former reform was based on a pattern of cooperation. This choice was illustrated by the content of the Plan. While Balladur tried to sweeten pension retrenchments with concessions to the trade unions, the Juppé's government combined cuts with an attack on the trade unions' role within the system, and tended to reinforce the control of the state over the social protection system. This confrontational approach had pushed trade unions to show their power of veto players. Indeed, trade unions were more deeply implanted in the public sector and could rely the implication of the civil servants and other public sector employees, who did not hesitate to go on strike during a long period of time, in order to preserve their pension rights.

The recent debates (1997-2003)

In 1997, Lionel Jospin succeeded to Alain Juppé as Prime minister. Lionel Jospin learnt from Alain Juppé's failure and did not attempt any major pension reform but rather prepared the ground for the future pension reform.

In 1999, the Prime minister asked the *Commissariat au plan* to consider possible reforms of pensions. The Charpin Report was presented to the Prime minister on 29 April 1999 (Charpin, 1999). It proposed the same kind of analysis as the reports published in the 1990s. It showed that the percentage of the old age French population would rise after 2006, when the baby boom generation will retire. If actual trends continue (low fertility rate, low immigration rate, decrease of the mortality rate), one French in three would be older than 60 in 2040; the dependency ratio (population of retirees/active population) would pass from four retirees to ten working people to seven retirees for ten workers. Without any measure of reform, the future of pension scheme financed by repartition would be menaced in 2010. The report proposed to reform again the private pension scheme, by extending the period of contribution necessary to obtain a full pension to 42.5 years. It also proposed to align the future of public employees (and associates) with those of the private sector. Nevertheless, this report did not generate a consensus amongst all key players. While CFDT approved the report, and CNPF went on better calling for the years of contribution to increase to 45 years, the other trade unions were opposed to its orientations.

Another series of reports has been published in the following months, with much contrasted opinions, contrary to the relative consensus of experts in the late 1980s. For example, a report by the Copernic Foundation⁵ was published several months after the Charpin report and criticized the idea of a demographic shock threatening the pension system (Khalifa, 1999). According to the Charpin Report, the problem is that expenditure would increase from 12 per cent of GDP in 2000 to 16 per cent in 2040. Nevertheless, the level of pensions doubled in the last fifty years without any difficulty. The Copernic Foundation also contested the view that any increase in pension contributions was impossible, because they could be partly financed by future productivity gains, and because increased contributions could save the PAYG pension system. This report underlined that the ageing of the population also implied a decrease in the number of children and young people, and maybe the unemployed, and hence the reduction of the corresponding social spending. It would be possible to use these future savings to finance the pensions without diminishing their generosity (Fondation Copernic, 2001).

Faced with these opposed positions, the Prime minister preferred to ask for further expertise, rather than closing the discussion. In September 1999, Dominique Taddéi published a study entitled "*Retraites choisies et progressives*" for the *Conseil d'analyse économique*⁶, which underlined the contradiction between the raising period of contributions required to be entitled to a full pension and the early retirement's practices. Effective retirement age in France is not 60 years but 57 years, and people enter late in the labor market. In these conditions, extending the contribution length

⁵ Foundation created in October 1998, composed of academic teachers opposed to neoliberalism and of unionists who were opposed to the Juppé plan.

⁶ Group of economists close to the Prime minister.

means the incapacity for many to work the number of years required to get a full pension. Dominique Taddéi suggested introducing a progressive transition from full activity to retirement, with a combination of revenue from employment with retirement income, and the possibility to retire 'à la carte'.

A few months later, René Teulade wrote a report for the *Conseil économique et social*. This report reflected the point of view of the Council (especially among trade unionists), stressed the uncertainty of demographic projections in a perspective of 40 years, and restricted to a perspective of five years. The report also criticized the proposal to increase the contribution length in a context of high unemployment and of low activity rates among workers over 50. Unlike the Charpin report, this report proposed to raise the level of pensions by changing the way of indexation for private employees' pensions again, and by taking more account of periods outside formal employment when calculating pension rights (unemployment, training, education, children...). The report did not agree to align the period of contribution of the special regimes to the general regime, and recommended to change the period of contribution required to obtain a full pension in the private sector employees' schemes back from 40 years to 37.5 years. To guarantee the financial sustainability of PAYG pensions, the report suggested increasing the reserve fund (*fonds de réserve*) and the state's role in financing non-contributory related pension rights. The Teulade Report like the Taddéi Report favored an economic approach over a demographic and a financial one, highlighting that the real solution was linked to the economic growth and to the raise of the employment rate amongst older workers.

The question of pensions created an important debate, which worried the French people about their future pension. Opinion surveys multiplied in 1999. The opinion polls underlined that the French people seemed to be convinced that the PAYG pension system would not be able to guarantee sufficient pensions in the future. So, the necessity of a new reform seemed to be accepted. 72% of 952 interviewed people by the medium IFOP for the Newspaper "*Notre temps*" in April 1999 thought that it was urgent to reform the pension system (Palier, Bonoli, 2000).

Nevertheless, Lionel Jospin preferred to wait until after the elections in 2002 before reaching any major decision. However, some of his announcements indicated that his future reforms will preserve the PAYG pension system by extending the contributory period required before gaining the right to a full pension. According to this goal, the government created a reserve fund under the "*loi de financement de la Sécurité sociale*" (voted in 1998). The law was implemented in 1999 with a first donation of 304.9 million euros. The reserve fund will be supplemented with future surpluses in the social regimes (CNAV, FSV and Contribution sociale de solidarité des sociétés), half of all earnings from social deductions paid in inheritance income and with any exceptional revenue. For example, it is expected that profits from the sale of the third generation mobile telephone licenses will be paid into the reserve fund. In 2001, there was 3.049 billion euros in the fund. According to the Jospin Government, the fund should be abounded of 4.5 billion € every year, and would amount to around 152 billion € in 2020. Between 2020 and 2040, this reserve would be gradually reversed to the general regime and other affiliated regimes (commercial artisans, agricultural workers...), and will pay for half of the foreseen financial needs (COR, 2002). However, after 2001, no more money has been put into the reserve fund.

Lionel Jospin also announced he wanted to reform the public pension scheme. He proposed guaranteeing public sector employees' pensions under a pact that, first, progressively lengthened the contributory period required for a full pension to forty years and, second, reorganized regime management by compensating for more laborious jobs and by integrating bonus earnings into public servants' pension rights. After this announcement, the public service trade unions mobilized in opposition to Jospin and blocked the possibility of reforms.

The discourses of the Prime minister, as well as the propositions of the main public institutions, based their solutions on the increase in the length of contribution required for the right to a full pension. Nevertheless Lionel Jospin had not found common ground for a compromise that would allow him to undertake a reform. Employers were also confronted with mobilization of trade unions when they tried to impose an extension of the length of contribution required for complementary pensions. As part of a new negotiated social pact, MEDEF tried to change the rules for calculating complementary pensions in the AGIRC and ARRCO regimes. The employers' organization wished to impose an extension of the period of contribution to 45 years. In order to impose its point of view, MEDEF asked its members to stop paying contributions to ASF⁷. However, the propositions, which resembled blackmail by MEDEF caused virulent opposition of the trade unions. On January 25, 2001, more than 300 000 persons went on strike against MEDEF. MEDEF negotiated an agreement with CFDT, CGT, and CFTC, that froze contribution rates to AGIRC and ARRCO until December 31, 2002, and brought the two complementary regimes more into line with each others. The agreement also envisioned a global reform of pension schemes, including all the schemes, public and private.

Despite the new instruments (the reserve fund), and the new slogans (raising the rate of employment), the recipes for preserving the future of PAYG pensions always seem to include an extension of the period of contribution, which means either an increase in the effective age of retirement or a decrease in the amount of pensions. As the actual trend is not an increase in the time spent at work, we could foresee a progressive diminution in the level of public PAYG pensions. So there is a place to develop facultative supplementary pension schemes financed by capitalization. The development of saving schemes for old age is one of the most recent and new trends in France, although it is a general trend in industrialized countries.

Towards development of pension savings funds

Although capitalization seemed to be taboo for many actors of social protection in the 1970s (especially trade unions and left-wing parties), more and more political and unionist representatives seem today ready to introduce an element of capitalization. They agree to a development of pension funds insofar as it would help to support PAYG pensions (and not replace them). This is nevertheless an important change, when one remembers the debates that opposed the defenders of the repartition to those of the capitalization. There is nowadays a consensus about the general framing of these discussions: the debate concerns more the implementation than the principle itself. There is also an agreement on a terminology 'pension savings funds' (*épargne*

⁷ This tax was created in 1983 in order to finance the retirement at 60 years for the supplementary schemes.

retraite), which replaces the term of pension funds, too polemic and associated with big American or British pension funds.

A first attempt was made by the Juppé government in the mid-1990s, which proposed to implement a capital-funded supplementary scheme, in order to maintain an equal level of replacement of the income that has been decreased by the 1993's reform. In 1997, the Juppé government introduced non-obligatory private savings schemes for old age for the private sector's employees. A law, adopted the 25 March 1997, launched this new system of pension savings funds for 14.5 million employees. These schemes should be financed by the employees and occasionally by the employers and would be encouraged thanks to fiscal and social incentives.

This law could only be applied after the publication of decrees that would define the conditions of implementation. These decrees should have been published in June 1997. However, the dissolution of the Parliament and the arrival of a new majority have disrupted the process. The new Prime Minister, Lionel Jospin, was opposed to this law, because he was afraid that it would menace the public pension scheme. Indeed, the money given by the employers would be partly exempted from social charges, so the employers could propose to pay a part of wages in pension funds and menace the public system financed by social contributions. The Jospin Government blocked the decrees in 1997 and repealed the bill in 2001. The change of majority blocked the introduction of a legal organization of pension savings funds, but did not stop the debate about pension funds.

Furthermore, banks and insurance companies as well as MEDEF promote the advantages of capital-funded supplementary pension schemes. Insurance companies and employers' organizations wished to develop pension funds several years ago. One of the spokesmen of pension funds lobbies, Denis Kessler became the chairman of *Fédération Française des Assurances (FFA)*, and formerly number two of MEDEF, and promoted the advantages of developing pension funds, in order to develop French and European financial markets and therefore the capacities to finance enterprises and to develop investments.

The right wing political parties, which voted the Thomas law, also agreed to the development of pension funds for the same economic reasons, to which they added a sovereignty argument. Since July 14, 1999, Jacques Chirac criticized Jospin's Government and defended the introduction of pension funds. Beyond the interests of businesses, there is a national interest of France, faced with the power of foreign investments (American and British pension funds): "We have to make a system of pension funds [...] so that the pensioners and the French workers become again the property of their company."⁸ As he was reelected on April 2002, and beneficiates from the support of a strong right wing majority, Jacques Chirac could decide to implement this purpose. However, this plan is today delayed, because of the difficulties of the stock exchange on one hand, and on another hand because of the budgetary difficulties inherent to the Government, that did not let him encourage pension funds development through tax incentives.

⁸ Intervention of the French President the 14th July 1999.

The members of the social-democratic party as well as the trade unions' representatives are also becoming less reticent to the introduction of pension funds, but they more justify this evolution by anti-American arguments than by economic arguments. They underline the necessity to develop French pension funds to reinforce the power of the French companies face to the international competition. Nicole Notat, Chairman of CFDT, repeated the argument stressed by the right wing political party: "The European and French employees should ask themselves if they would continue to let American pension funds have the monopoly of intervention in capital of French and European enterprises⁹."

A second argument comes from the left representatives: some saving schemes for old age managed by trade unions would become a way to reinforce their power of negotiation in industrial relations and would justify the implementation of pension funds in France. In a report by Michel Sapin for the Socialist Party on savings schemes and the rights of workers (2000), this argument is refined: "For us, it is a way for the opinion of workers to penetrate the firm that is different to the 'pension fund shareholder' method or those of management". For some on the Left and for certain trade unionists, pension savings funds, managed collectively by workers, constitute a way for them to strength their control and decision-making power in the firm, thereby justifying the establishment of pension funds in France.

Today, a majority of the protagonists and a majority of French people (two third of them in the opinion polls) think that the future of pensions will be a combination of PAYG pensions and capital-funded supplementary schemes. In 2001, FO and the Communist Party are still extremely opposed to this plan. CGT is opposed to this project too, but its position is less extreme. Other main trade unions, CFDT, CFTC and CFE-CGC agreed, but under the condition they would take part to the management of these pension savings funds.

This idea also seems to have the support of most French people. Between November 1996 and December 1999, numerous surveys showed that a majority of those questioned (between 43 per cent and 80 per cent, nearly two-third on average) favored the creation of a pension savings regime that complemented PAYG pensions (Palier, Bonoli 2000).

There is not yet a consensus among the players in the pension reform debate about the characteristics of these saving schemes (Should they be compulsory or voluntary? How should they be financed? Who manages them? Should they offer withdrawals through annuities or as a capital lump sum?). However, a first step has been made: the introduction of the logic of capitalization in France.

Beyond the debate, some elements show that France is developing progressively these saving schemes for old age. Some professional groups have chosen to create voluntary supplementary pensions that are funded schemes (See above). Besides, French people become aware of the diminution of the pensions and the share of their savings allocated to old age increased during the 1990s. In 1986, 31% of the households had these kinds of savings, but they are 46.6% in 2000 (INSEE, 1999, p. 294).

⁹ Libération, 14 september 1999, p. 15.

The French population already responds to the diminution of the future pensions. The savings rate in pension products grew steadily throughout the 1990s even though purchasing power did not change. Today, nearly one household in two saves for their retirement. Strictly defined pension savings (the institutional forms of which are poorly developed, as we have seen) are used by 20 per cent of households aged between forty and fifty years. In the case of those in liberal profession, the rate rises to 31 per cent. It is nearly 24 per cent for agricultural workers and commercial artisans and nearly 20 per cent of managers (INSEE, 1999, p. 294). For want of proper pension funds, life insurance is the substitute most used by households to prepare for retirement. This product provides a reasonably good return on capital (the return was 5.4 per cent in 1999) and has tax exemption. Investment in life insurance plans has steadily increased through the 1990s: “In 1997, life insurance represented 18 per cent of total investment, compared with less than 5 per cent ten years earlier” (INSEE, 2001, p. 147). More generally, “the role of financial products (bank savings, stocks and shares, life insurance, etc.) has increased over the last 20 years and represents today half of the wealth of individuals, taken that regional variations have diminished continuously during the period (3,5 per cent in 1997) (INSEE, 1999, p. 279).

Even if the current government seems to be postponing its project concerning the development of pension savings fund “a la française”, such savings are developing independently because individuals anticipate that PAYG pensions will fall. The main question today is whether the future funded pension system, which will receive contributions from the state and employers, will be compulsory or optional. It does not concern the development of private pension savings, which is already well underway in French households. In this, France is merely following the same path as other developed countries.

From early exit to active ageing: the Pension Steering Committee

As already mentioned, in order to prepare the ground for the next pension reform, Lionel Jospin created the Pension Steering Committee (*Conseil d'orientation des retraites, COR*) in April 2000. On May 2000, a decree introduced officially the committee, as a permanent structure of consultation, composed of parliamentary representatives, employers and employees' representatives and experts. This decision implemented the proposition of the Charpin and Teulade Reports to develop a process of consultation, which would include most of the actors involved in the pension debate, and would accompany the adaptation of pension regimes in the long run. However, the committee does not participate to the decision making process, and its function is limited to make some recommendations or reforms proposals.

The members of the Pension Steering Committee meet every month, and there are also working groups which are studying the following topics: age and work, diversity and inequalities beyond retirement; financial sustainability of the PAYG pension system.

Every two years, the Pension Steering Committee has to present to the Prime Minister a report, which contains three main issues:

- to describe the financial situation of the different regimes according to economic, social and demographic evolutions;

- to appreciate the required conditions to guarantee the financial sustainability of the pension system in the long run; and
- to keep watch over the cohesion of the PAYG pension system, to ensure solidarity between the different regimes and the respect of intra and intergenerational equity.

The Pension Steering Committee has been created by Lionel Jospin with the political aim to preserve the PAYG pensions system, and the Committee does not include in its examination the question of pension funds development. MEDEF was opposed to this orientation, and refused to take part to the discussion, so the principal employers' organization does not participate to the COR's meetings, what biases the process of consultation and prevents the elaboration of a large consensus including most of the important actors involved in the pension reform debate.

The main proposal of the COR is to rise the effective age of retirement, and to increase the activity rates amongst workers over 50, so that the increasing period of contribution does not mean a diminution of pensions. This option of reform is not a new one and was also underlined in other previous reports. In April 1999, the Charpin Report recommended that the contribution period should be extended progressively from 40 to 42.5 years and that the retirement age should be increased gradually. In September 1999, the Taddéi Report proposed a more gradual transition from active professional life to retirement through a two-tier system. First, wage-earners younger than 60 could choose to retire gradually: they would earn a wage corresponding to their part-time activity and receive in addition a public allowance. Secondly, over the age of 60, a law voted in 1988 on gradual retirement (*retraite progressive*) makes it possible to combine income from a part-time activity with revenue drawn from the payment of part of the pension. Finally, in January 2000, the Teulade Report also gave its support to the promotion of gradual retirement, by easing the rules for combining part-time employment and pensions and by allowing for a new calculation of the pension level after a period of part-time activity.

However, the implementation of this measure induces a paradigm change, because early exit schemes are deep institutionalized and used as one of the main instrument of regulation of the workforce (Guillemard 2002). In France, as in many other industrialized countries, early retirement has been an essential tool of adaptation to economic and social changes. In the mid-1970s, the creation of early retirement schemes facilitated the process of deindustrialization. Then early retirement schemes have been a tool of transition towards the development of services, the modernisation of the public sector or the implementation of European policies of deregulation and privatization in the 1980s and the 1990s. In a way, it is a tool to manage the workforce in a context of unemployment, but in another way it is a protection for elder workers that had difficult work conditions and are facing dismissal. There is also an implicit social and intergenerational consensus, insofar as it allows creating space in the labour market for young jobseekers (Ebbinghaus, 2000).

Some recent initiatives intended to restrict early exit, even though most of them were ambiguous and reflected the reticence of the different actors to close these early exit schemes.

While the government announced it wished to remove early retirement schemes, a new early exit scheme was set up by a February 2000 decree : the "early retirement

for certain employees” scheme (*cessation anticipée d’activité pour certains travailleurs salariés, CATS*). This system is implemented by sector and company-level agreements, and makes workers eligible for a full or partial early retirement from the age of 55, for a maximum of five years. This scheme has been created with the aim to restrict the access of early retirement to workers, who had difficult working conditions; as 15 years of successive shift work or production-line service, or more than 200 nights shifts a year over 15 years, or if they are disabled. The creation of the scheme reflects the political aim, not to completely remove early retirement schemes but nevertheless to restrict and target early exit.

In the same way, the Government decided to restrict access to the Special National Employment Fund programme (*allocation spéciale du fonds national pour l’emploi*), and the contribution paid by firms was raised in February 2001, increasing the direct cost of the early exit scheme. The Job Substitution Allowance Scheme ARPE scheme (ARPE, *allocation de remplacement pour l’emploi*), that should have been closed, has finally been extended until 2002. With the exception of a new agreement between the social partners, no entry will be possible after 1 January 2003. The inherent difficulty of this policy change is that restricting early exit schemes does not mean that older workers will stay in the labour market. Indeed, while there is a slight reduction in total early exit schemes, it has been largely offset by the increase of DRE (*dispense de recherche d’emploi*), the exemption from seeking employment, a category which now represents 70% of all inactive workers of 55 and over (Jolivet, 2002).

Another programme was set up to promote the reintegration of older jobseekers in the labour market. Since 1 July 2001, the new scheme called the “back-to-work assistance plan” (*Plan d’aide au retour à l’emploi, PARE*) is applied to all unemployed people covered by the UNEDIC. Parallel to this plan, the individualised back-up of jobseekers, which includes evaluation of skills and trainings, has been reinforced (*plan d’action personnalisée nouveau départ, PAP-ND*). The over-50s are considered as a targeted group, menaced to be locked out of the labour market. As a result of this new programme, the benefit specific to older workers that was created in order to let them wait to the official age of retirement without having to go back to the labour market (*Allocation de chomeur agé, ACA*) should have been suppressed on 31 December 2001. But many employees under 56 years had agreed to be laid off before the 1 January 2001, in the belief they would receive compensation until they reached 60. The social partners thus agreed in June 2001 upon the creation of an equivalent scheme for those unemployed workers. The main problem is that this category is the last one, which benefits from the decrease of unemployment: in 2001 the total number of jobseekers decreased of 17%, while the population of unemployed over 50 only decreased of 12% and that 2/3 of this category are unemployed for more than one year (COR, 2001).

The practice of early retirement is becoming even more problematic in the context of the population ageing, and the Pension Steering Committee has highlighted its impact on the financial sustainability of the public pension system. Some further demographic studies have been proposed in the first report of the Pension Steering Committee (2002) and completed these one included in the Charpin Report. As the baby-boom generation will retire after 2005, 850 000 persons will retire each year while only 750 000 persons will become 20 years old per year. On one side, the proportion of retirees will increase, on the other side the proportion of active people will decrease because younger generations are less numerous. In 2000, there were 44

retirees for 100 workers, but there will be 83 retirees for 100 workers in 2040. Furthermore, according to a raising life expectancy, when a person will retire at 60 in 2040, pension schemes will have to pay a pension during 26 years for a man and 31 years for a woman. This demographic evolution induces a raise in the pensions' costs. Public pension expenditures represented in 2000 11.6 per cent of the GIP, and the level of the expenditure would increase between 2 points in 2020 and 4 points in 2040. Furthermore, the early exit trend strengthens this financial pressure on the public pension system. In 2001, six different early exit schemes were still proposed (ASFNE, ARPE, CATS, CFA, ACA, ASA), and concerned around 550 000 persons. Most of the workers definitely stopped working at 58, and less than the half of private sector earners were still employed as they retired. The activity rate was only 32% for men between 55 and 64 years. While the period of contributions required to become a full pension is increasing from 37.5 years to 40 years, the effective length of the working life is diminishing. According to the demographic studies, the working population over 55 will increase from 2.4 million people today to 4 million people in 2010. If people continue to retire early, the financial costs will rise, and will be supported by a decreasing working population (COR, 2002).

This issue was also underlined by the European Union, which had encouraged for several years the member states to propose active aging strategies and lifelong training. At the Council of Stockholm, the EU strengthened this imperative by fixing a new objective: to arrive in 2010 to an employment rate of 50% (against 40% on average in the EU) amongst workers aged between 55-64 years. The conjunction of these different pressures: the trend of demographic ageing, the additional costs of early exit schemes, and the new European orientations may increase the pressure for a policy change.

The Pension Steering Committee organized on April 2001 a seminar on the theme 'Age and Work', which sought to combine attempts to increase the length of contributions with raising the employment rate (Conseil d'orientation des retraites, 2001). These orientations were also highlighted in the first report of the pension steering committee, which was presented to the Prime minister on December 2001, and contained proposals especially targeted on employment over 50. Among the following options of reforms necessary to guarantee the sustainability of the PAYG pension system: to raise rates of contributions for active people; to diminish the amount of pensions; to rise the age of retirement, the pension steering committee chose the last one. This choice may be illustrated through an employment policy targeted on people over 50. Indeed, the Committee underlined that a pension reform that would not be accompanied with an active employment policy, would correspond to asking employees to work longer without giving them the possibility to do it, and therefore either to increase period of early retirement or unemployment at the end of the working life, either to oblige workers to stop working before they could obtain the right to a full pension, and then to impose a diminution of the amount of pension.

The pension steering committee proposed in its first report three main proposals.

- firstly, the committee reaffirmed fundamental principles that should be respected in the elaboration of the pension reform: to preserve the PAYG pension system in order to reinforce principles of solidarity, security and cohesion between generations, to reinforce the contributory principle for the calculation of pensions, but to keep an element of redistribution by taking into

account unemployment periods, children, frail elderly... The third main principle is to preserve a right to work that is closely linked to the right to retire. Other supplementary principles are proposed: the financial sustainability of the pension system, equal treatment between the different pension regimes, to increase the possibility of individual choices (to choose when to retire, possibility to buy some contributions), the right to information and clarity of the pension system.

- Secondly, the Committee stressed the necessity to fix an objective for the level of the pension, what means the rate of replacement, and the rules of indexation, so that the pension level would be clearly visible for the French population.
- Thirdly, the main orientation of reform is to change employment policies for older workers. The pension steering committee esteemed that “the main delay in French pension policy concerns the elaboration of employment strategies for older workers”. The Committee proposed to launch an active employment policy targeted on workers over 50, that would include an information campaign, a programme of lifelong learning, the restriction of early exit schemes and the development of gradual retirement and pre-retirement schemes (COR, 2002).

Among the pension steering committee, a consensus seems to have emerged on these points, and different trade unions agree to the restriction of early exit schemes and the use of gradual retirement and pre-retirement as a transitory measure, which would progressively lead to a raise of the effective age of retirement. However, there is not yet an agreement on an immediate raise of the legal age of retirement. First, older workers have to be maintained in employment until they reach the legal age for a full pension. Once this has been achieved, discussions could be opened rising the pension entitlement age above 60.

As proposed in the Taddei report, some opportunities could be offered to workers for an individualised pension (*retraite à la carte*) allowing them to choose their retirement age. Differing levels of job hardship and career paths should be considered, as well as the period during which contributions have been paid. Some trade unions are in favour of retirement *à la carte* (CFDT, CFE-CGC, and CFTC); while CGT agrees to it under the condition that it would be a real choice for employees without pressure from the employer, and FO refuses a completely individualised retirement age, because it could indirectly diminish collective rights and power of negotiation of the employees’ representatives.

Different trade unions agree to the decision to restrict the use of early retirement, and to gradually close early retirement schemes. However, they want to preserve the option of early retirement, especially CGT, which esteems that it is still an important instrument of protection for older workers, who are the first one menaced of dismissal in case of economic difficulties. CGT also fears that closing early retirement schemes would have some repercussions on the younger workers’ employment conditions. CFDT agrees to this policy change, because it esteems that it is unfair to finance through public subsidies the regulation of the workforce, and argues that companies are not anymore legitimated to externalise these costs, and so on should finance early exit schemes by themselves if they want to use this instrument. The position of CFDT reflects its doubt about this policy change. In fact, restricting early retirement public

schemes does not mean that the practice of early exit will disappear, but that the costs of early exit schemes should be internalised and financed by the companies themselves.

Furthermore, CFDT wishes a gradual implementation of this policy change, because early exit are becoming very popular among wage-earners: “The paradox is that today wage earners who can benefit from these measures are asking for them. And those one who did not benefit them yet, only fear they will be the first generation who won’t retire before 60. We will have to manage the transition and to find solutions to avoid an abrupt break between today situation and tomorrow” (COR 2001). CFDT proposed two measures of transition : firstly to give the possibility to workers that contributed for 40 years to stop working, completely or gradually; and secondly to introduce new early exit schemes targeted to employees, who had hard working conditions.

These different points of view reflect how ambiguous this consensus is amongst the trade unions. The other problem is that MEDEF does not take part to the Pension Steering Committee’s meetings, and although it is promoting the retirement “à la carte”, and even proposed to increase the required period of contribution for a full pension to 45 year, it does not mean that employers would agree to integrate older workers and to cease using early exit schemes.

Fillon Reform, 2003

Long-term care

The issue of dependence in old age became an important one in the mid-1990s. There has been a clear awareness of the problem with the increasing number of beneficiaries of the '*allocation compensatrice pour tierces personnes*'. This benefit, dedicated to handicapped people was merely used by the elderly. There was a great increase in the number of people who would not anymore live without the help from another person, to accomplish the daily activities¹⁰. In order to cope with this problem, a specific benefit has been created in 1997, which has been replaced in 2001 by a new one, APA.

PSD, prestation spécifique dépendance, 1997

Agenda setting

Before the creation of a specific benefit, frail elderly received benefits allocated to handicapped people or social assistance. The principal benefit was *l'allocation compensatrice pour tierce personne*, created in 1975, which has been introduced for the persons who needed someone to help them in the daily life for washing, meals or housekeeping... At the beginning, this benefit was dedicated to handicapped people. However, frail elderly represented 70% of the beneficiaries in the 1990s (Huteau, 2001: 358). This benefit was criticized because it was not adapted to the specific problem of frailty in old age and also because its amount did not correspond to the real costs of long term care. Progressively, the proportion of frail elderly increased and the demand raised. A series of reports denounced this situation: the reports by Théo Braun in 1987 and Pierre Schopflin in 1991 claimed the necessity to propose a specific allowance to cope with the problem of frail elderly. Different attempts have been made without success: the law of 25 July 1994 launched experimental mechanisms for the elderly; in 1995 another law proposed a benefit that has never been implemented because of its cost (Join-Lambert, 1997: 493).

Key actors

As the PSD was created, there was a wide political consensus, insofar as the majority of the actors (social partners, government's representatives, departments' representatives, retirees' association) agreed the creation of a new benefit dedicated to the frail elderly.

At this moment, it appeared as fair that the family contributed to the cost of long term care, and the inclusion of a principle of recourse on inheritance has been accepted by

¹⁰ J-P Sueur, 09-07-2003.

the key actors. Traditionally, families are responsible for their frail elderly, it seemed to be fair to rely on the familial solidarity in order to pay for the long term care¹¹. However, some trade unions (especially CGT, FO) disagreed the benefit, they would have preferred a benefit integrated in the social protection system, financed by social contributions. They claimed for the elaboration of a fifth risk of the social insurance system, like the German did with the Pflegeversicherung¹². The main critics were that PSD was a decentralised and a public benefit, whose amount was heterogeneous, and depended on the department.

Reform Elements

The Juppé government created the *prestation spécifique dépendance* with the Act of January, 24., 1997. This means-tested benefit was based on conditions of age (to be older than 60 years old), and on the degree of dependence. The benefit was not paid in cash but in kind (vouchers) and was managed by the local authorities. Furthermore, it did not depend on the social security but it was considered as an element of the national solidarity. Between 1997 and 2001, 394 000 old people received the PSD. 53% of them lived at home and four frail elderly over five were women. The average amount was 549 euros when the frail elderly lived at home and 305 euros when they were in an old age home. The maximum amount was 896.71 euros on January, 1., 2001 (DREES, 2002).

Reform Assessment

A series of reports criticized the benefit (*Livre noir de la PSD, Livre blanc pour une prestation autonome*). In its report published in May 2000, Jean-Pierre Sueur denounced the inefficacy of the benefit for the following reasons. First, only a minority of frail elderly received the benefit because of negative elements, which prevented many people from claiming it (the means-testing conditions, deductions from heritage, lack of information...). Only 1/5 of the persons who could be entitled to the benefit, received it effectively. Second, local authorities and pension insurance schemes (*Caisses de retraite*) shared the responsibilities depending on the level of dependence. Local authorities were in charge of the most dependent elderly, while pension institutions provided housekeeping and nursing for the other ones. The services provided by pension schemes were often insufficient. Third, the benefit was managed and financed by local authorities and it meant that the rules and conditions could change from a locality to another one. There were also some differences between pension schemes, and these variations did not respect the principle of equality between citizens (Rapport Sueur, 2000: 7-8). Finally, the benefit was not sufficient to finance the real cost of long term care (DREES, 2001, n° 136).

¹¹ J-P Sueur, 09-07-2003.

¹² CGT, 02-07-2003, FO, 11-07-2003.

L' allocation personnalisée d'autonomie (APA), 2001

Agenda Setting

PSD was criticized by the key actors : the trade unions denounced its inefficacy and its inequality of treatment between departments ; the retirees associations claimed for a more generous benefit; and the evaluation made by the left-wing government underlined the negative aspects of the benefit. Indeed, the report made by Paulette Guinchard-Kunstler in 1999, "*Vieillir en France. Enjeux et besoins d'une nouvelle orientation de la politique en direction des personnes âgées en perte d'autonomie* » denounced the inefficacy of the benefit and the necessity to create a new one. The Agenda setting was linked to the inefficacy of PSD: the amount of the benefit was insufficient, PSD was limited to 130 000 persons, although APA was allocated to 800 000 persons, there were some inequalities within the departments, with a variation from one to four or five. Furthermore, the main critic concerned the recourse on inheritance, insofar as the elderly preferred deprive themselves from the benefit rather than diminish the inheritance of their children.

Following this report, the government decided to order a new report to Jean-Pierre Sueur, in order to define a new benefit, and to discuss this project with the key actors: "One day, Martine Aubry called me and said 'Jean-Pierre, help us, we should make something else than PSD!'¹³,"

The reform may also be triggered by short term pressures: the bill has been elaborated very quickly, in a few months, before the general election. The issue was an important one and it has been relied by the media.

Key actors¹⁴

There was a wide political consensus on the necessity to harmonise the benefit in all the departments in order to suppress the inequalities. Furthermore, most of the key actors insisted on the low level of the benefit, which did not cover the costs of long term care. However, there were two main questions that provoked the debate:

- Was it necessary to create a fifth risk, a social right, taken in charge by the social protection system and financed by contribution? Dependence is a social problem, which must be taken in charge by the society, not by the family;
- The main issue concerned the recourse on inheritance, with two options proposed by Jean Pierre Sueur: first to maintain the recourse on inheritance but to raise the threshold, second to suppress to recourse on inheritance.

Social partners

¹³ J-P Sueur, 09-07-2003.

¹⁴ This study is based on the 40 interviews made by Jean-Pierre Sueur during the preparation of the bill, which are published in the Official Report : « L'aide personnalisée à l'autonomie: un nouveau droit fondé sur le principe d'égalité », La Documentation française, 2001.

CGT claimed for the introduction of a legal benefit of social insurance. However it was opposed to the creation of a fifth risk, financed by a specific contribution, in order to avoid that the costs would be only financed by the Social protection system, and would lead to the multiplication of the social risks. CGT was opposed to an increase in CSG in order to finance the benefits, it also refused the introduction of a specific contribution paid by the retirees, and denounced the management by the regional councils because there were too much inequalities. CGT did not ask for the suppression of the recourse on inheritance but for an increase of the threshold. CGC also underlined the necessity of the creation of a fifth risk, which would be the unique solution to avoid inequalities: contributions are paid by everybody and everybody has a right to receive the benefit. It proposed to introduce a new contribution that would represent 0.5% of all the incomes or to raise the CSG rate of 0.2 or 0.3%. It also claimed the suppression of the recourse on inheritance. CFDT did not have a fixed position concerning the creation of a fifth risk, the main point was that the conditions of attributions would be the same in all the departments, the regional councils may be responsible for the benefit, it is not an obligation to let the social protection system manage the benefit. If a new creation would be created, it could be financed by an increase of CSG dedicated to pensions from 6.2% to 7.5%. FO asked for the suppression of the recourse on inheritance, and for the elaboration of the fifth risk. This legal benefit would be financed by the social protection system and by a contribution made by the departments. Furthermore, the contribution paid by the beneficiary would be fixed in relation to its income. CFTC also asked for a fifth social risk, the benefit would be managed only by the social protection system, or in cooperation within the social protection system and the departments. It was not opposed to the suppression of the recourse on inheritance, that would be replaced by the contribution of the beneficiary, according its income. Finally, the associations (retirees associations) also claimed the elaboration of a fifth risk, they were strongly engaged in the political debate. This claim may have influenced the position of the trade unions. This point was underlined in the interviews: there was a strong pressure from the retirees' associations within the trade unions, which influenced the position of the trade unions. CNRPA (*Comité national des retraites et des personnes âgées*), the main retirees association also took part to the debate. MEDEF was not opposed to the PSD and did not promote the creation of a new benefit. PSD was a new benefit, that was too recent to be criticised and stopped. MEDEF agreed for the PSD because it was a decentralised and a pragmatic benefit, which was present in 70% of the departments. The benefit was new, and its implementation was not achieved, insofar as 20 000 new demands were made every quarter. MEDEF proposed to improve the benefit, by a better information of the beneficiaries and the possible suppression of the recourse of inheritance, that was an obstacle to the development of the benefit, but that would also lead to the disengagement of the families. MEDEF disagreed the introduction of a benefit financed by the social protection system, because the problem of dependence was a new one, which was not well known. It was better to experiment the benefit and to adapt it. Furthermore, it would have been too costly to create a benefit, financed by the social protection system, insofar as it would have led to an increase in the social contributions, and in the long run to the suppression of another expense, as a compensation.

Within the political actors

The regional councils asked for the management of the benefit, but also for an engagement of the State in the financing of the benefit. They were not opposed to the creation of a fifth risk, under the condition that it would not stop the subsidies they received in order to finance long term care.

The French departments' association (*association des departments de France*) disagreed the creation of a fifth risk, because the State did not have the possibility to finance it, and because the problem of dependence was new and was not enough known to be considered as a social risk. Furthermore, the creation of a legal benefit would not necessarily solve the problems of equity and of attribution that has been encountered by the PSD. Departments must be in charge of the benefits, the social competence is the main departmental competence. Departments were very opposed to the suppression of the recourse on inheritance, they considered it was a non sense to suppress this practice that was the mark of equity and of the familial solidarity. The recourse on inheritance is also used in other assistance benefits, as the housing for the poor. If the government would choose to suppress this practice, it should also do it for the other assistance benefits. Otherwise, it would be a sign of stigmatisation of the poor, who face to the most strict rules (recourse on inheritance on the first 'franc').

There were also some different point of views within the government. The Chairman of the social protection system disagreed the creation of a fifth risk, that he considered as a "collective illusion" of the associations and the social partners. Dependence is still taken in charge by the social protection system, and its financing through the health insurance is raising. The creation of a fifth risk would have led to an explosion of expenses. However, he agreed to the suppression on the recourse on inheritance, insofar it led to a psychological blockage.

In the contrary, the representatives of the health care insurance were not opposed to the creation of a fifth risk, insofar as dependence, as other social risks may happen, at every times of the life, because of age or sickness. Furthermore, another benefit, CMU, was included in the insurance health system, although it was an assistance benefit, whom financing would not have to be based on the workers' contributions. Consequently, there were some oppositions even within the government. According to Jean-Pierre Sueur, Martine Aubry preferred to maintain the recourse on inheritance, because it was fair that the richest families paid for their elderly.

Reform Process

The 21-03-2000, the Prime minister, Lionel Jospin engaged to reform long term care in order to better respond to the problem of dependence. He denounced the inadequacy of PSD that concerned only 120.000 persons, although 1.300.000 people, at various levels, were touched by this problem. He proposed to extend the benefit, to improve its generosity, and to stop the inequalities within the departments (variation of the attributed benefit for the same level of dependence). He engaged to propose a social right to a benefit, whom amount would be decided according to the income and the level of dependence, and to suppress the inequalities within the departments. He announced the preparation of the bill at the end of the year by Martine Aubry, Minister of Social affairs.

The bill was prepared by the report written by Jean-Pierre Sueur. He first met the key actors, and confronted the points of view : ‘I met 40 persons, politicians, social partners, associations, regional councils...¹⁵’.

He proposed in its report a bill, that respected the positions of the different actors, and that would be accepted by the key actors. According to the desire of the majority of the key actors, he proposed to suppress the recourse on inheritance. Trade unions and the associations agreed this proposition, and was also accepted by Martine Aubry, although she would have preferred it would have been maintained. However, J-P. Sueur did not proposed the creation of a fifth risk insofar as the Jospin government was opposed to the orientation because of its cost, which would have led to the creation of a new contribution. According to Jean-Pierre Sueur, he proposed a bill that would be accepted by most of the key actors, and that would be adopted. Effectively, APA was approved politically. The 20 July 2001, the Jospin government adopted the law regarding the loss of autonomy in old age and created a new benefit, the “*allocation personnalisée d’autonomie*” (APA), implemented since the 1 January 2002.

Reform Elements

The personalized allowance for autonomy is a national benefit with the same conditions in all regions, whom amount is based upon the degree of autonomy and the personal income. This benefit is given in cash or as a subvention for an establishment or as checks for a housekeeper (*titres emplois-services*). The benefit is used to finance the care of all the persons older than 60 who have difficulties to do the acts of the daily life: to go up, to walk, to wash and dress, to go out, to cook, to do the housework. A general practitioner appraises the degree of dependence. The APA varies according to the degree of dependence and the personal income. For example, for a very dependent person (GIR 1), whose monthly income is inferior to 948.66 euros, the benefit is of 1106.77 euros each month. For a middle dependent person (GIR 4), with the same level of income, the benefit reaches 474.33 euros in 2003. The benefit is still managed by the local authorities and is mainly financed by the regions, with a complement given by national taxation, allocated to a national fund created to finance the APA (Palier, 2002). In 2002, the APA was allocated to 605 000 persons, half of them living at home and half of them living in old people’s homes. At the end of 2002, the average amount of the benefit reached 516 euros. More than 80% of the beneficiaries were over 75 and 75% of them were women (DREES, 2003, n° 226).

Reform assessment

The creation of the APA responded to an increasing demand. The principal advantage of this benefit is that it does not include deductions from inheritances, contrary to the PSD. However, there is a problem of financing and the benefit has been criticized for its cost. The regional councils denounced the problem of financing, and said that the benefit was not financed and that they will have to increase the local taxes. This critic is also present in the discourse of the trade unions, who estimated that the problem of

¹⁵ Extract of interview, J-P Sueur.

dependence is not solved, and that the real solution would have been the creation of the fifth risk.

In 2003, the government was looking for 1.2 billion euros in order to finance the APA. The 18. of March 2003, the Parliament adopted a proposition of law, that induced the increase in the contribution of the frail elderly. It also reintroduced the *recours sur succession*, (that children have to pay back the amount of the benefits paid in case the deceased frail elderly had a capital transmitted to his/her children). Furthermore, the retrospective financing has been suppressed, the beneficiaries begin to receive APA as their demand has been accepted, that let the departments save money. The right-wing party adopted the proposition with 341 voices against the left-wing parties (communist party, socialist party and green party), who only had 145 voices¹⁶. The difficulty of creating a new benefit in an era of permanent austerity may partly explain the debates that developed since the early 1990s and the apparent impossibility to propose an adequate benefit for the frail elderly, although it responds to a recognized social need.

¹⁶ P. Roger « Le Parlement vote une réduction de l'allocation aux personnes âgées », Le Monde, 20-03-03.

Employment policies

As other continental welfare states, the French governments have for a long time “subsidised” the unemployment and evicted women, the youngest and the oldest workers from the labour market, before developing in the late 1990’s active labour market policies.

Social protection systems, which are funded by social insurance, depend on full employment to ensure an universal social coverage. In most continental countries, the issue of full employment concerned principally the men, responsible for the family. The post-war welfare state was based on the principle that men worked full time and that their career, long and continuous, preceded a relatively short retirement period. The male breadwinner, who is supposed to respond to the needs of all the family, is the basis of the French social protection system, which is provided to the “worker and its family”¹⁷: it’s through its wages that the social rights are acquired. This dependence of families upon the income and the social rights of the man led to privilege between the 1950s and the 1970s the security of employment for the male worker, and to maintain his status (seniority principle, rules of employment and dismissal) (Esping-Andersen, 1997).

The first measures taken in continental European welfare states, in order to respond to the oil shock, were characterized by the logic of the years 1950-1970: governments wanted to preserve the employment of male qualified workers by excluding other groups, and especially women, from the labour market. They tried to solve the employment’s problem by a labour-shedding strategy. Enterprises have chosen a strategy based on high wages and on a high-quality production, which privileged qualified workers. Often, some labour-shedding strategies have been negotiated against dismissal’s allowances and pre-retirements, in the hope that the cost of these measures could have been compensated by proportional gains of productivity (Kohli and alii, 1991). These strategies were supported by the State, who on one hand generously subsidised early retirement schemes and maintained a high level of unemployment replacement rates, and on another hand developed a range of social benefits in order to guarantee a minimum income to people excluded from work. These strategies, dominant in the 1980s and at the beginning of the 1990s, are linked to the male breadwinner model. The characteristics of welfare institutions funded on social insurance partly explain this policy orientation. This led to a wide separation in the labour market between the integrated workforce (qualified men between 25 and 55 years old), and the marginalized or excluded workforce (non qualified or low-qualified workers, youth, women, and workers older than 55), that progressively led to the dualism in the unemployment scheme (unemployment insurance for the integrated workforce, minimum incomes for the others).

More recently, in order to cope with the cost of these measures, continental welfare states tried to reduce the benefits supporting this labour-shedding strategy: extension of the length of contribution necessary to receive less generous unemployment insurance benefits; more strict conditions to be entitled to these benefits, diminution of the early retirements. In comparison to other European countries, these ones did not really progressed in the activation of labour market policies.

¹⁷ Ordonnances of 1945

Policies implemented in France responded to the continental scenario. In the 1980s, the objective was to progressively stabilise the unemployment insurance benefits, and the 'social treatment of unemployment', that led to subsidy workers excluded from the labour market. Some more structural changes were introduced in the early 1990s, with the restriction in the use of early retirement and the implementation of a new unemployment benefit, more selective, which replaced the former benefits. In 2000, another reform of the unemployment insurance benefits induced a further step towards activation.

The 1980s: Social treatment of unemployment

The unemployment insurance scheme was created in France in 1958 following an agreement between the employers' and the employees' representatives, supported by the State. The evolution of the unemployment insurance scheme in France is parallel to these one of the social protection system. This scheme is managed by the social partners, and provided several contributory benefits, which have been periodically raised since 1974 and till the mid 1980s. the objective was to support the demand by maintaining the income of dismissed workers, especially thanks to the '*Allocation supplémentaire d'attente*', which guaranteed an income equal to 90% of the reference wages (Join-Lambert, 1997: 575).

In the 1980s, this Keynesian approach is going to be abandoned because of its failure (the unemployment continues to raise) and because of its cost (unemployment is raising and there are more and more beneficiaries). In 1974, the unemployment concerned around 900.000 persons. This number increased to 1.5 million persons in 1980, what represented 6.3 per cent of the active population (Palier, 2002: 219). In 1979, the unemployment insurance scheme is renewed and unified, financed by the State and the social partners. In 1979, 1982, 1984, some agreements between the social partners both led to reducing the replacement rate of the benefit and to increasing the contributions in order to preserve the financial balance. Between 1982 and 1992, they often tried to rationalise the system by reducing the number of benefits and by stabilising the replacement rate of the benefits especially generous. Until 1982, the replacement rate of the former wages was 80% for half of the beneficiaries during the first year of unemployment. The benefits have then been reduced to 75% of the wages during the nine first months (Join-Lambert: 1997).

In 1983, the symbolic mark of the two million unemployed is passed. In 1984, under the pressure of the employers' organisation, an agreement is signed between the social partners and the State, which introduced another increase in the social contributions but also a division of the management and the financing of unemployment insurance benefits. Pierre Beregovoy, Minister of Employment and social affairs, obtained the agreement of social partners thanks to the distinction introduced by the reform between the national solidarity and the professional solidarity. Social partners accepted the reform (what implied an increase in contribution and a decrease in the replacement rate for many unemployed), while the State engaged to finance the two means-tested benefits which have been created : '*Allocation de solidarité spécifique*' and '*Allocation d'insertion*'. Henceforth, social partners and the unemployment insurance schemes (UNEDIC, ASSEDIC) should finance and manage the social contributions¹⁸, whereas the so-called 'solidarity' scheme, managed by the State,

¹⁸ Allocation de base, Allocation de base exceptionnelle, Allocation de fin de droit, Allocation de formation reclassement.

should finance through taxes means-tested conditions provided to persons, who are not yet or no more covered by the unemployment insurance scheme¹⁹.

Yet, unemployment continues to raise in the mid-1980s. In 1985, there are 2.6 million unemployed, or 10.2% of the active population, then 10.7 % in 1987. Since 1983, stabilised inflation is on top of the governmental agenda to the detriment of full employment. The phrase “Today’s profits are tomorrow’s investments that are jobs of the day after tomorrow” became the slogan of the eighties. In order to wait to the positive effect of the restrictive policies (whom one immediate consequence is an increase in unemployment), numerous French policies illustrate the labour-shedding strategy, characteristic of the continental European welfare states. In order to remove older workers from the labour market (Guillemard: 1986), the number of early exits from work continuously increases: it passes from 14.000 in 1971 to 84.000 in 1975, 159.000 in 1979, 317.000 in 1981 and 705.000 in 1983 (Bichot, 1997: 132). Lowering the legal age of retirement from 65 to 60 years old also led to encourage older workers to leave the labour market.

In the same way, policies so-called of ‘social treatment’ of unemployment are developed. These policies aim at creating some subsidised jobs for the youth and the long-term unemployed. The role of the State as employer of second resort can be illustrated by the numerous contracts proposed to the unemployed through the insertion policies (*Stages de reinsertion en alternance, Action de reinsertion et de formation, Contrats emplois solidarité, Contrats de retour à l’emploi*, etc.), which most of the time install the beneficiaries aside of the labour market (Outin, 1997). At the end of the 1980s, the cost of these policies yet appear as too important. The necessity emerges to diminish public expenses for the social treatment and the indemnification of unemployment. The public financing of early retirement is progressively limited, and the number of beneficiaries passed from 705.000 in 1983 to 433.000 in 1988 (Bichot, 1997: 132). From 1988 to 1990, the accounts of the unemployment insurance scheme are positive: unemployment is decreased to 9% of the active population in 1990. Yet, the situation deteriorates again in 1991 with the economic slowing down and the re-augmentation of unemployment. On December 1991, social partners decide again to increase the rate of social contributions to finance the deficit of UNEDIC. But, it does not change anything to the evolution of the expenses. In 1992, the employers’ representatives claim for a structural reform of the benefits, by conditioning any augmentation in the contribution to the adoption of new principles of indemnification of unemployment.

The reform of the unemployment insurance scheme

On 18. July 1992, an important agreement is signed between the employers’ organisation and certain trade unions. This agreement foresees to replace the diverse existing unemployment insurance benefits by a unique benefit, *Allocation unique dégressive*. This new benefit should led to a better correlation between the length of affiliation to the regime and the period of indemnification. The calculation of the benefit is based on reference wages (wages perceived during the precedent 12 months) and according to the length of affiliation to the unemployment insurance scheme. The AUD is also calculated according to a degressive coefficient, which is applied every four months (every six months after 1996), and that varied between 8 and 25%, according to the length of affiliation of the insured. On average, the benefit

¹⁹ Allocation d’insertion, Allocation de solidarité spécifique.

is diminished from around 15% every six months, on the base of a first level of replacement equal to 57.4% or more of the reference wages. To be entitled to the benefit, the workers should have been dismissed, or to be at the end of a short-term contract.

The principal key-players of this reform that implements a new instrument of indemnification have been CNPF (employers' organisation) and one of the main trade unions (CFDT). CNPF imposed this change, CFDT agreed to negotiate after having approved the idea of degressivity. This marks a change in the position of CFDT, which presents this new benefit as a means to make the expenses of indemnification of unemployment "more active". In the contrary, FO refuses to sign this agreement (for the first time since three decades), joining CGT in its opposition to the diminution of the unemployment benefits (Daniel, Tuchsirer, 1999, chap. XVI). These changes of strategy led to changes in the composition of alliances of CNPF within the managing organisations of the unemployment insurance scheme. In September 1992, Nicole Notat (who will soon succeed after that, in October 1992, to Jean Kaspar, as Chairperson in CFDT), and takes the head of the UNEDIC, while the vice-presidency is given to CNPF, what stops the precedent tandem between CNPF as chairman and FO as vice-presidence.

Besides these political effects, the implementation of this new benefit has had three important consequences for the indemnification of unemployment: it has permitted to balance the accounts of the unemployment insurance scheme; it has implied increased contributivity and selectivity; consequently more and more persons without work are not anymore taken in charge by the unemployment insurance but rather by the solidarity benefits.

By diminishing the level of the benefits and the number of the job seekers indemnified by the unemployment insurance scheme, the reform of 1992 has effectively permitted to balance the accounts of the unemployment insurance : they are positive of 8.7 billion francs in 1994, 22.4 billion in 1995, and 10.4 billion in 1996, whereas the number of unemployed has increased in 1993 and has then remained at a high level (Palier, 2002: 220).

Furthermore, this reform illustrates a structural change. The link between the contributions and the benefits, what means the contributivity of the unemployment insurance benefits, is reinforced. The collective dimension of mutualisation of the unemployment risk within the unemployment insurance schemes is diminished. The workers, who only have short activity references, as the part-time workers, are less generously indemnified, whereas the longer careers and the highest wages are more indemnified. On the whole, less and less unemployed are indemnified by the unemployment insurance: in 1992, 52.5% of the unemployed were indemnified by the unemployment insurance scheme, they were 50.9% in 1993, 45.3% in 1994, 44.2% in 1995, 43.2% in 1996 and 42.2% in 1997 (Daniel, Tuchsirer, 1999: 307). They were still only 42% in 2000.

This last point has for consequence the third effect of the implementation of the AUD: the increasing number of beneficiaries of the benefits so-called of the national solidarity. The number of beneficiaries passed from 34.800 beneficiaries of the *Allocation de solidarité spécifique* in 1992 to 467.000 in 1995 (Join-Lambert, 1997: 576). To the contrary, the number of beneficiaries of the *Allocation d'insertion* does not increase, since at the end of 1992, the finance's law has foreseen the suppression of this benefit for the youth, who appear for the first time in the labour market, or for lone women without any work references. Consequently, for those who cannot be covered by the solidarity unemployment scheme, the *Revenu minimum d'insertion*,

created in 1988, becomes the last social coverage. Therefore, the number of beneficiaries of the RMI has increased significantly in 1993 (+21.2%). The reform of 1992 and its following measures²⁰, have permitted to diminish the expenses of indemnification of unemployment, but with the consequence of a less generous indemnification for a decreasing proportion of beneficiaries. The level of the contributory benefits, managed by the social partners, increases faster during the 1990s²¹, than this one of means-tested benefits, whom level is directly decided by the State, and irregularly revalorised (Daniel, Tuchsirer, 1999: 325). An increasing number of unemployed persons is less and less indemnified.

²⁰ Increases in contribution rates, non re-evaluation of the benefits in 1993, lengthening in the periods of degressivity (from four to six months) in 1996.

²¹ there was an augmentation of +4% on average before 1992, and of +2% on average after that (Bonoli, Palier, 2000).

Plan d'aide au retour à l'emploi (PARE), 2000

Agenda setting

With the return of the economic growth in 1999, in the frame of the negotiation about the 'social re-foundation' launched by MEDEF (Mouvement des entreprises de France, new name of CNPF), some new transformations have been decided.

The agenda setting was closely linked to politics, CFDT and MEDEF launched this project in order to reaffirm their prior role in the social dialogue and their disapprobation of the intervention of the State, that they estimated too strong:

“The origins of the agenda setting are linked to politics, it was the year 2000, the Jospin Government, after the implementation of the 35 hours. MEDEF and CFDT chose to implement the project of the *refondation sociale* because the government imposed some modifications, that were seen as an intrusion in the field of intervention of the social partners. There were some tensions between certain trade unions and the government, because of the liberal turn of MEDEF, with Seillière, Kessler, who defended some neo-liberal orientations. The initiative was launched in the field of the unemployment insurance, because the interventions of the government are limited in this policy field, which is the responsibility of the social partners²²”.

The proposition of PARE is also linked to the good economic context. It was proposed by the social partners in the year 2000, when there has been the more jobs' creation. The goal was to improve the unemployment insurance system, in order to make the unemployment decrease faster. The PARE's project was based on a modification of the training system, the implementation of shorter training, that would let respond better to the adjustment between the supply and the demand. It was possible because the financial situation of UNEDIC was better: in 2000, with the jobs' creation, unemployment is decreasing, there is some money left, that may be used to invest in the field of training. The proposition of PARE was also permitted by the agenda of the unemployment insurance: social partners negotiate the agreement every third or four years, and it was time to resign it.

Finally, the European orientations were also important. The issue of activation of the welfare state expenses are present in the NAPs. There were some examples of good practices in other countries, UK, Northern Europe, that encourage this reform. The goal was to reverse the phenomenon of the inactivity traps, and the risk of the passive expenses that do not encourage the return to work.

Key actors

Among the social partners, there were some differences of positions. CFDT and MEDEF initiated the project and pushed it on the political agenda. According to the MEDEF's representative²³, the initiative was launched by CFDT, which was supported by MEDEF: “The objective was to let the beneficiary go back to the effective search for work, a principle which is at “the heart of the indemnification scheme”, and that “has been more or less forgotten”. This orientations joined the activation of social policies, all that concerns the “workfare”.

²² Ministry of employment and social affairs, 16-07-2003.

²³ MEDEF, 11-07-2003.

CFDT also defended the idea that social transformation should not only be launched by the government's intervention, but also through the autonomous agreements concluded by the social partners. These two organisations were supported by CFT and CGC, two reformist trade unions, which supported the CFDT's orientation.

There were two opposed trade unions. CGT²⁴ was opposed to this proposition because "the goal of PARE was to introduce a pressure on the jobseeker and some sanctions". It criticized the position of MEDEF, insofar as "its goal was to harden the functioning of the labour market, by using the pressure of unemployment and the risk of exclusion as a means of regulation". CGT was opposed to this policy reorientation, that was based on a neo-liberal principle (workfare, return to work...). FO underlined the same problems: "MEDEF did not want to favour the replacement of the unemployed workers, but to force them to return to work. It wanted to sanction the 'false' unemployed persons. When we arrive at an unemployment rate of 9%, we cannot consider that they are lazy. It was the time of the *refondation sociale*, with a lot of ideology in the orientations of MEDEF. It was more an action against the socio-democrat government, than a desire of revival of the social dialogue. It was a desire to appropriate a policy field within social partners"²⁵. Another reason that explained the opposition of FO was that PARE changed the attributions of UNEDIC. The role of UNEDIC is to indemnify unemployment, there are no attributions to intervene in the field of the employment policies. There was necessary to propose a bill in order to decide the new functions of UNEDIC²⁶. The associations of jobless people were also opposed to this project, but they were less powerful than in the Winter 1997-98. Among the political actors, the right-wing majority, which represented the opposition in the Parliament, began to criticize the absence of social dialogue, the intervention of the State, and supported the project.

The Minister in charge of Employment and social affairs, Martine Aubry, was opposed to the project because of the same political reasons. She esteemed that PARE reflected some neo-liberal orientations, that were opposed to the policy orientations of the socio-democrat government.

Reform Process

There was a conflict between the government, CFDT and MEDEF. The political climate deteriorated : there were many oppositions between Martine Aubry, who launched some interventionist policies, as the 35 hours bill, and social partners who defended the autonomy of the social dialogue.

There have been three different versions of the agreement²⁷. The first version seemed to be unacceptable to the Minister, she was opposed to the project for political reasons (issue of workfare, return to work that were neo-liberal orientations) and also because the propositions were opposed to the Labour law (*Code du travail*). According to the first version, the indemnification became linked to a contract. The beneficiary has to sign a contract with ASSEDIC, what created a new condition for the indemnification that was opposed to the Labour law. Furthermore, ANPE (*agence nationale pour l'emploi*), which is the main actor, who implements the employment policies launched by the State, was not included in the new measures proposed by the social partners. ANPE is today the unique actor, who has the right to control the job's search and to

²⁴ CGT, 02-07-2003.

²⁵ FO, 11-07-2003.

²⁶ Ministry of employment and social affairs, 16-07-2003.

²⁷ Ministry of employment and social affairs, 16-07-2003.

impose some sanctions. According to the first version, when UNEDIC esteemed that the beneficiary was not really looking for a job, it could call him to its office and suppress the benefit. The proposition attributed this role to ASSEDIC. Finally, there was a problem of financing. In 1992-93, UNEDIC faced the rising unemployment and became bankrupt. It borrowed some money from the State. In the first version, UNEDIC did not engage to repay for its debt to the State.

The first version of the agreement was refused, the second one was ignored. Between the first and the third version, the social partners included the modifications wished by the Ministry of Employment and Social affairs. In the third version, the social partners accepted to pay back 15 billion euros. They also suppressed the idea of the contract between the beneficiary and UNEDIC. This final agreement was adopted the 01-01-2001, and implemented by UNEDIC the 1. of July 2001. In this final agreement, the sanctions were suppressed, ASSEDIC was not entitled to control the beneficiaries, but could send a letter to a beneficiary, when there was a doubt on the real desire of the beneficiary to look for a job.

According to the current Ministry's representative, the departure of Martine Aubry who has been replaced by Elizabeth Guigou, permitted the adoption of the third agreement. The good relations between Lionel Jospin and Ernest Antoine Seillières, the Chairman of MEDEF also let avoid the political crisis. Indeed the government went on to the menace to transform UNEDIC in a public administration controlled by the State. According to the Ministry's representative, "there has been a miracle telephone call between Jospin and Seillières, who studied together at ENA (*Ecole nationale d'administration*), it let solve the problem and avoid the political crisis".

Reform Elements

The new agreement of unemployment insurance, signed within MEDEF, CFDT, CGC and CFTC the 19.10.2000, called Convention relative to the help for return to work and indemnification of unemployment (*Convention relative à l'aide au retour à l'emploi et à l'indemnisation du chômage*), has come into force the 1st of January 2001.

With the new agreement, the conditions of eligibility and the generosity of the benefits have been a bit improved, and the contribution to unemployment insurance have been diminished. The "*Allocation d'aide au retour à l'emploi*" replaces the "*Allocation unique dégressive*".

To be entitled to this benefit, the beneficiary should have contributed at least during four months in the last eighteen months (instead of the eight last months before the reform). The *Allocation d'aide au retour à l'emploi* is not anymore affected by a digressive coefficient. However the length and the amount of the indemnification remain linked to the amount and the length of contribution. Therefore, the amelioration of the conditions of indemnification remain limited, insofar as only 50.000 additional persons would beneficiate from an indemnification by the unemployment insurance (Palier, 2002: 224).

The main innovation foresees to link indemnification and help for return to work, especially through the implementation of the Plan of help for return to work (Plan d'aide au retour à l'emploi, PARE). This last point has come in force the 1. of July 2001, after a difficult negotiation that led to the opposition of CGT and FO, and forced to the intervention of the government. MEDEF wished to condition the indemnification upon the signature of the contract of help for return to work, and have the possibility to suspend indemnification in case of repeated refusal of a labour's

proposition. What the government refused, although it forced the social partners to offer the access to an individualised help to all the job seekers (Projet d'action personnalisée, PAP), and not only to the insured ones, indemnified by the unemployment insurance scheme. This program introduces some regular interviews, every six months, with the beneficiaries. It also includes some benefits that are proposed to finance a training program, or an evaluation of the skills. Following the governmental intervention in autumn 2000, the conditions of control and of sanction cannot go until the suppression of the indemnification if the beneficiary refuses a proposition of employment inferior to its qualification or refuses to engage in the PAP (*programme d'action personnalisée*). This new agreement does not question the link between length and volume of contributions on one hand and opening of social rights and calculation of the amount of the benefit on another hand. The link between contributions and benefits remains important, even if the agreement has been signed during a period of economic growth. Indeed, the objectives were not to go back to a better indemnification of the unemployment for a bigger number of beneficiaries. It was rather to make the level of social contributions diminish, and to activate the unemployment's expenses, so that all the indemnified unemployed persons would be individually accompanied, if a complete conditioning of the benefit was not possible. If these reforms, especially thanks to governmental interventions, did not take the most corrective aspects of the British or American reforms, the French debate becomes more and more structured by the theme of the conditions (contributions and activity) upon the unemployed should be submitted to be entitled for an indemnification, in order to incite them to go back to work.

Reform assessment

PARE is a costly program that represents 470 million euros every year, that are paid by UNEDIC. The PAP program is even more costly, insofar as the costs of the interviews and training raise to 1.5 and 2 billion euro every year. Indeed, in order to make the interviews, ANPE has to employ 3 000 persons, what is financed by UNEDIC.

The program assessment was made in June 2002 by UNEDIC and ANPE. This evaluation has been postponed and was finally made two years after the implementation of the program. The objective of PARE was to accelerate the return to work. However, it is difficult to assess the efficacy of the program, because the economic situation has changed. The program was launched in a period of growth, and it has to be assessed in a period of recession. The evaluation shows that the interviews are made regularly. According to UNEDIC and ANPE, the probability to leave the unemployment insurance before 12 months is improved, and PARE would have helped 20% of the unemployed to go back to work. This program has been reinforced and extended by UNEDIC until 2005. Furthermore, the last agreement decided to diminish the period of indemnification, because of the increase of unemployment that causes some financial difficulties, this decision was taken on December 2002 and applied on January 2003.

The assessment made by social partners was quite negative, and shows that PARE did not respond to their demands. CGT and FO claim that PARE is a negative measure, especially because the training system was transformed: the longer trainings (*congé de conversion*) have been suppressed and replaced by shorter trainings that are less efficient. Furthermore, PARE was also made to the detriment of ARPE, the main

early retirement scheme, who proposed early exits from work in exchange of the creation of long-term jobs. ARPE let create 250 000 jobs. According to these two trade unions, the main success of the program has been the creation of 3000 jobs, people in charge of the interviews. However, FO esteems that this program would have been efficient in a better economic context.

MEDEF is also disappointed, PARE did not respond to its demands, there is no control of the beneficiaries, no obligation or incentive to encourage the return to work. The proposition of PARE was completely changed : “The logic was broken during the ‘epic’ negotiation with Martine Aubry. We wanted to insist on the individual responsibility. (...) If we want to set some individualised paths, we need a power of control. In case of refusal, the beneficiary loses the right to the indemnification. In return, we give a personalised help for the search for work. The result was that the State kept the power of the possible sanctions, what never happens. With the PARE, the unemployment insurance scheme became more generous, we kept the carrot but we suppressed the stick. The problem of the PARE is that a socio-democrat government refuses this kind of reform²⁸”.

²⁸ MEDEF, 11-07-2003.

Poverty and social assistance

Insertion policies

In the 1980s, numerous insertion policies, which aim at fighting social exclusion, have been implemented. These new policies are characterized by a global and a transversal approach, that aim at favoring the social integration of the beneficiaries at the local level. These policies imply the local actors (social, housing and educational services, employment local agencies, local collectivities).

Since 1981, some “urban” and then “city” policies have been implemented, which begun with the social development of districts (*Développement social des quartiers*) and were developed through the city’s contracts (*Contrats de ville*). The objective was to intervene in the place where there was some exclusion. Through agreements within a prefect and a mayor, and in partnership with the local actors (social services, neighborhood’ associations, enterprises), this policy orientation aims at “favoring social solidarity in the city”, “fighting against insalubrities”, and “developing ideas to ameliorate life conditions in the city”, and finally at “preventing criminality”.

In the same time, priority ‘education areas’ (*zones d’éducation prioritaire*), are implemented by the Ministry of Education, in order to fight against social inequality and failures at school. With supplementary means (additional teachers, specific education programs), the objective is to favor a greater educative coherence and a partnership within the different actors : teachers, parents, associations, local collectivities. These different actors are linked by an “area’s project” (*projet de zone*) (Derouet, 1993).

Policies of education and professional integration of the youth, or policies which aim at fighting long-term unemployment, have been developed since the mid-1980s, and both of them aim at fighting exclusion from the labour market, and the probable social exclusion that would follow it. They are based on a partnership between professional learning services, social services, employment local agency (*Agence locale pour l’emploi*), local collectivities, associations and enterprises. The implementation is decentralized at the local level, and organized by the local services in charge of the policies for the youth.

Furthermore, the Besson law, adopted on May 31, 1990, aims at the integration through housing of the poorest people. It calls to a partnership between different actors (decentralized state services, local collectivities, associations in the field of housing, *Caisses d’allocations familiales*, in charge of the housing’s benefits) based on a regional plan elaborated under the direction of the prefect and the Regional Council President. This law aims at basing the objectives of the plan on the specific needs of the poor, and adapting the organization in function of the localities and the actors (FORS, 1996).

At the end of the 1980s, the implementation of RMI represented an important step in the development of the insertion policies. In the 1980s, some experiences of minimum incomes have been made in several localities, some urgency plans “poverty-precariousness” have been implemented since 1981, which provided a minimum income, and since 1986 benefits have been provided in return of a part-time activity in a city hall or an association “*Compléments locaux de ressources*”).

RMI, revenu minimum d'insertion

Agenda setting

At the end of the 1970s, the social effects of the economic crisis begun to be felt, especially with the development of "structural unemployment". In France, these problems seemed to be new, first by their scale (extent of the crisis, number of unemployed, length of unemployment), and by their nature (change in the economic environment, opening of the frontiers, development of the international competition, apparition of structural unemployment). During this period, new representations of social problems emerged that have been re-formulated in terms of "new poverty", and then of social exclusion. These new problems could not be solved by the existing social protection institutions. In 1974, two important books highlighted the defects of the French social protection system. The work by Lionel Storélu, *Vaincre la pauvreté dans les pays riches*²⁹, suggested that the social question of poverty remained topical even in countries where the welfare state was well developed. On another way, the work by Richard Lenoir, *Les exclus*³⁰, denounced all the situations that led people to social exclusion : a handicap, long term unemployment, "maladjustment"... Between 1978 and 1981, several administrative reports, ordered by the government, confirmed and diffused this new perception of problems within the administration and policy communities in charge of social policies³¹. At the end of the 1970s, poverty has been rediscovered in France.

During the 1980s, the "new poverty" has been put on stage by media and groups from the civil society. According to Serge Paugam, the media enhanced the visibility of the new poverty, first by denouncing the incapacity of the socialist governments to face with the new social problems and second by promoting solidarity (associations, social movements relayed by the show-business)³². Personalities like Abbé Pierre (well-known for his fight for the housing of poor people in the 1950s), Père Wresinsky (founder of the association *Aide à toute détresse quart monde*) or Coluche (humorist who founded the "*Restos du Coeur*") play an important role in the formulation of the problems and in the orientation of politics towards poverty and exclusion.

"Structural unemployment", "new poverty", the reformulation underlined the novelty of these social problems, which indicated that they could not be taken in charge by the social protection system. The social protection system, built for a situation of full employment, requires a period of work before one is entitled to social benefits. In a period of economic crisis, when the unemployment is raising, professional membership -as the condition to be entitled to social rights- becomes maladjusted. The system cannot protect those who are not working or who are lacking a work record that gives access to adequate social protection. However, these people become more and more numerous. The Wresinski report, *Grande pauvreté et précarité économique et sociale*, published in 1987, suggested that 400 000 persons were living in France without any social protection coverage.

Furthermore, the social protection system was accused of reinforcing the mechanisms of social exclusion, because of the contrast between the "insiders" included in the

²⁹ Paris, Flammarion.

³⁰ Paris, Seuil.

³¹ In 1978, the Péquignot Report which describes situations of new poverty, or the Oheix Report, proposed in 1981, *Contre la précarité et la pauvreté*, which proposes new orientations and the introduction of a minimum income (« minimum de soutien social »).

³² Serge Paugam, *La société française et ses pauvres*, Paris, PUF, 1993, p. 65-66.

labour market and who can rely on the insurance system, and the “outsiders”, who obtain a much lower level of protection although they need it the most. The social protection system was also criticized for its opacity and its complexity, that increased the difficulties to obtain an adequate support. The organisation of the social protection system in separate sectors was also called in question, insofar as the impoverished people cumulate different problems (housing, unemployment, sickness...). At the beginning of the 1980s, the issue was finally set on the political agenda, and led to the introduction of the “insertion policies” to fight against social exclusion.

In the 1980s’, some attempts to develop minimum incomes have been proposed in several cities, and some emergency plans “poverty-precariousness” (*pauvreté-précarité*) have been launched since 1981. After 1986 additional resources (“*compléments locaux de ressources*”) were given to people who had a part time job in a city hall or an association. Since the 1980s, a series of reports proposed to create a minimum income, a means-tested benefit, in order to adapt the social protection system to the new social and economic conditions.

However, the multiplication of the minimum incomes (old-age people, handicapped and disabled, wives, single parents, long-term unemployed) was not sufficient to cope with this problem. In 1989, the creation of a new income support, RMI (*revenu minimum d’insertion*), represented a fundamental step in the development of the “insertion policies”.

Reform Process

During the electoral campaign of 1988, in his “Letter to all the French people” (*Lettre à tous les Français*), François Mitterrand proposed to create a minimum income, that was to become the “*revenu minimum d’insertion*” (RMI). He explained that the most important thing was to guarantee a means of living for all these people “who don’t have anything” and “who cannot do anything”. The proposal was accepted unanimously on December, 1., 1988. A minimum income was guaranteed for “each person who, because of its age, a physical or a mental disease, the situation of the economy and of the labor market, is unable to work, and has the right to receive from the community the necessary means to live.”

RMI is not only a minimum income: social and professional inclusion is seen as a “national imperative”. This minimum income of insertion is one of the elements of a global mechanism to fight poverty and suppress all the forms of exclusion especially in the fields of education, employment, training, health and housing. Therefore, RMI has also a re-insertion dimension, in the form of a contract between the recipient and ‘society’. Recipients must commit themselves to take part in re-insertion program, as stated in a contract, signed by the recipient and a social worker. Such a program can be either job-seeking, vocational training or activities designed to enhance the recipient’s social autonomy. Reception of benefit is not conditional upon participation in the insertion contract. The notion of inclusion remains an ambiguous one. For the most important part of the beneficiaries, the plan of action was more an access to social activities than to professional activities.

Reform Elements

The benefit is calculated after the deduction of all the resources of the seeker, family and housing benefits included, in reference to a minimum income. The RMI is

available for each person who lives in France, who is over 25 years old, and respects the means-tested conditions. The benefit amount is 411.70 euros for a lone person in 2003. It is financed by the State, through taxes, and especially a tax on the richest people (*impôt sur la fortune*). The benefit is run by the family benefits institutions (*caisse d'allocations familiales*). The number of beneficiaries increased year after year: + 14.2% in 1991, +15.3% in 1992, + 21.2% in 1993, +14.6% in 1994, +4.7% in 1995, + 7.5% en 1996. Then it stabilized. The number of beneficiaries diminished for the first time in 2000 (-5.2%) and in 2001 (- 2.1%). In 2000, 965 180 persons received the RMI or 2 million of people with their families (3.2% of the French population). In average, 30% of the beneficiaries leave the scheme after one year. In 2000, 56.7 % of the beneficiaries live alone, and 23.4% were lone parents. The population which receives the RMI becomes younger and is more and more composed of women. Since 1995, one beneficiary in 4 is under 30 years old (Palier, 2002).

Key actors

The adoption of RMI introduces a new element in the French social protection system. The law creates a benefit that is not provided to workers and that is means-tested but not linked to another condition (Before, all the means-tested benefits were also linked to another condition : to be fatherless/motherless, lone parent, poor retiree, disabled, etc.). Whereas the law was unanimously adopted, there are a lot of ambiguities. The analysis of the parliamentary debates about RMI shows that the adoption of the benefit is based on “fruitful misunderstandings” (Autès, 1990). The political parties joined to adopt the law but they did it for different reasons. Ambiguities especially concern the raisons, what for the RMI is implemented (moral or economic, humanitarian or political reasons), which institution will manage the benefit (the law does not decide between the prefect and the president of the regional council (*Conseil Général*), who are responsible for the social integration, whereas the CAF (*caisse d'allocation familiale*) provide the benefit. The analysis of the law also reveals the ambiguities of the notion of “insertion”: is it a social or/and a professional integration? Is it a proof of “good will” to deserve the benefit, or an engagement of the society to mobilise to re-integrate its excluded members? Is it a step towards the recognition of social wages for the non-productive activities, or a survival's benefit for these one who are excluded from the modernisation process? The analysis of the parliamentary debates show that the right-wing parties rather conceive the mechanism of integration in return of the benefit, and insist on the risk of disincentive to work; whereas the left-wing parties highlight that insertion is a social debt and that everybody would prefer to work rather than receiving a minimum income (Autès, 1990).

These ambiguities concerning the notion of insertion have had an impact in the implementation of the law. Whereas the administrators (*hauts fonctionnaires*), who wrote the text, have proposed to refer to the economic, social and professional insertion, the parliamentarians suppressed the reference to the economic insertion, and only keep social *or* professional insertion. For the parliamentarians, “the real insertion is work”. However, with the “or” introduced by the parliamentarians, the text proposes a double conception of insertion, on one hand the professional insertion, on the other hand the social insertion for the beneficiaries who are in most important difficulties (Autès, 1990: 43). The assessment of this new social policy shows that this last option has been the most used.

Reform Assessment

Three years after the implementation of the law, the impact of RMI has been especially well assessed. In 1992, the national commission in charge of the evaluation of RMI, concludes that this scheme has facilitated a social progress by giving a living support to 950.000 households: "The law of 1.12.1988 has affirmed a right... opened upon unbiased criteria... and generalized in all the departments" (Vanlerenberghe, 1992: 3). The benefit provides to the beneficiaries a certain financial security and an amelioration of their life conditions. However, the RMI did not respond to this objective of "integration". The Commission denounces "a dynamic of insertion that is still insufficient". Only one third of the beneficiaries have access to a job, or a situation close to employment, whereas two third of the beneficiaries wish that RMI gives to them access to a job. P. Vanlerenberghe highlights the limits of the contractual approach: only 40% of the beneficiaries have had a contract in 1992; whom contain was sometimes only formal. Furthermore, the assessment's report shows that the local commissions of integration do not develop a local policy of integration, adapted to the local needs. In the same way, the partnership between the central state and the local authorities is not really developed, the enterprises remain absent, and the associations are not really implicated in this project. Consequently, the objectives of integration and fight against exclusion are not attained : the beneficiaries of RMI are becoming more numerous and have the same difficulties of social reintegration, there are still severe problems in the poor areas, most of the time the suburbs of the big cities ("*quartiers difficiles*"), young unemployed remain always longer outside of the labour market, long term unemployment is also lengthening and increasing, and failure at school occurs still more often in the prior education areas (*zones d'éducation prioritaires*). This evaluation underlines the difficult implementation of new forms of social intervention.

The absence of the economic actors, and the withdrawal towards social actions, have reinforced the separation that opened up in the 1980s between economic and social spheres, and that insertion policies aimed at reducing.

The importance of the new social policies called "of solidarity" cannot only be quantitatively evaluated. Insofar as an increasing part of the population depends on this type of social protection, it became necessary to make this second world of social protection understandable. It was the goal of the law against social exclusions (*Loi de lutte contre les exclusions sociales*) adopted in 1998, complemented by the introduction of an universal health care coverage CMU (*Couverture maladie universelle*) in 1999. However, the amelioration of the solidarity policies, and their installation in the French social protection system, progressively introduce and develop logics traditionally associated to targeted and means-tested policies, financed by taxes, what means the rhetoric of disincentive to work and making work pay strategies.

In 1997, the dissolution of the Parliament occurred during the discussion about a bill on social cohesion, presented by the Juppé government. Lionel Jospin engaged to make a new bill against social exclusion adopted. The vote of this bill, announced for the autumn 1997, occurred in July 1998, *Loi d'orientation relative à la lutte contre les exclusions*, whom objective is to guarantee to everybody the access to existing social

rights, especially in the fields of health care, employment, housing and culture, and to prevent all the forms of exclusion. What concerns the field of healthcare, the project of an universal coverage has been implemented in Summer 1999.

Couverture maladie universelle, CMU

This project was adopted on July, 27. 1999. It proposes to make the affiliation to the basic regime of social protection compulsory for everybody (According to the estimations, there were 150.000 persons who did not have a health care coverage in France) and to let six million of people, whose income was inferior to 533.60 euros each month, have access to a free supplementary healthcare coverage and to a dispense to pay in advance for the care. This supplementary coverage is financed by the State (who paid 228.7 euros per person to the organisms, which manage the supplementary coverage: *caisses de sécurité sociale*, mutual benefit insurance, or private insurance).

CMU ameliorates the access of the poorest to the health care system, and guarantees that nobody live without health care insurance. However, the CMU also permits to offer a supplementary coverage to these one who cannot pay for a mutual benefit insurance, in a context, when the part reimbursed by the basic regime is progressively diminishing.

The CMU was implemented on January 1., 2000. According to the Ministry of Employment and Social Affairs, in June 2001, 1.2 million of persons received CMU for the basic healthcare coverage, what represents 2% of the French population; 5.3 million persons, 8.8% of the population, received the supplementary coverage (DREES, 2001, n° 141). One third of the increase of beneficiaries came from the affiliation of the beneficiaries from the RMI.

Key Actors

The creation of an universal healthcare insurance (*Assurance maladie universelle*) was included in the Juppé plan of 1995. Some administrators (*fonctionnaires*) of the Ministry of Social Affairs, tried to elaborate a plan in order to universalize the healthcare system, by providing a free access to health care. However, the resistance of the mutual benefit insurance (who would have disappeared in this project), the associations (who concentrated on exclusion's problems) and of the elected persons (worried by the opposition, especially from the trade unions, which would have been generated by such a project) prevented the implementation of this plan³³. The implementation of the CMU was perceived as a compromise between the desire to universalize the healthcare coverage and the resistances of the actors who had important interest in the current system.

Indeed, the first pillar of the healthcare coverage was generalized to the whole population, without changing the logic of the professional regimes. France did not opted for a system, where the right to healthcare is based on the residence. It would have been possible to insure a free access for the poorest inside the General regime. This hypothesis has been refused by trade unions, who feared the apparition in the system of a principle of reimbursement according to the personal income. Consequently, a compromise has been found: healthcare is free for the poorest, who

³³ Interview, Ministry of Social Affairs.

are also concerned the mutual benefit insurance, but whom healthcare is financed through a public fund. Nevertheless, the compromise generated a change of actors in the healthcare coverage field. The departments are gone out of the system, whereas they are since there in charge of medical support. Mutual benefit insurance and private insurances became some new actors in the taken in charge of the poorest (Brocas, 2001: 228-229).

From insertion to incentives

Instead of funding a new basis of rights for all the French citizens, on the principle of residence, insertion policies generated a new world of social protection. The multiplication of the minimum incomes let develop a rhetoric and then some practices usually associated to the liberal repertoire of social protection, which denounce the disincentive effect of social benefits and highlight the necessity to make work pay.

In the early 1990's, governments started to improve job creation through policies of reduction of the contributions paid on low-paid work. After 1998, the Jospin government introduced Making Work Pay strategies in order to reduce the risk of unemployment traps for socially excluded people. The most important measure is the *prime pour l'emploi*. Furthermore, F. Fillon, the Minister of Employment and Social Affairs proposed to redefine the RMI in order to favor the integration of the beneficiaries.

- Reducing social contributions for the low-paid

In the early 1990s, the level of social contributions was believed to damage competitiveness and to prevent job creation by increasing labor costs. Beginning in 1993, mainly in the *Loi Quinquennale*, and reinforced in 1995 and 1996, various measures designed to reduce the labor costs of the unskilled have been implemented through the progressive exemptions from employer's social contributions for such workers. Two mechanisms have been adopted: a total or a partial exemption from employers' family benefit contributions for wages inferior to 1.3 times the minimum wage (*Salaire minimum interprofessionnel de croissance*: SMIC) in July 1993 and regressive exemptions from employers' health insurance contributions for wages less than 1.2 times the SMIC. The two types of reduction were merged on October 1, 1996, to form a single exemption for wages inferior to 1.33 times the SMIC. In 1998, further measures provided a maximum amount of contribution relief possible under the system equivalent to 18.2 % of the minimum wage, or 12.4 % of labor cost. The rebate was progressive and applicable to wage payments up to 1.3 times the SMIC. It was proportional to the number of hours worked so as not to unduly favor part-time work, to which a separate flat-rate relief applied. Relief on employers' contributions was believed to have had a positive impact on job creation. It has been extended by the socialist government, who meanwhile tried to reduce the poverty-traps caused by massive hiring of low-paid, part-time working employees by the employers. Within the second 35 hours law in 2000, a further increase of social contribution rebate has been implemented, approaching the amount of 1.8 times the SMIC.

The impact of these measures is difficult to evaluate. The digressive relief on low wages should permit the creation of somewhere between 80 000 and 280 000 new jobs by the end of four years according to the OECD. The unskilled/skilled wage ratio, after rising continuously in the mid-1980s, was significantly reduced by the

introduction of employer contribution relief on low wages, and the share of unskilled labor in total employment has stabilized since 1993 (OECD 2000). According to another study by INSEE, 460 000 jobs would have been created or protected between 1994 and 1997 thanks to the reduction of social charges for the low-paid jobs (INSEE, n° 348, 2001). Nevertheless, this study has been criticized -especially by the left-wing representatives- who underlined how it was difficult to quantify the impact of this kind of political measure. The main reproach is that this study does not take in account the positive impact of the economic growth during this period. According to another study proposed by DARES, and which seems less controversial, the number of jobs created thanks to this measure should be limited to 200 000 (DARES, 2001, n° 7).

- Reducing the risk of unemployment traps

In 1998, the law against exclusion (*La loi d'orientation et de lutte contre les exclusions*) defined the mechanisms of the making work pay strategy for beneficiaries of different minimum incomes (*allocation de solidarité spécifique ASS, allocation d'insertion AI, revenu minimum d'insertion RMI, allocation de parent isolé API*). The aim is to guarantee the access for all people to social rights in the field of health care, housing, culture, and to prevent exclusion. In order to encourage people to go back to the labor market without suffering from a loss of income, the law proposed the possibility to receive temporarily both income support and job's income for the beneficiaries of the insertion's benefit, the single parent's benefit, or the widow's benefit, and modified the existent rules of concurrent drawing of salaries and benefits for the beneficiaries of the RMI and the ASS.

In order to reduce the risk of inactivity traps, welfare recipients can continue to receive their benefits while getting paid up to 750 hours per year when they re-entry the labor market. This cannot last for longer than 12 months. In 1999 there were 98 730 ASS recipients involved in this program versus 92 725 in 1998 (PNAE 2001). The percentage of ASS beneficiaries involved was 20% in June 2000. There were 140 000 RMI recipients (14% of the total population) who were participating in this program in 1999 and 100 000 API beneficiaries were involved as well. The goal is that these people, when they return to work, don't lose the allowances linked to the minimum income (housing allowances, free access to health care). The other goal is that these people do not lose their right to the allowance when they get a job for a short period (Daguerre, Palier, 2001).

With the expansion of means-tested minimum incomes, which is parallel to the multiplication of the part-time jobs and very low-paid jobs, the idea develops that people who work do not earn much more than those one who receive social minimum incomes. The "generosity" of the minimum incomes, the too small difference between the lowest wages and the minimum incomes, would create some "inactivity traps", some disincentives to work. This idea is reinforced by the increasing number of persons who receive some incentive to work, permitting to cumulate benefits and wages.

In order to make the return to work more attractive, despite low wages, French workers may cumulate social benefits and wages. Since 1995, part-time activities are supported by the unemployment insurance scheme: people who work less than 136 hours each month and who receive less than 70% of the reference wage may receive supplementary benefits during 18 months. At the end of 1998, 320.500 beneficiaries

(what represents 20% of the unemployed covered by the unemployment insurance scheme) have cumulated job's incomes and unemployment insurance benefits. In 1999, 98.730 beneficiaries of the ASS (*allocation de solidarité spécifique*), 100.000 beneficiaries of API (*allocation de parent isolé*) et 140.000 beneficiaries of RMI cumulated both social benefits and work incomes (PNAE, 2001).

- *Prime pour l'Emploi (PPE)*

In France, a number of experts believed that the former measures were not sufficient and recommended the introduction of a negative income tax. Indeed, in 2000, an employee working for a monthly payment of 442 euros, i.e. 0.5 the SMIC, is losing his/her entitlement to the RMI (350 euros per month once the housing benefit is being deducted). Given the fact that the RMI entitles his beneficiary to in kind benefits, especially for children, the advantage in getting a new job is actually very low, if not negative. The Pisani-Ferry report (*Plein Emploi*, 2000) argued that the state should complete the income of low-paid workers by a benefit of 289 euros per month in order to make up the difference with the loss of the RMI or the ASS. In other words, existing work pay strategies did not suffice to reduce the risk of unemployment traps. Aware of these arguments, the government sought to encourage low paid employment through the adoption of a special subsidy for low-income households. The *prime pour l'emploi* is effective since 2001. It consists of a state bonus proportional to earned income. The *prime pour l'emploi* will increase up to reach a maximum when the person is working full-time for an annual wage equivalent to the SMIC (10 455 euros per year in 2000). When this maximum is being reached, the PPE decreases. The PPE becomes neutral when annual earned income is superior to 14 368 Euros (1.4 SMIC). This mechanism aims at reducing the risk of poverty traps and at encouraging full-time work at SMIC level. The amount of the PPE will take into account the resources and the charges of each household (Daguerra, Palier, 2001). Ironically, PPE, inspired by a neo-classical analysis of unemployment, which is supposed to be linked to disincentives to work created by social benefits, has been used during the electoral campaign in 2002 in a Keynesian way. It has been increased twice by the socialist government in order to support the consumption and attire the electoral favor of low income households (Palier, 2002: 317). Raffarin, the new Prime Minister also engaged to keep this measure.

RMA (Revenu minimum d'activité)

Agenda setting

“The creation of the RMA answered to an increasing critic : people receive the RMI without any obligation to work”³⁴. It was also linked to an institutional deficiency of RMI. The diagnosis is that the possibilities of social integration diminish when beneficiaries stay longer in the RMI scheme. The goal was to transform RMI in a “springboard” towards return to work.

Key actors

³⁴ Ministry of Social affairs, 12-07-2003.

According to the representative of the Ministry of Social Affairs³⁵, the change of government may have facilitated the modification of the benefit. The right-wing majority voted for the bill, the left wing voted against the bill. The left wing disagreed the project because it thought that the jobs proposed will be of low-quality, and because the decentralization would lead to the disengagement of the State.

The CNAF (*Caisse nationale d'allocations familiales*), who is currently in charge of the management of the RMI, explained its opposition to this project. They wonder about the modalities of the decentralization, and especially on the respect of principles of equality and solidarity and on the financial risks. They underlined the limits of the RMA and the uncertainties that subsist in the law's project³⁶.

The departments approved the project but they were afraid that the government would not give enough money to finance the RMA, what would lead to an increase in the local taxes.

Among the social partners, CGT disagrees the project, because it may produce a category of poor workers, a very cheap workforce, that would destabilize the labor market³⁷. Indeed, the difference paid by the employer is around 180 euros, what is a very low wage for a part-time worker. It may be considered as a gift to the employers. Furthermore, there will be more interesting to be a beneficiary from the RMA, who receives the supplementary assistance for housing and health, than working in the regular labour market for a low wage. Consequently, it may discourage low-paid workers.

FO is not opposed to the principle of RMA, however it participates to the development of the minimum incomes and the working poor: "We are not opposed to RMA. The problem is that we invented the minimum income from birth to death. It becomes dangerous because work has no more value. What is the better option, to get up at six o'clock for a low-paid job, or to content the minimum income? Is it still interesting to work for the low-paid people?"³⁸

MEDEF supports this measure, insofar it introduces an element of activation: "It is necessary to reduce the phenomenon of the inactivity traps... With the joined advantages for the housing and health, the active measures encourage to return to work, without suffering from a diminution of the income... MEDEF agrees for all these ideas and encourages the development of active measures. It is the good direction."³⁹

Reform elements

The project of law "favoring decentralization of RMI and creating a minimum income of activity (*Revenu minimum d'activité*)" is proposed on May, 7. 2003 in front of the Council of Ministers. It aims at encouraging the beneficiaries of RMI to work part-time to complement their income. RMA would be guaranteed in the frame of an insertion contract. It is a new measure of access to work, targeted on the beneficiaries who are very far from employment. It is a short-term contract (6 months that can be renewed two times), part-time (20 hours each week). During the period where he

³⁵ Ministry of Social affairs, 12-07-2003.

³⁶ CNAF, press release, 29-05-2003.

³⁷ CGT, 02-07-2003.

³⁸ FO, 11-07-2003.

³⁹ MEDEF, 11-07-2003.

receives the RMA, the worker keeps its situation of beneficiary of the RMI and consequently the social rights attached to this benefits, especially the CMU. Employers of the non-productive and associative sector will be exempted from social contributions. However, they will accompany the process of implementation of the RMA through “learning” and “individualized accompaniment”. The RMI is targeted on people who “cannot have access to employment in the ordinary conditions of the labor market and who need a period of adaptation”. The project will concern 70 000 persons in 2004, what would appear as low in comparison to the million of beneficiaries of RMI.

The second part of the project is to give the charge of management and of financing the RMI to the departments. In order to preserve the equality of access to the benefits, the conditions of access to the RMI and its amount will remain decided at the national level. The text of law proposes to stop the current mixture of the State’s and departments’ competences, by giving to the departments the responsibility of the local implementation of the component of social and professional insertion. The decentralization of the RMI is accompanied by a transfer of resources to the departments.

However, the bill was supported by the right-wing majority and it was adopted at the first reading. It will be examined by the Parliament on September/October, and it will be implemented on January, 1. 2004.

Women and the labour market

Family benefits regulate the role of women in society and especially their access to the labour market. As Pierre Strobel explained it, the first benefits were proposed in 1938-1939 in order to maintain women at home, in reference to the male breadwinner model. An allowance was proposed to single earner families (*allocation de salaire unique*) in 1941 and only disappeared in 1971. Family policy changed in the mid-1970s and facilitated the access of women to the labour market thanks to the development of daily nurseries.

Nevertheless, at the end of the 1980s, the creation of the *Allocation parentale d'éducation* indicated the modification of the aim of family policies. On the one hand, benefits may facilitate the access of women to the labour market thanks to the proposition of diversified services (daily nurseries, benefits to employ a baby minder) based on the development of private day care; on the other hand some benefits encourage low-qualified women to quit working when they get their second child (Strobel, 2001).

If the general rate of employment of women is raising, the proportion of working mothers is still lower. In 2000, most of the French women (25-49 years old) are working, but the rate of labor market participation decreases in comparison with the number of children: 80% of women without a child or who have an only child are working, 60% of women who have two children are working too, but women tend to stop working when they get their third child. Only 50% of them have a job (Gauvin, 2001).

There have been no major reforms in this field in the last years. Consequently, I chose to present the different policy orientations, in order to reflect the ambivalences in this policy field.

All the interviewed actors denounced the delay of France concerning the integration of women in the labour market. Women face with discriminations: they receive lower wages, they face more often part-time and precarious jobs. Furthermore, this population is still touched by the welfare without work strategy, that was implemented in the last 30 years. Women's employment is still considered as an 'extra income', that complete the wages of the male breadwinner. When unemployment is raising, some benefits are proposed to encourage them to leave the labour market. This ambivalence between the political discourse that developed on the issue of conciliation between family and work responsibilities, and the practice (benefits that let women leave the labour market, lack of incentives to work, lack of day care, discriminations in the labour market) was denounced by the interviewed actors.

The development of private day care

In France there is a relative lack of day nurseries, and the opening hours are often incompatible with professional activities. In 2000, among the 2.2 million of children under three years old, half of them are minded by one of their parents, 15% are minded by professional baby minders, 8% go to day nurseries, and 25% are minded without public subsidies (grandparents, close relations, nurses...). 30% of children

between two and three go to school. So only one fourth of children have access to day nurseries or baby-sitters (DREES, 2000). However, children can go to free pre-school (*école maternelle*) at the age of 3, and an increasing proportion of children between 2 and 3 years old is also going to school. Therefore, the problem of childcare concerns especially children before 2 or 3 years old.

To face with this problem, working mothers may receive some allowances to employ a baby minder. In order to preserve the mother's access to the labour market, two measures were proposed in the last two decades: in 1986 was created an allowance for child-minders at home (AGED, *allocation de garde d'enfants à domicile*) and an allowance for paying a skilled child-minder at her/his home (AFEAMA, *L'aide à la famille pour l'emploi d'une assistante maternelle agréée*). The benefit was created in 1990 to promote the employment of skilled baby-minders, recognized by public authorities, through tax incentives and a reduction of insurance contributions. The benefit is accessible to families with children younger than 6 years old and is since 2000 means-tested. More and more people receive this benefit: there were 190 000 beneficiaries in 1992, and 468 000 in 1998 (Huteau, 2001: 396). In this field, public spending increased fast: it represented 716 million euros in 1990 and more than 1.5 billion euros in 1998 (Huteau, 2001).

However, these benefits concerns few children: AGED only concerns 70 000 beneficiaries, especially women who live in a city, who are high-qualified and receive high wages. AFEAMA is a more heterogeneous benefit, which is received by 400 000 persons, issued from all the social classes and all the regions⁴⁰.

The decision to employ a baby-sitter at home presents an advantage for parents who need day care at flexible times. Furthermore, the baby minder may also do the housework, go shopping, cook the dinner... These services diminish the constraints for the parents and help them to conciliate familial and professional responsibilities. These benefits give the possibility to women to participate to the labor market, as well as providing an opportunity to create jobs. Nevertheless, these benefits have been criticized insofar as they do not respond to the demand of all the families, whatever their social classes. Indeed, baby minders are still too expensive for low or middle-income families, and these benefits facilitate more the access to work of high-qualified women who become high-level income.

The development of private day care was described by the interviewed actors (UNAF, MEDEF) as a "major stake in the next few years". At the last *Conférence de la famille*, in 2003, MEDEF declared it would like to develop day care in the enterprises. MEDEF announced its desire to participate to the development of day care, and qualified the issue of conciliation between family and work responsibilities, as one of the responsibilities of the social partners⁴¹. According to the representative of MEDEF, it will be soon necessary to favor the integration of women in the labour market. Facing the demographic evolution, it is the main resource of workforce. Women are well educated, efficient, and are ready to occupy a job. Consequently, the MEDEF's representative underlines that the issue of the conciliation between work and family responsibilities will soon become a major stake, and that it is one of the responsibilities of the social partners to encourage the development of day care, in order to let women go to work.

⁴⁰ UNAF, 01-07-2003.

⁴¹ MEDEF, 11-07-2003.

This point was also underlined by a Family associations' representative⁴², who feared that the development of private day care led to a disengagement of the State in this field. That would be a problem for the low paid women, who would not have access to these services. This representative had a discussion with some representatives from MEDEF, and had the feeling that they would target their initiative on the managers, they would like to develop high-quality day care, what may be too expensive for the low-paid women, and may reinforce their difficulty of access to work. However, it would be an opportunity to develop day care.

The parental leave benefit, APE

In the contrary, other policies may have a negative impact on women's labour market participation. It is the case of the APE (*allocation parentale d'éducation*).

L'allocation parentale d'éducation is proposed to families who have a second child (or more) younger than three years old. One of the parents (often the mother), who worked at least two years in the ten past years may quit its job to bring up the child and receive an allowance until its third birthday. The parent may also have a part-time job and receive a smaller proportion of the benefit.

Elaboration of the parental leave benefit

APE⁴³ was initially created in 1985 by the Minister of Social affairs and Solidarity, Georgina Dufoix (Socio-democrat), despite of the critics within the governing majority, because the APE was perceived as a disguised maternity wage (Fagnani, 1995). The creation of this benefit reflects the political and economic context. On one hand, the number of births was declining (the fecundity rate decreased from 1970 and 1975 from 2.5 to 1.8, and despite a small increase between 1978 and 1982, it fall to 1.75 in 1984) (Observatoire européen pour les affaires familiales, 1999: 13)), and on another hand, unemployment was rising. Consequently, this measure responded to two joined objectives: to encourage women to get a third child and to quit temporarily the labour market (Jenson, Sineau, 1998).

APE gave the possibility to the parent to stop its professional activity at the birth of the third child, and gave him/her the right to be entitled to a tax-free benefit of 1.518 Francs each month. This benefit could be received during a maximal period of 24 months, without any means-testing conditions. In order to be eligible, the beneficiary only had to justify he worked two years during the thirty months before the demand.

The impact of this measure was rather disappointing since there were only 27.000 beneficiaries in 1986, while the estimation was 80.000 potential beneficiaries (Fagnani, 1995: 289). Consequently, the succeeding government decided to modify the measure in 1986 and underlined the birth incentive. Michèle Barzach, Minister in charge of family affairs, declared that the objective was "to encourage all the families to have a third child"⁴⁴. the conditions of eligibility have been softened to two years of

⁴² UNAF, 01-07-2003.

⁴³ The study of this measure is merely based on the work by Nathalie Morel (2000), p. 35-39.

⁴⁴ JOn°12392° SO 193-1994, p. 15.

professional activity in the ten years preceding the third birth. The length of attribution of the benefit has been modified, it could be received until the third birthday of the child. It became also possible to work part-time and to receive the half of the amount of the benefit between the second and the third birthday of the child. This new version of the APE was more successful, at least at the beginning, the number of beneficiaries increasing to 187.000 in 1988-89. The number of beneficiaries decreased progressively to around 150.000 in 1993⁴⁵. In 1994, as the unemployment rate raised to 12.3%, the issue appeared again in the political discourse. In order to face with unemployment, it was necessary to 'share' work, to give the priority to the males breadwinner, and to push women, the youth and the older workers outside of the labour market. Furthermore, the birth rate has remained low since 1983, and declined even more since 1991. After the return of the right wing party to the reigns, Simone Veil, Minister of Social Affairs, Health and Cities, reformed again the APE, by extending the benefit to families with two children. The birth incentive let the place to considerations linked to the labour market, with the clear objective to liberate some jobs, and to develop a workforce more flexible by encouraging part-time work. In the debate within the parliament, Simone Veil defended the deserves of the APE against unemployment: " I add that the policy toward young children will contribute significantly to employment. We estimate to 100.000 the number of jobs created thanks to this bill. It will liberate around 50.000 jobs. Indeed, the extension of the APE will encourage certain parents to diminish or suspend their professional activity, what constitutes a very significant behavioral modification, since it will concern one fifth of the beneficiaries of the APE at the birth of their second child"⁴⁶.

The conditions of eligibility changed: it became possible to receive the APE for the second child. Furthermore, the APE was extended to the small and medium companies, what meant that the employees in companies of less than 100 persons, acquired this new social right, that could not be refused by the employer. The conditions of work became more restrictive, since the beneficiaries should have worked at least two years, during the five years preceding the demand. However, the maternity leaves, sickness and work injuries, as well as the periods of formation and unemployment are taken in account. What concerns the APE for the third child, the conditions of eligibility remained unchanged. Part time work is more encouraged, and it is possible for both parents to share the leave if both of them work part-time. The leave is also supported by a guarantee of return to work: the employer cannot dismiss a beneficiary of the APE and is forced to provide him, not the same job, but a similar one. However, there are some causes that give the right to dismiss these beneficiaries, but only in the same conditions as the others salaried, what means economic difficulties, or severe guilt discovered during its leave.

Created in 1985, this benefit was proposed to families with three children and more. The benefit was not very generous and was used by middle-class women, who were certain to find again their job after the parental leave, and by unemployed women. In 1985, this measure concerned very few women. In July 1994, the APE is extended to families with two children. In 1996, 65 000 women used this benefit. The employment rate of women with two children and a child younger than three

⁴⁵ Assemblée nationale, n° 1239 2° SO 193-1994, p. 15.

⁴⁶ A.N., debate n° 42, 02.06.1994, p. 2483.

decreased from 70% in December 1994 to 44% in December 1995 (Maruani, 2000: 76). For the first time in thirty years, the rate of employment of women decreased. A study published in 1998 also shows that this trend continues: 80% of women worked before this benefit was proposed, but they are only 57% in 1998, and 30% still do not work at the end of the three years (Afsa, 1998). Most of these women try to go back to the Labor Market when the child becomes three years old. The problem is that this category of job seekers (young low-qualified women) is one of those who have difficulties to get a job (DREES, 2000).

A modification was introduced in 2001 in order to encourage people to find a job after this period: while employed, they may continue to receive during two months the benefit and the wage upon the condition that the child is between 18 and 30 months old. This benefit represents 495.69 euros per month in 2003 for a full time leave; 327.76 euros to complete the loss of wages involved by a part time activity (at least 50%), and 247.86 euros for a part time activity equal to 80% of a full time job. The Jospin Government also tried to reverse this trend. The 15 June 2000, Lionel Jospin announced the creation of a benefit to help women to go back to the labour market (*aide à la reprise d'activité des femmes ARAF*). This benefit concerns unemployed women, who receive assistance benefits (*Allocation d'insertion, allocation spécifique de solidarité*), and who have one or several children younger than six years old. Women are entitled to receive this new benefit in the following cases: if they find a job for more than 2 months with monthly primary wages inferior to 1 296 euros; if they acquire a training of more than 40 hours; or if they set a business. In 2002, the amount of ARAF is 305 euros whatever the number of children who go to school; or 460 euros whatever the number of children when one of them is younger than six and does not go to school. This benefit is proposed during 12 months and renewable the following year. However, the measure is not known by the potential beneficiaries, and there are only few women who have access to it⁴⁷.

Position of the key actors concerning this policy trend

CGT's representative perceives the APE as the 'caricature' of a conception of work, of women, family and society:

"APE is the tool of withdrawal from the labor market for the low-wage women. I'm astounded at this policy! In 1982, Pierre Maurois said: 'If there is an increase in unemployment, women will have to go back home!'" Today, we are still in the same logic, and even more conservative. According to the blue collar's tradition, women only bring home a little extra income. We are still in this old working class culture, there is no space for women in the labour market⁴⁸."

According to the trade union, this cultural and political orientation is also reflected by a series of choices in family policy, employment policy, pensions policy, all these mechanisms that aim at transforming work into a precarious and temporary activity for the less qualified women. For example, the modification introduced in the pension reform 2003, has suppressed the bonus for mothers in the public sectors. A woman who chooses to continue to work while she brings up her child, will not anymore receive a bonus for her pension. In the contrary, if she chooses to stay at home in order to raise her child, she will receive some advantages. The representative took another example in the field of family policy: there is a deduction for the calculation

⁴⁷ UNAF, 01-07-2003.

⁴⁸ CGT, 02-07-2003.

of the family benefits, when both parents are working. It's a disincentive to work, and it does not take in account the cost of day care when both parents are working. In the contrary, the calculation favors couples where only one person is working. These policy orientation influence the choices of the families.

CGT also declared its engagement towards the development of the conciliation between professional and family responsibilities: "We defend the measures that are going in the right direction of the conciliation between work and family responsibilities. We should not keep such a division of roles between men and women, but encourage the integration of women in the labour market. We promote day care, crèches, all the measures that favor a repartition of tasks between men and women, and take in account that both men and women are working in many families." FO also disagree APE and underlined the ambivalence of the benefit, that was targeted on low-paid women. He denounced the rise of the precariousness among women : "the remuneration is inferior to this one of men, there careers are irregular, and it is sanctioned for the pension⁴⁹ ." The deterioration of the labour market has an heavier impact on women.

CGC also denounced the APE but for different reasons: this benefit is targeted on the low-paid women, and managers do not have the possibility to receive the benefit. CGC claims an extension of the right to this benefit for the managers. This position reflects the ambivalence of the benefit, which is denounced because it is targeted on low-paid women, as a maternity wage, that encourages their withdrawal from the labour market. CGT also denounced this policy orientation and proposes to remove the benefit, to create a new one, which will not be means-tested, but whom amount will be fixed according to the precedent wage.

There are a lot of ambivalence about this benefit, which reflects a cultural trend. The possibility of change is also blocked by the diversity of the positions of the key actors. Indeed, UNAF, the main families' association reflects this diversity, insofar as many representatives are issued from catholic and rural places. Within this organization, some actors promote the integration of women in the labour market, while others are more shared. However, the UNAF's representative who was interviewed denounced the benefit, especially because it produces some inactivity traps, or at least precariousness. Furthermore, APE is limited to the low-paid women, it is considered as an alternative to low wages or unemployment: "In practice, APE is a means-tested benefit. It only concerns low-qualified women, who have difficulties to find a job. I wonder what is the social justice concerning this benefit. I wonder if it is still justified to keep a benefit that encourage women to leave the labour market. this policy was created in order to raise the birth rate, and to fight against unemployment. Today, the main problem is the conciliation between work and family responsibilities. It is a real issue: Do the public authorities have the right to propose a benefit that pushes women outside the labour market?"

However, the representative's position reflected the ambivalence of the UNAF, and also defended the benefit: "Women who choose APE are in a precarious situation, they don't have any professional perspective, they have a low-paid job. We know that they will leave the labour market. If there was not the APE, they would be unemployed or they would not receive anything. Furthermore, this benefit is supported by the family associations, they would be opposed to the suppression of the benefit."

⁴⁹ FO, 11-07-2003.

The recent initiatives

The paternity leave

The Jospin government underlined the ambiguity of the term of “conciliation” between paid work and family responsibility if childcare remains a matter of women. He tried to improve life’s conditions of working mothers by encouraging father’s implication. A symbolic step is the creation of the paternity leave the 11 June 2001. This reform aims to back up professional equality between men and women, and to promote parental responsibilities sharing. At the birth of their child, fathers may cease to work during 14 days and receive 100% of their wages. The law was adopted by the Parliament on December 4, 2001, and implemented since January 1, 2002. This measure replaced the *congé de solidarité familiale* that was limited to three days. The paternity leave seems to be a success. It has been used by more than 250 000 fathers since its creation, when 796000 births occurred meanwhile (DREES, 2003, n° 223). The *Livret de paternité* has been proposed in September 2001 and diffused to fathers since October 2001, in order to encourage them to take care of their children and to take on their duties.

Lone mothers

In order to cope with the development of lone mothers, two specific benefits emerged during the 1970s and the 1980s : *l’allocation de parent isolé* (API) and *l’allocation de soutien familial* (ASF). The API is proposed to the most precarious situations. Created in 1976, this minimum income is provided to single mothers during three years and reaches 695.36 euros for one child, and 173.84 euros more for each additional child. After this period, which is called “adaptation”, the mothers should find by themselves a new economic equilibrium. *L’allocation de soutien familial* (ASF) was introduced in 1985 in order to provide a complementary income to all the parents who are raising alone a child (77.84 euros per month until the 20th birthday of the child). Furthermore, the successive governments tended to encourage lone mothers to keep working especially by facilitating their access to day nurseries and other services. At the beginning of the 1990s, 82% of the lone mothers occupy a full time job. In comparison, rates of employment of lone mothers are of 94% in Finland, 86% in Denmark, 84% in Italy, 70% in Germany and 41% in UK (Bradshaw, 2001: 180).

Towards a “rationalization” of family benefits? The proposition of Paje (*Prestation d’accueil du jeune enfant*)

The 29. of April 2003, during the Conference of the family (Conférence de la famille), some new measures have been announced to simplify the structure of the benefits, to increase the number of skilled baby-minders and this one of places offered in public crèches. The first minister, Jean-Pierre Raffarin, announced a plan of ten measures for the families, which will be implemented after the 1. of January 2004 for a total cost of 1.2 billion euros until 2007. The major change is the creation of a

“prestation d’accueil du jeune enfant” (Paje), which will replace some existing benefits: the benefit allocated to young children APJE, the allowances dedicated to the employ of a skilled baby-minder (AFEAMA, AGED) and the parental leave benefit (APE). The Paje consists in a unique benefit of 800 euros, that will be given at the 7th month of the pregnancy to 90% of parents, to help them to prepare the arrival of the child. after the birth, the Paje will consist in a monthly benefit with a basic amount, equivalent to the APJE, of 160 euros every month, assorted with a complement for a parental leave or for financing a baby minder, that will evolve according to the income of the family, until a maximum of 500 euros for the basis and the complement, what represents the actual amount of the APE for a full-time leave. According to the Minister of the Family, 80% of the families with children under three years old, will receive the Paje against 60% who receive actually the APJE. Finally, the parental leave, which is today accessible after the birth of the second child, will be accessible soon after the first child during six months. It will be versed at the end of the maternity leave of 16 weeks, therefore it will give the possibility to mothers to stop working during ten months. Among the other measures, the government will launch a plan aiming at developing day nurseries (*“plan crèches”*) of 200 million euros, in order to create 20.000 places in 2004. According to the interviewed actors, this project is being launched, and it is too early to evaluate it. However, it is more a simplification of the family benefits, which will not have a real impact on the integration of women in the labour market.

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