



France

Assessment of the 2008-2010 National Reform Programmes for Growth and Jobs from a social inclusion perspective: The extent of synergies between growth and jobs policies and social inclusion policies

A Study of National Policies

LEGROS Michel

(Ecole des hautes études en santé publique)

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Abstract

1 – The 2008-2010 French National Reform Programme is a direct extension of the 2005-2008 programme. It retains the growth-promoting objectives by supporting business activity, particularly small and medium enterprises, by controlling income and expenditure in the public sector and the social security system. It further accentuates the reforms already included in the 2007 monitoring report.

2 – The social dimension of the national reform programme is almost entirely devoted to access to work. Older persons, young persons and qualified foreigners are the first concerned by changes in legislation aimed primarily at improving the operation of the labour market, promoting active inclusion by introducing minimum social benefit schemes and making work pay.

3 – The programme meets European recommendations for broadening markets, increasing competition in the energy and services sector, for a commitment, albeit still limited, to the flexicurity strategy and the sustainability of public finances, even though public finances are not likely to be balanced before 2012.

4 – The reforms and policies announced in the monitoring report are being introduced without significant change. This is the case, for example, for the reforms concerning higher education, universities and vocational training, the organisation of research, the modernisation of social dialogue and the organisation of the health system.

5 – More attention is paid to contributions from the European Union through European regional development funds and the European social fund than in the previous programme.

6 – The report covers the concepts of feeding in and feeding out but they are still distinctly implicit and marginal and apply above all to employment. Sustainable development is touched on but no clear link is drawn with other domains.

7 – Although the structural reforms undertaken, mainly aimed at reducing the scope of state intervention, are in line with the overall aims of the Lisbon strategy, they may be counterproductive in a period of economic slowdown. The economic crisis intensifies this trend and leads even more to question the macro-economic assumptions on which this programme is based and thus its viability over the next two years which should see the end of the period of growth or even the end of the crisis.

1. 2005-2008 French National Reform Programme

1.1 Implementation of the National Reform Programme

The French National Reform Programme for 2005-2008 which is coming to its end was significantly modified after the election of a new President of the Republic and a new Government in May and June 2007. These changes in the French policy were first recorded in the monitoring report of October 2007.

Unlike the National Strategy Reports on Social Protection and Social Inclusion (NSRSPSI), the programme presented for 2008-2010 does not include an evaluation of the preceding period. However, it states that, as from 2007, the reform programme focused on several objectives:

- implementing structural reforms to help to balance public finances,
- the flexibility and reactivity of the labour markets,
- making France more competitive by increasing research and development, developing communication technologies and creating conditions favourable to small and medium enterprises.

Since the publication of the 2007 monitoring report, these objectives have been put into practice and nothing occurred, up until the past few weeks, to change the content. Projects that only feature in the 2007 report as intentions and proposals have become, or are in the processing of becoming, law. This is the case, for example, for job security, the adoption of the first law emerging from the "Grenelle de l'environnement", the introduction of low income benefit, the reform of the health system and the introduction of a new university governance system. The political commitment of the monitoring report has not so far been in doubt. However, although the implementation of these measures can be monitored, it will not be possible to evaluate them for several years.

The fact that these measures are in line with the European Union Council recommendations also illustrates that French policies are more firmly European based.

So far as feeding out is concerned, particularly in the most recent period, the NRP aims to promote social cohesion through economic growth by focusing on:

- higher education and vocational training, the key factors being the creation of a platform of basic skills, developing ways of measuring skills acquired and the higher education reforms introduced,
- strengthening measures to encourage a return to work: reform of the public employment service, setting up career structures, employment of senior citizens and the introduction of the low income benefit,
- setting up clusters and introducing incentives for small and medium enterprises to strengthen production. It has been shown¹ that regional poverty rates are lowest in geographical areas where there is a high density of small and medium sized enterprises.

¹ Observatoire National de la Pauvreté et de l'Exclusion Sociale, 2007-2008, Paris, la Documentation française.

- housing and building more new homes which promotes growth as well as increasing employment and improving housing conditions.

So far as feeding in is concerned, the monitoring report highlighted three key elements of the report on national strategies for social protection and social inclusion:

- access to jobs and return to work for the poorest people,
- social and occupational inclusion of young people,
- increasing the number of social homes and good quality accommodation.

It is not at all certain that as much progress was made in these fields as in the feeding out section. The first evaluations of the measures to assess skills showed that the employment measures affected first and foremost those persons who were most immediately employable. So far as social housing is concerned, it is easier to remedy the deficiencies in the standard of accommodation than to increase the number of new homes being built and, when more homes are available, this is primarily of benefit to those who have the necessary resources and security to qualify.

1.2 Examples of good practice in feeding in and feeding out

No examples of good practices are given in the initial report or in the 2007 monitoring report. Some guidelines can be found with hindsight from the 2005-2008 report.

- Incentives for the development of small and medium enterprises. Policies such as simplifying administrative measures to make it easier to set up businesses, credit, recruitment and business incentives aim to increase productivity and growth. It is increasingly apparent that they are also a means to combat poverty, either because they create jobs or because they help to create indirect jobs in the form of personnel services as well as businesses. These measures are of particular benefit when they apply to micro enterprises, helping to improve access to credit and provide security for banks that see greater risk for small scale businesses than large scale. This is an example of feeding out whose impact on the reduction in poverty should be analysed in more detail.
- Similarly, the extent to which the construction of new homes reduces poverty has certainly been underestimated. France has significant social accommodation and increases the number of beds available each year to cope with the winter. The 2005-2008 NRP emphasised that construction would start again. The growth of this economic sector generates jobs for those with fairly low qualifications which are therefore likely to be suitable for those in financial difficulty. A policy that oscillates less between housing and accommodation would be of benefit in the long term and would certainly prevent the recurrence of the crises France experiences which are resolved each time by setting up an emergency plan. This is another example of “feeding out” that merits closer study.

On the other hand, more on the feeding in side, it would certainly be interesting to look more closely at practices such as:

- child care services. In the 1960s France developed a child care system with local authority or family crèches for children from 0 to 3 years and kindergarten facilities for children from three years, later extended to two years, to 6 years, when they started primary school education. During years of slow growth, this system fell by the wayside and the extent as well as the quality of the services available no longer met the needs and demand of families. This type of service could have three main effects:
 - make it easier for mothers to find work, thus reducing the poverty of families with children,
 - create service jobs
 - help to provide early education to reduce cultural inequality.

- activities encouraging occupational inclusion. Although the various NAP/Incals and the findings of the many groups of the “Grenelle de l’insertion” have stressed the value of occupational inclusion measures available for young people as well as the poorest members of the community, this theme is very rarely considered in the national reform programmes. These measures were for a long time considered to be a portal towards employment: this is partly how they operate but they are also a means to reach those who are not very employable. Encouraging this sector can make it a real service producer. Occupational inclusion as a means for getting young people in difficulty back to work, creating jobs and providing services should be studied as a good practice in terms of feeding in.

2. Evaluation of the 2008-2010 NRP from the point of view of social inclusion

2.1 Overall assessment

2.1.1 2008-2010 NRP: Feeding in and feeding out

With this new programme, France carries the actions undertaken forward into the 2005-2007 period. The 2008-2010 NRP describes the progress, or firm proposals, for the viability of public finances and their contribution to growth, increasing competition in the goods and services market, sustainable development, the continuation of reforms undertaken in the provision of care and control of health expenditure as well as the reform of pension systems.

The introduction of a low income benefit, the continuation of a general effort to improve qualifications by reforming the university system and by assessing the level of skills and soon by reorganising the occupational training system, and by reforming the public employment agency system are some of the main elements in a strategy that places access to work as one of the key issues of economic policy.

With respect to the European Council recommendations, France has set a target for balancing public finances and reducing the national debt by 2012. Although the modernisation of the labour market is well underway, it appears that flexibility takes priority over the desire for security, and the segmentation of the labour market with a high proportion of part-time jobs remains a problem for which the low income benefit may well not provide a solution. The programme pays little attention to disparities between regions.

The links between feeding in and feeding out are stronger and more explicit when they apply to work and less evident when they apply to the poorest sections of the community or those who have no prospects of employment.

2.1.2 *The National Reform Programme in the face of economic slowdown and financial crisis*

There are several references to economic slowdown in the National Reform Programme. In the second paragraph of the introduction, the authors note that *“the situation marked by a major financial crisis, a slowdown in the world economy and the high prices of oil and raw materials makes these reforms all the more necessary as they will make the French economy more resilient”*. Although the crisis is certainly a challenge and should encourage the continuation of a reform strategy in order to provide the best possible conditions at the end of the crisis period, the report could be considered to underestimate the extent of this crisis considerably.

The report cannot be criticised for underestimating an economic crisis that broke out on 15 September when the main body of the report had already been drafted. However, when it was being drawn up, there were already signs that the growth of the 2005-2008 period had already begun to slow

- unemployment was increasing,
- there was a drop in the construction of new homes, in particular social housing which had peaked in 2007,
- the monthly growth rate forecasts were dropping,
- more companies were going out of business.

This crisis, more structural than a mere conjunction of circumstances, was aggravated by a financial crisis whose consequences on savings, investment and credit are already being felt by businesses.

The responsiveness of European member states is certainly an advantage in limiting these consequences but it is to be feared that, beyond the immediate impact of the financial crisis, the medium and long term consequences will nullify the underlying assumptions of this programme. For example, the reduction in public services, that could be considered without significant impact on unemployment in a period of growth, will have a much higher cost. The monetary investment of the state will certainly hamper the capacity to reduce the debt rapidly in the short term, but it should be remembered that the programme is scheduled for 2009 and 2010.

It could be asked whether this programme should be revised before it has even been implemented to take account of the crisis and measures already taken which fundamentally change the outlook.

2.1.3 Links between the National Reform Programme and the National Strategy Reports on Social Protection and Social Inclusion

The NRP and the NSRSPSI draw on the same ideological, political and administrative sources. There is, therefore, significant coherence between the two documents which focus on the marketplace, business, work and controlling public spending to favour economic growth. The first part of the NRP deals with sustainable growth, innovation and development of businesses, hardly touching on the NRPSPI apart from confirming the objective of ensuring quality professional training for everyone. The second part entitled "Opportunity for all", however, is very similar to the NSRSPSI and the references to employment are repeated almost verbatim.

The third part sets out the desire to ensure the sustainability of public finances and summarises and restates the measures to rationalise and seek to reduce expenditure for funding health insurance and pensions.

This report gives little consideration to the specific aspect of the NSRPSPI relating to poverty outside access to work. The report does not mention the major measure which featured prominently in the various NAOP/Incls, namely inclusion by economic activity, which has helped a large number of young people in difficulty.

2.2 Feeding out or the welfare state to promote growth

2.2.1 Employment and feeding out

The NRP emphasises France's adoption of flexicurity. A national interprofessional flexicurity agreement was adopted in January 2008 and transposed into French law by the law of 12 July 2008 with the aim of modernising the labour market. France's first priority is flexibility by creating the possibility of terminating work contracts coupled with unemployment insurance and introducing a new non-renewable work contract for a limited period of 18 to 36 months for a specific job.

Less emphasis is placed on job security although the report refers to skill assessment, support for workers and job seekers by public employment services and the provisional distribution of job and skill management techniques. It could be said that France is embarking on the road to flexicurity in a way that is somewhat hesitant and unbalanced. The future reform of occupational training should compensate for these weaknesses to some extent.

So far as the creation of employment is concerned, the report covers measures to encourage overtime and pay in lieu of leave. These measures are discussed as they would mainly be of benefit to those in employment and it is probable that they would reduce the number of new staff taken on and the number of temporary jobs.

Companies are strongly urged to increase jobs for older workers as they are unwilling to take on people over 55 or even 50 years old. With respect to salaries, the report mentions the measures

to increase employee stock ownership, profit sharing and participation. Finally, the bill in favour of income from work provides for linking state aid to companies with the opening of salary negotiations. This national reform programme pays little attention to measures for reconciling work and family life.

2.2.2 Economic growth, financial sustainability and feeding out

Right from the introduction, the 2005-2008 NRP assumes that economic growth will continue. Although French growth over the past few years has been the same as that in the Euro zone, the French economy has a growth potential that is inadequately exploited. The NRP mentions measures that have been undertaken, mainly defined in the economy modernisation law of 4 August 2008:

- encourage the development of small and medium enterprises,
- simplify the creation of companies and transposition of the services directive,
- national application of the European Small Business Act.

Other measures are proposed such as increasing the capital available by making the Paris Stock Exchange more attractive, creating investment funds and increasing competition. The report also meets European requirements by increasing competition in the gas and electricity fields, improving transport (ports, railways, etc) and modernising state-controlled professions.

On financial sustainability, the report looks mainly at public finances. Recent events show that the question of sustainability should also be studied from the point of view of private finances. The report reaffirms the objectives to improve the efficiency of public finances aiming to achieve a firm structural basis by 2012.

Assuming lower expenditure by local authorities, the NRP presents a strategy to achieve this objective based on the reorganisation of state services including partial replacement of retiring civil servants. The report refers to the measures undertaken to control health expenditure such as the reorganisation of care facilities and the continued reform of pension systems.

Although all these actions are in line with the medium term strategy for the growth and sustainability of public finances, can they really be considered as feeding out?

The answer is certainly yes as the NRP proposes embarking on a fairer redistribution of the products of growth (employee profit sharing, opening negotiations on low pay, raising the very low levels of pension in particular in rural areas). Feeding out also includes measures to improve access to care facilities, take account of dependency for old age or handicap and combat poverty. However, it is not certain that reducing the scope of certain services (teaching for example), the measures to control health expenditure, increasing the minimum social benefits linked to returning to work are not going in the opposite direction of a “feeding out” policy.

2.3 Feeding in

Unlike the 2005-2008 national reform programme which was merely a “cut and paste” of the measures presented in the National Strategy Reports on Social Protection and Social Inclusion, the new 2008-2010 programme only includes measures relating to access to jobs and work. The main aspects covered relate to:

- Active inclusion. These measures mainly concern the introduction of the low income benefit, helping young people to find work through the Contrat d’Insertion dans la Vie Sociale (CIVIS) scheme as well as measures to help young people in sensitive urban areas (independence contract).
- Higher education and occupational training. The actions in this programme apply to higher education with a plan to reduce university drop-outs, the reform of primary school teaching, the emphasis on professional training and above all the introduction of an occupational training reform.
- The employment of older workers with the introduction of a national plan for the employment of older people (2006-2010)
- Equality for men and women at work encouraging companies to draw up plans to equalise salaries with effect from 2010: companies who have not drawn up such a plan will be penalised.
 - Eliminate discrimination. The principle is stated but no new measures are proposed.

Although the plan mentions economic inclusion actions, these are not a major issue. However, this area will become more clearly defined after the results of the “Grenelle de l’insertion” take effect. The programme does not cover problems related to family income and child poverty.

2.4 Governance

2.4.1 Governance, monitoring and evaluating policies

The national reform programme makes little reference to monitoring measures and policies. There are few new measures to be added to an already complex system that combines a centralised statistical system (INSEE) and a large number of specific “observatories” (Observatoire de la pauvreté et de l’exclusion sociale [Observatory on poverty and social exclusion], Observatoire des zones sensibles [Observatory of sensitive areas], etc) and survey bodies and private and public research organisations, backed by specific services in most ministries. However, the programme pays significant attention to carrying out impact studies, the aim being that “*bills should be presented with a study of the economic, social and environmental impact of the proposed legislative measures*”. Furthermore, the constitutional reform of 23 July 2008 confers upon members of parliament the mission of evaluating public policies. The previous measures described in the previous programme or implemented after 2007 still exist even though they do not feature in this new programme.

2.4.2 *Commitment of the players*

The 2007 monitoring report on the national reform programme laid great emphasis on strengthening participation in drawing up reforms. This policy has been clearly formulated in two domains. The first applies to the adoption of legislation on sustainable development and environmental protection. This extensive programme involving a large number of interested parties is known as the “Grenelle de l’environnement” and has just led to almost unanimous adoption of the text of a law. The second programme, known as the “Grenelle de l’insertion” helped to draw up the text of the law on the low income benefit and should be extended by the implementation of an inclusion policy for those who receive this benefit.

In addition to these two programmes, the public authorities organised negotiations with unions and employers for the modernisation of the labour market, union representation and union funding. Other negotiations have begun or are to be set up on the reform of occupational training, improvement of working conditions and the reform of the occupational health system.

The report itself has been discussed, often partially, with specialist organisations but this has not led to real discussion in society, the media or among members of parliament. It should also be noted that some sectors have been less affected by negotiations and that the reforms have been more authoritarian, as for example, in the legal system.

2.4.3 *Co-ordination*

Beyond the fact that the report in itself is an exercise in co-ordination, the national reform programme pays little attention to the existence of co-ordination mechanisms. However, there are three forms of co-ordination within the programme, although these are not explicit.

The first is political. This programme occupies an important place in the agenda of the Presidency of the Republic. The President of the Republic has also been expressly quoted about ten times in the text. The second is administrative. Under the name of general revision of public policies the government has undertaken a vast programme of reviewing all administrative and political services, one of the main aims being to reorganise the administration to reduce the number of civil servants. This revision is intended to reduce costs but will lead to an in-depth reorganisation of the services with greater coherence wherever possible, both in central government (creation of a social cohesion department) and in non-government services (creation of regional health agencies).

The third type of co-ordination is financial and features prominently in the national reform programme. By incorporating the objective of balancing the budget into the constitutional revision and creating a new legal framework - pluri-annual budgets – co-ordination in time and across ministries becomes *de facto* and joins other measures such as the administrative accounting law (Loi Organique des Lois de Finance).

Appendix

France in the European Union

Studying the position of France in the European Union using commonly agreed indicators shows that France is slightly above the European average for poverty and inequality of distribution of standards of living, qualification of young people, limiting poverty at work and regional cohesion.

The *At-risk-of poverty by age and gender* indicator shows results below the European average for all categories.

At-risk-of poverty by age and gender – 2006

	Total	Men	Women	Children 0-17	Total 18-64	Men 18-64	Women 18-64	Total aged	Men + 65	Women + 65
EU 25	16	15	17	19	15	14	15	19	16	21
FR	13	12	14	14	12	11	13	16	14	18

Source – SILC 2006

The results in France, as for Europe, are worse for women than for men and older women are more affected than all the other categories.

More significantly, the demographic indicators for life expectancy at birth, disability free life expectancy and fertility are excellent and put France at the top of the European Union.

With living conditions for the elderly at an average of 91% of the living conditions for the population, France is slightly above the European average. France is also ranked more or less around the European average for the activity rate of the population of working age and future funding for social security system requirements. However, the situation in France is below the European average for indicators describing the labour market, employment rate for older workers and the number of persons living in jobless households.

Although the employment rate has attained the Lisbon target for women, older workers are still a long way off the target and generally below the target set for workers as a whole.

Youth employment is still amazingly stable but among the lowest in the European Union despite the many measures taken over the past ten years.

At the same time, the share of social protection benefits remains one of the highest in the European Union, second to Sweden with a rate of 30% of GDP.

Despite a high social protection rate, which could explain why French society is a little less unequal than the average in the European Union (Income quintile ratio: EU: 4.8, France: 4), the poverty rate has remained stable over the past years. The in work poverty rate of around 6% is equal for men and women but is a little below that of the European Union average.

Some indicators show that the situation in France is developing in a different way from the rest of Europe. Social cohesion measured by the Regional dispersion in employment rate indicator is

dropping slightly in France but improving in the rest of the European Union. Similarly the trend in the early school-leavers indicator is less satisfactory in France than in the EU.

Early school-leavers

	2000	2004	2005	2006	2007
EU 27	17.6	16.1	15.6	15.3	14.8
FR	13.3	14.2	12.6	13.1	12.7

Source Eurostat, labour force survey