

**The French social protection system in the throes  
of reform (1975-2007)**

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# The French social protection system in the throes of reform (1975-2007)<sup>1</sup>

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## Résumé

Le système de protection sociale français a connu, au cours des 30 dernières années une série de réformes dont l'ampleur, souvent méconnue, en fait vraiment «un nouveau système ». Ces réformes sont loin d'avoir connu leur terme. Leur rythme et leur forme, de même que leurs spécificités sectorielles sont aussi à mettre en rapport avec le cycle économique. Loin de montrer une trajectoire simple, qui correspondrait à la traditionnelle classification en « welfare regimes », la réforme illustre au contraire à la fois le caractère hybride du système français, ancré dans l'histoire, et donc une dépendance de l'histoire complexe, plus qu'une dépendance du sentier. Au moment où le gouvernement français annonce une grande variété de réformes sociales, il est intéressant de les confronter à celles des décennies précédentes. Ce travail s'appuie sur l'ouvrage écrit avec Bruno Théret, *Le nouveau système français de protection sociale*.

**Mots clés :** France, système de protection sociale, welfare state

## Abstract

The French system of social protection, contrary to many simplistic accounts, has undergone quite a great number of reforms in the past 30 years. This were very differentiated across sectors but also appear as linked to the business cycle. The French system, in its present developments does not manifest a too simplistic “path-dependency”, because of its hybrid character: it is not easy to insert it into the traditional tripartition of welfare regimes, and, precisely because of this hybrid nature, the current developments can be explained in terms of the “imprint” of past history, which has perhaps always been hybrid. This text is a follow-up to the book written with Bruno Théret, *Le nouveau système français de protection sociale* (editions la Découverte).

**Key words:** France; social protection, welfare state.

JEL Classification: I38 ; H55

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## Introduction<sup>3</sup>

In 2007, France is clearly not in the 'golden age' of social protection. But we are hardly witnessing the 'neo-liberal' debacle which some repeatedly predict, any more than a blanket convergence towards privatisation, the targeting of the poor, workfare and so on. Our analysis of trends in France does not show any significant realisation of such 'Anglo-American style' developments (other than a rhetorical one). The French social protection system has certainly undergone so many spectacular adaptations over the past thirty years that it would seem to be 'new'. But these changes in no way amount to a break-up of the system. New principles have been introduced (e.g., activation policies, individual incentives, tax funding, universalism, etc.) but while some of these undeniably correspond to an influence of the 'liberal' model of welfare, they are far from being the only ones and in France, they seem to be given a particular content. National social protection systems are not simply disparate groupings of institutions or policies ensuring in a more or less public way the coverage of social needs in various domains (pensions, healthcare, income support in case of unemployment, handicap, work accidents, illness, maternity or exclusion). They are also macro-systems which have a relative coherence and participate as such in the reproduction of wage societies (as in 'wage citizenship'). The logics of their formation and development go back to overall economic, political and ethical determinants: the type of macro-economic policies, the form state legitimacy takes, the state of family structures and population dynamics, and the prevalent conception of social justice. This will be illustrated with the French case.

### 1. The French *welfare state*? Rather: the French *system of social protection*

To understand the specifically French dimensions of the resulting developments, it is necessary to enter into the mysteries of the organisation of the *social protection system* itself. This system cannot be reduced to a 'welfare state' as is often done. Confining ourselves to the 'welfare state' would amount to ignoring the social protection provided by institutions related to companies, the spheres of the family and collective organisations (such as the mutual (non-profit) insurance companies [*mutuelles*]) and other non-profit organisations; conversely, it would also lead to assimilating certain organisations and institutions to the state when they are in fact independent of it (and certain recent reforms have been aimed precisely at bringing them under state control). *Sécurité sociale* which, paradoxically for a country which is otherwise held to be extremely state controlled, constitutes the core of the French social protection system, is one example of such institutions. Even if it is the central pillar of the social protection system, however, the social security system is in no way identical with it. The French *sécurité sociale* - unlike social security in the UK (assistance benefits) and in the US (mainly: public pensions) - corresponds to a large group of insurance funds covering health, industrial accidents, maternity and pensions. This system is funded by payroll contributions and managed by social partners under state supervision (Catrice-Lorey 1997). Unemployment insurance is not part of *Sécurité sociale* for the historical reason that it was only instituted as a special fund in 1958. Compared with the notions of 'welfare state' and 'social security', that of *social protection system* allows us to emphasise the complex articulation of social relations underlying it. First of all, the social protection system does not

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<sup>3</sup> This paper is based on research I have been conducting with Bruno Théret (IRISES, CNRS, Université Paris Dauphine) for more than ten years. The views presented here are mine but, drawing very much on our common approach, they are his in a way. He has kindly accepted to allowing me to use his graphs from his most recent paper (Théret, 2007) that offers new insights after our common publications (Barbier and Théret, 2004).

only protect individuals against the negative effects of the social division of labour (loss or absence of job-related resources, work injury and health problems); it also protects them against those of the division between those who govern and those who are governed (by constituting legitimate rights to the state's fiscal resources which must be honoured by those in power) and those of the gender division of domestic tasks (by guaranteeing specific social rights for women confined to the domestic sphere). In this way, it contributes to the legitimisation of the state as well as the transformation of the forms of family life. In this way, social protection helps to construct the 'social bond' at national level. Beyond the differentiation of the forms of protection (the variable proportions of social insurance, social assistance and mutual aid from one country or historical period to another), social protection thus unifies society. In France, the system is fragmented over a base which is mainly occupational and is, as a result, often held to be 'blocked' by numerous 'corporatisms'. In an important part of the literature, it has traditionally and excessively been seen as rather 'frozen' with regard to the restructuring of its system of social protection (Palier 2004; Esping Andersen 1996), it includes mechanisms which ensure its unification. One example of this is the fact that the social insurance funds, rather than adhering strictly to the principle of 'occupational solidarity', also participate in national solidarity by managing and funding services related to social assistance. The same is true of the mutual insurance companies. But the basic mechanism involves significant financial transfers between its different components: the majority of them receive over 13 percent of their resources in this way. Through these transfers, two levels of solidarity going beyond 'occupational solidarity' are established: *inter-occupational* solidarity within the social insurance schemes and *national* solidarity when the transfers occur between social insurance schemes and public schemes. This cross-funding stabilises the system over the long term, not only for reasons of financial equilibrium but also because it symbolically generates an overall coherence. Ultimately, transfers impose national solidarity, which is based on a political logic of the universal coverage of social risks.

## **2. How the system has been changing: numerous innovations**

*Resistance to the 'neo-liberal' one size-fits-all agenda<sup>4</sup>, key innovations, though*

The French system has shown a certain capacity for resistance to doctrines inspired by 'governance neo-liberalism' in particular. Certain changes, such as those affecting the areas of healthcare or old-age dependency, even reflect a strengthening of the state's role and influence within the system, to the detriment of the role of private actors, both individual and collective. On the other hand, there is no empirical reason to accept the argument of those, on Left and Right alike, who maintain that France is incapable of reform. A long list of innovations over the 80s and 90s are testimony of this.

In fact, the system has demonstrated an amazing internal capacity for adaptation and institutional innovation, as demonstrated by the plethora of new acronyms tied to significant changes: CSG (generalised social-security contribution), RMI (minimum income benefit), CMU (universal health coverage), CCSS (social security audit board), LFSS (social security funding act), ONDAM (health insurance spending target), RMO (regulatory medical practice guidelines), AUD (mainstream unemployment insurance benefit), ASS (special assistance

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<sup>4</sup> By 'neo-liberal' we mean the mainstream 'governance neo-liberalism' (*néo-libéralisme gestionnaire*) which has constituted the standard reference for elites in Europe for the last 20 years (Jobert, 1994). It is not to be confused with 'doctrinal neo-liberalism', an ideology professed by some economists and politicians.

allowance for the unemployed), CES (employment-solidarity contract), PARE (pathway plan for return to employment), APA (allocation for loss of autonomy for the elderly), and so on.

There has even been a revolution in power relations, for the state's political takeover of the social security system, after the Social Security Funding Act introduced by the 1995 Juppé plan (named after then-Prime Minister Alain Juppé), profoundly modified relations between the system's actors, along with the forms of its legitimacy. But like every revolution, this one is likely to end in a restoration, given the slight regulatory efficiency and shaky legitimacy of the new institutions created. The balance of power has hardly been stabilised and the conflict between the two alternative modes of governing social protection –the republican Beveridgean approach and the Bismarckian corporatist approach involving the social partners along with the state– has exacerbated the situation rather than resolved it. The spending targets, the employment policies, the reforms concerning pensions seem to have achieved little stability at institutional level and remain vulnerable to electoral changes, but also to the evolution of the EU's political integration and labour conflicts. Developments in the French system are the result of adaptations to common constraints in Europe, but also of a collective reluctance to adopt the universal agenda promoted by the OECD.

Innovations, which have affected many areas, emerge as diverse and sometimes contradictory. Hence the theory along which the system has been 'commodified' and 'liberalised' over the last 30 years is certainly one sided. True, the mainstream minimum income benefit (*Revenu minimum d'insertion* – RMI, introduced in 1988), the generalised social security contribution (CSG, *contribution sociale généralisée*, introduced in 1991), the personal autonomy allowance (APA, *allocation pour l'autonomie*, from 2002) or universal health coverage (*couverture maladie universelle*, from 2000) may be certainly seen as elements of the possible emergence of a new system where Beveridgean dimensions certainly assume greater importance. However, it might be added that the reforms observed obey multiple logics and intertwine in ways which are specific to each sector. Some are intended to address social problems – unemployment, changing forms of employment, growing inequalities, exclusion – created by the 'neo-liberal' policies accompanying the reorientation of economic dynamics towards an extraverted growth subject to the rule of market finance. Others may be considered responses to problems resulting from the very success of the social policies and institutions of the 'Ancien Régime' of social protection –longer life expectancy, greater gender equality, changes in family patterns, reduction of working time, differentiation between the market and civil society, aspirations for a greater democratisation of private and public life. These successes have in fact imposed the renegotiation of three major dimensions of the social contract: inter-generational and inter-gender relations, as well as those between representatives and represented. None of them have been stabilised by now. In the limits of this paper, it is not possible to detail all the innovations. We will nevertheless make a survey of the main ones before trying to interpret the global pattern of the reforms to understand what the main drivers of these reforms are.

### *Funding social insurance and its labour market consequences*

The first crucial reform concerns funding. While, for a long time (see chart 1)<sup>5</sup>, social contributions amounted to between 85 and 90% of total social expenditure, this trend was dramatically changed after a first, rather timid, introduction of the CSG in 1991, which

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<sup>5</sup> Chart 1 shows that the ratio of social contributions to spending decreased dramatically from 1991; it has now come to be stable; in the bottom of the graph, lines show the share of GDP in terms of benefits and contributions.

allowed a transfer from the funding through contributions to the state budget. Nevertheless, in comparative terms, the French social protection system is still dominantly funded by social contributions to the level of about 67% of the total bill in 2005 (Barbier and Théret 2003; 2004; DREES 2006; Théret 2007). In the 90s, indirect labour costs, it was agreed, were completely employment unfriendly, and the solution lay in the decreasing of social contributions paid by employers, in order to foster job creation. This element of the activation strategy was deliberately implemented from the late 80s and it has resulted in a fundamental overhaul of the funding of social protection. With hindsight, the creation of *contribution sociale généralisée* (CSG) represented a major ‘Beveridgean’ innovation. In contrast to the British tax credits, this shifting of previous employers’ social contributions over to the budget is aimed at fostering job creation rather than at ‘incentivising’ people to take jobs. Successive reforms were implemented from 1993 and from 1998 (the reduction of the working time, RWT). With the return of a conservative government from May 2002, the previous RWT logic has been reversed, but the reduction of employers’ social contributions has been again extended. Altogether, state budget expenditure for compensating reduced contributions soared from 1993: while the aggregated outlays for unemployment insurance and traditional ‘active’ programmes have remained roughly unchanged, the amount spent on this compensation was multiplied by almost six over 7 years. As a result, France emerges as very different from the other ‘continental’ countries. Its originality lies in the combination of radical reform of the funding of social security and subsidies to labour demand, in a context of flexibilisation of the labour market, through the introduction of atypical contracts, the latter strategy being introduced ‘by stealth’: in Italy, only the flexibilisation element was introduced (Barbier and Fargion 2004).

The French ministry of finance recently published a survey of the evaluation studies that assessed the effects of this overhaul of the funding mechanisms (Lacroix et al. 2003). In this document, employment effects appear as very dependent on the methodology used and on the time frame within which econometric evaluation is conducted. Overall figures of job creations ascribable to the programme from 1997 vary from 210,000 to 490,000 on the ‘long-term’. This subject has constantly been controversial among experts in France. However, the main element concerning the effects of this type of policy cannot be drawn from such econometric simulations: it lies in the fact that the promise of full-employment was never actually delivered in France over the period considered. All in all the aggregate effect is mixed and uncertain: on the one hand, the reform of the funding of social security has certainly rendered the system more sustainable with the shift from social contributions, but, at the same time, France’s labour market performance has remained poor in comparative terms. In this respect, *for a significant part of the active age population* (the one directly affected by the extension of the consequences of labour flexibility and exposed to what the French call ‘*précarité de l’emploi*’ – (Barbier, 2005b)<sup>6</sup> the quality of ‘wage-earner citizenship’ has been deteriorating in a way that was never compensated. This overall assessment also applies to the analysis of programmes for the unemployed and the assisted.

*A reform that fosters ‘universalism’, but with mixed results (minimum income benefits)*

RMI (*revenu minimum d’insertion*) was introduced in 1988 and the benefit was endowed from its inception with a legacy of republican solidarity. The innovative motto of the 1970s was ‘*insertion*’. However, despite its rhetoric and symbolic dimensions, the benefit has partly failed to live up to its initial ambitions. RMI vividly exemplifies the hybrid nature of the

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<sup>6</sup> *Precaridad laboral* or *temporalidad* are Spanish equivalents (Barbier, 2005b).

French regime, enhancing particular features related to its history. It was designed as a universal benefit and as a right explicitly linked to *citizen participation in the community*: in this respect, RMI would pertain to a (republican) universalistic model. At the same time, it was also designed as a safety net benefit: in this second respect, RMI pertains more to a liberal welfare model. This mixed nature is also observable in the local variations of its implementation.

With hindsight, programmes introduced from 1975 under the banner of *insertion* can be seen as precursors to activation reforms later implemented elsewhere especially in Spain and Italy. Yet, when they were introduced for the disabled and the young unskilled, their justification was to ‘activate’ these groups in a very specific sense: exactly at the opposite of a punishment or as the only way out from presumed ‘dependency’, work was here promoted as a positive channel for integration into society and accessing full political citizenship. Originating in civil society initiatives, the French doctrine of *insertion* was only at a second stage appropriated by the administration, which designed fully-fledged ‘*insertion* policies’. In the initial solidaristic *insertion* philosophy, ‘social integration’ was never meant primarily in terms of constraining people to take jobs on the market. In fact, due to the particularly low rate of job creation in France at that period, many programmes entailed the opposite function of keeping people in ‘welfare’ rather than transferring them over to work which did not exist (Barbier and Théret 2001). Although somehow watered down over the last years, this rationale can be interpreted in terms of ‘republican’ values, linked to the state’s obligation to act as an *employer of last resort* (see later).

When compared to other programmes in other countries, one distinctive RMI feature has been – even after its 2004 reform – the absence of any *work obligation*<sup>7</sup>. Local implementation obviously introduces differences as to the interpretation of the rules (Mahé 2002; Bouchoux *et al.* 2004). However, nationally, a ‘*punitive*’ orientation has never prevailed so far. Plans discussed with beneficiaries are on the basis of an individualised contract, where choices are taken into consideration. The degree to which effective consideration of the latter happens might vary according to local circumstances related to the judgment of social workers and local labour market conditions. It is overwhelmingly assumed that all recipients should engage in a series of activities, which, on the medium- or long-term, should result into integration on the labour market (*insertion professionnelle*); however, as is the case in the ‘treatment’ of the long-term unemployed (Demazière 1992) the imposition upon the recipient of a strict ‘work obligation’ has always been relative. An overall indicator of this has been the fact that only about half the recipients are registered at the public employment service. Another one can be seen in the range of services offered.

Despite these well documented facts, services offered have often been of low quality – for lack of resources and also because of the lack of employment opportunities on the market. In 2003, the government<sup>8</sup> tried to introduce a new scheme for RMI recipients who have been

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<sup>7</sup> Indeed, successive 1988 and 1992 RMI Acts established RMI as an unconditional citizenship right. Article 2 of the RMI Act reads as follows: “Every person residing in France whose income (..) does not reach the amount of the minimum income (..) and who is at least 25 or is in charge of one or several child (ren) (..) and who accepts participation in the activities, determined with him/her, that are necessary for his/her social or labour market integration, has a right to RMI” (1988, 1992 amended, Acts).

<sup>8</sup> The Raffarin government introduced new legislation for RMI recipients after a certain period of eligibility. These individuals were supposed to be transferred to a new benefit (*revenu minimum d’activité*, RMA), which was supposed to entail enhanced employment obligations for a target of 100,000 contracts. However, the reform was met with considerable opposition from various actors and at the end of 2004, only about 500 contracts were

eligible for two years with downgraded contracts. But because of intense political controversy over a scheme that was intended to placate the more right-wing sections of the current political majority, many of the French '*départements*' (local authorities) never really adopted the measure – which accounts for the tiny proportion of recipients engaged in this measure. In 2004, RMI was further decentralized, which meant that the scope for local variation was deemed to extend. Yet variation already has existed for a long time (Bouchoux *et al.*, 2004).

It should be stressed that RMI is but one of a long list of minimum income benefits, (*minima sociaux*, which were introduced in 'three generations' (Barbier and Théret 2003). They included benefits for lone parents (API, *Allocation de parent isolé*, from 1976); benefits for the disabled (AAH, *Allocation d'adulte handicapé*, from 1975) and *Allocation spéciale de solidarité* (ASS) (unemployment assistance, from 1982). RMI is a universal minimum income for all those not entitled to any of the others.

In the late 90s, political and economic pressures have fostered reforms aiming at eliminating possible disincentive effects on the labour market. This rationale has presided over the reform of minimum income benefits, in line with the overall influence of the 'activation' political discourse but also with the political discourse of the EU co-ordinations (Barbier 2004; 2005a). Yet AAH has never entailed problems of inactivity comparable to for instance the disability benefits in the UK or the Netherlands. As for API, contrary to British benefits for lone parents, it was 'activated' from the start, because served only for the period when the children were under three: presently, 40% of API recipients receive it for less than one year, and 40% of them are also active.

On the opposite, for ASS, although in theory rules similar to the unemployment insurance have always applied, the majority of its older recipients have tended to be exempted from active job search, thus resembling early retirees on the dole. From 2002, the new conservative government introduced a reform of ASS in order to limit the duration of eligibility to two years. However, after their defeat at the regional elections in 2004, the French government scrapped the reform: it is interesting to compare this development to what happened in Germany where – despite protest and demonstrations – the red-green coalition has stuck to the merging of the former *Sozialhilfe* and the former *Arbeitslosenhilfe* into the new *Arbeitslosengeld II* for working-age individuals after one year of traditional unemployment insurance, from the 1<sup>st</sup> of January 2005<sup>9</sup>. Value conflicts are obviously differently tackled in both countries.

### *Building a new 'sector': employment and 'insertion' programmes in times of scarce job creation: the French path to 'activating' the unemployed and the assisted*

Throughout the 80s and into the 2000s programmes mixing both minimum income benefits and job creation schemes have played a key role. Although a mean stock of 400 to 500,000

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actually signed. The programme was subsequently completely redesigned. In a small minority of cases, recipients who have been registered for RMI are now obliged to accept jobs in the private sector and get a modified benefit (RMA, i.e., *revenu minimum d'activité*): out of the 1 million recipients at the end of 2005, less than 10 000 had such a contract. However, around 15% of RMI recipients had access to a special employment programme at the same date.

<sup>9</sup> The reform is known as Hartz IV.

places have been funded yearly<sup>10</sup>, this provision was however never able to accommodate all potential candidates, thus ruining the programme's claim to 'universal solidarity'.

All potential and actual transformations of the systems of social protection are constrained by the overall economic rationale of flexibilisation (Barbier and Nadel 2000; 2003) and it is easily seen in the area of 'activation' reforms. As one of the large members of the 'continental' family, with Spain, Italy and Germany, France has nevertheless been always difficult to locate in the cluster – we will come back to this point in section 3. But, with respect to activation, France certainly is not to be classified as a laggard (Barbier and Ludwig-Mayerhofer 2004; Barbier and Fargion 2004). Structural reform and flexibilisation of the French labour market have also taken place on a very significant scale from the late 80s. Unlike in Italy, remarkable developments have occurred in France combining social protection and labour market reforms.

In a nutshell, the French activation strategy is a combination of three main features: (1) A sector of employment programmes, well entrenched, mostly wage-based (with some resemblance with Scandinavian programmes); (2) Unemployment insurance and 'assistance' have recently been at the forefront of the public debate and reforms have tended to target remaining regulations leading to possible 'inactivity traps', especially for minimum income benefits' recipients; (3) The gradual decrease of employers' social contributions, already mentioned above, has taken the leading role in the activation dynamics (Barbier 2005a).

In unemployment insurance, activation was present from the start (the 'old activation' obligation to seek work) and the 'actively seeking' clause has never been rhetoric for recipients. However, in a comparative perspective, sanctions were always limited and they only recently started to increase (a bill adopted in December 2004 has provided for further regulations for job search obligations). In the mid-1980s, the French insurance fund innovated with the provision of more active support to the insured unemployed: AFR (*allocation formation reclassement*) allowed for an extension of the compensation period and additional support for training periods. Since then, the philosophy has been both to activate unemployment compensation by giving the unemployed better opportunities to improve their employability and, more marginally, to influence employers' decisions to hire long term unemployed people.

Activation featured high in the long and conflictual process of reforming unemployment insurance in 2000, when PARE – *plan d'aide au retour à l'emploi*, (back-to-work support plan) was introduced. In October 2000, employers' organisations and only three of the five French representative trade unions agreed on the reform. But it was eventually only implemented from July 2001, after more than a year of conflict among unions and between unions and employers' associations and the government. Ever since, PARE<sup>11</sup> has been the standard provision for all the new unemployed who claim unemployment insurance. Along with access to the benefit, it comprises an individualised 'project' (involving the negotiation by the recipients of an action plan, PAP, *projet d'action personnalisé*), which entails the offer and use of services (skill assessment, job search and counselling, vocational training courses,

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<sup>10</sup> The active population in France has been in the range of 24 to 25.5 million in the 90s.

<sup>11</sup> Constant reform has been implemented in the French public employment service (PES) from the late 1990s. This led to changing the denominations of programmes and PES tools (Barbier 2005c). However, the basic instruments have not changed since 2001 sufficiently to alter the pertinence of the present presentation (January 2007).

and so on). Despite its rather long period of implementation, only limited evaluation data are available today, even after six years of implementation<sup>12</sup>.

PARE mainly obliges the unemployed to have their skills assessed, to undertake training or to take an 'acceptable' job. Thus the administration is committed to deliver a variety of active measures, including training and counselling. The implementation of individual projects should be assessed in-depth at least every six months<sup>13</sup> and is supposed to lead to various 'levels of offers of services' according to the difficulties experienced by the beneficiary. One key element lies in the possible quantitative discrepancy between the formal offers and the actual potential beneficiaries, given the level of resources available. One of the main fears expressed by the unemployed's organisations and the unions who have been critical of the reform since its beginning is the possible tendency of the reform to increase the already existing dualism and inequality of services between the more employable and the 'hard-to-place' or the potentially 'excluded' from the labour market.

In 2001, benefit rates were increased and the previous rule according to which they were decreasing over time was abolished. So generosity was improved altogether. In terms of their comparison to the minimum wage, benefits are certainly less generous than in the Scandinavian countries (2005d), but more generous than UK flat rates. All in all, in this first period, the duration of benefits remained practically unchanged by the reform, whereas the conditions for eligibility were eased for recipients with a limited job experience and benefits were upgraded. However, in 2005-2006, the eligibility period was again decreased. This does not compare unfavourably with other Continental countries, but it is much less generous than in Denmark or Sweden<sup>14</sup>.

The fact that France over the last 20 years failed to achieve full employment and saw its unemployed population grow and remain stable is very well documented. Hence, governments were confronted with the 'employer of last resort' question (a question that has run more or less in French history since the French Revolution), the state being expected to provide temporary (or 'secondary market') jobs when the market failed to deliver them. As a result – although never reaching levels observable in Sweden and Denmark – a significant proportion of GDP has been constantly devoted to employment expenditure (Barbier and Gautié 1998). Actually, in France, from the 1980s, *politiques publiques de l'emploi* have gradually emerged as a new, significant and consistent policy area for social protection (Barbier and Théret 2003; 2004). In a first period, from the late 80s, extensive programmes were introduced. The corresponding expenditure went from 0.9 to more than 4.0%<sup>15</sup> of the GDP from 1973 to 1995, a considerable expansion, which has only slightly been slowed

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<sup>12</sup> Comprehensive recipients' surveys and leavers' surveys are still not available at the time of writing. The evaluation of the programme is a very sensitive subject for the political parties, the government and the unions.

<sup>13</sup> The target decided for the PES to achieve in 2007 is a contact with the unemployed on a monthly basis.

<sup>14</sup> The lowest assistance benefit served by Assedic is currently (January 2007) 430 € monthly (to compare with an amount of 1254 € for the national monthly minimum wage – this amount is before social contributions, so that the net minimum monthly wage – full time job – is a little over 1000 €). After the reform, the mainstream insurance benefit is served for 23 months, once the recipient can demonstrate that they contributed their social contributions for 16 out of the previous 26 months. This period is reduced to 12 months for those who contributed only 12 out of the previous 20 months. For the less employed (6 months out of the 22 previous ones), the period is reduced to 7 months.

<sup>15</sup> This figure included so-called 'passive benefits'.

recently. Programmes have encompassed: (i) training schemes for the unemployed; (ii) temporary subsidised employment in the public and non profit sectors; (iii) subsidised contracts in the market sector for certain hard-to-place groups. Except for training programmes, almost all participants enjoyed an employee status (*statut de salarié*) and, consequently, were entitled to standard social protection rights (nevertheless, there has been a clear relationship between these schemes and the emergence of a ‘working poor’ stratum in France). The number of participants in the various employment programmes increased to about 10% of the active population in the late 90s (a stock of 2.5 million in 2000, but 2.1 in 2003). This figure includes a stock of about 300 to 500,000 places for the temporary subsidised jobs in the public and non-profit sector, among which the CES (*Contrats emploi solidarité*) have been the mainstream contract<sup>16</sup>. As a result, during the period, all governments – despite obvious reluctance from the more liberal ones – have stuck to the logic of the state as an employer of last resort to a certain degree, for fear of being confronted with even higher unemployment figures and with recurrent social demonstrations, as those which occurred in 1995 and 1997. The cancelling of the Raffarin government reforms implemented in 2003 is a confirmation of this fundamental feature of the French style of activation. Globally, over the period, these programmes nevertheless have failed to actually provide hard-to-place people (and the unemployed more generally) with effective transitions to conventional market jobs. Only a minority of CES participants succeeded in gaining such access. Other forms of temporary subsidised jobs, like the *emplois jeunes*<sup>17</sup>, have nevertheless brought positive outcomes for participants (although net effects are controversial). Accordingly, subsidies targeted on contracts for the long-term unemployed or RMI beneficiaries in the private sector have proved effective in France. Yet, while more similar to the Scandinavian ‘employer of last resort’ rationale than to the liberal one in this domain, the overall French policy appears as implemented only half-way, because of limited funding and quality. Hence, a significant proportion of employment programmes could certainly not be viewed as effective but, as in many other countries, they have certainly acted as ways of decreasing ‘open unemployment’<sup>18</sup>. These discouraging outcomes are a constant difficulty for politicians to legitimise programmes which they nevertheless continue to promote; such programmes also function as a tool for flexibilising the labour market, at its margins. They also concur to the increasing prevalence of an insider/outsider inequality and certainly foster the special relationship French society has built over the last twenty years with the concept of *précarité* (Barbier 2005b).

### *Two strategic sectors: healthcare and pensions*

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<sup>16</sup> In 2004-2005, this contract was reformed but its basic rationale was not changed.

<sup>17</sup> The *emplois-jeunes* (or *nouveaux services-emplois jeunes- NSEJ*) programme was one of two flagship programmes introduced by the Jospin government in 1997, along with the reduction of the working time. NSEJ were 5-year temporary contracts, signed by young people under 25 in associations and in the public sector. The programme – cancelled by the Raffarin government – however has still more than 100,000 participants at the end of 2004. Outside France, the rationale of the programme was largely misinterpreted (on this see Lødemel and Trickey 2000). The French regional councils, now all governed – except Alsace – by leftwing executives, have announced a large scale regional programme to replace the contracts. In summer 2005, the Villepin government eventually reintroduced a similar programme in the public sector, although on a much smaller scale.

<sup>18</sup> It must be stressed that similar discussions developed even in the most successful countries, including Denmark (Jørgensen 2002). Germany resisted for a long time the implementation of such temporary jobs, but recently changed tack with the launch of ‘one Euro jobs’ in the context of the Hartz reforms.

Pensions and healthcare are not only the two social protection sectors which have the greatest quantitative importance (80 % of total spending, i. e., respectively 13 and 10% of GDP). They are also the ones which have shown the largest growth since 1975, as in the other EU countries<sup>19</sup>. Healthcare and pensions are both sectors which have undergone significant and often painful reforms. However, reforming has not been completed yet and new important pending issues will be on the agenda in 2007-2008. France enjoys a relatively favourable demographic situation as table 1 shows, but only as far as other European countries experience direr problems. In 2006, the French demographic institute announced that the French fertility index (number of children per woman) had even reached 2.0.

**Table 1 The French demographic situation compared**

<b>Source INED (2005)</b>	<b>64+ [%]</b>	<b>Natural increase (p.1000)</b>	<b>Number of children /woman</b>
<b>Germany</b>	18	-1	1.3
<b>Spain/ Italy</b>	17/19	2/-1	1.3/1.3
<b>Poland</b>	13	-1	1.2
<b>The UK</b>	16	2	1.7
<b>France</b>	16	4	1.9

If the hypothesis of a demographic ‘time-bomb’ obviously does not fit the reality, the problem of securing sustainable pensions nevertheless remains a key one in the French social protection system. This question, as in any other system, is basically determined by the past but also by future political choices, which are still uncertain today. These political choices are based on previsions that depend on uncertain factors, as table 2 shows. The importance of the ‘dependency’ rate very much depends on the method of its calculation.

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<sup>19</sup> With 2.2 % of the GDP in 2002, unemployment compensation has also increased in importance (it even attained 2.6 and 2.7 % during the recessions of 1983 and 1993, respectively). Family benefits and housing allowances, meanwhile, are limited to less than 4 % of the GDP. Finally, spending in the name of the poverty and ‘social exclusion’ risk hardly merits the media attention it generates: it represented only 0.4 % of the GDP and 1.4 % of total spending in 2002.

**Table 2 Dependency rates (Rapport Charpin, 1999)**

Ratios (1995=100)	2005	2010	2020	2030	2040
>60/ 20-60	103	110	136	164	182
<20+>60/20-60	99	105	115	129	137
Employed/ not employed	90	86	93	101	106

Reform was conducted in two steps: the first ONE (named after then-prime minister Balladur in 1993) was achieved for private pensions. It went rather easily because the government was able at the time to trade it with unions for other measures. The number of contribution years was extended from 37.5 to 40 years, although the official retirement age was kept at 60. The replacement rate decreased because of the change of the period of calculation, from 10 to 25 years; finally, pensions were disconnected from the wage index. The replacement rate will in the future still decrease (a decrease of 12 points was anticipated from 1994 to 2010).

The second stage of the reform, very often postponed although it had been on the agenda for a long time, was badly managed by the Juppé government in 1995, who did not consult the social partners and prepared the reform behind closed doors. Whereas, as will be seen, the greater part of the reform devoted to healthcare was accepted and voted by the French assembly, a powerful social movement kicked off by the reform succeeded in forcing the prime minister to resign and to abandon the particularly controversial reform of '*régimes spéciaux*' (a number of fragmented old-age insurance schemes in public firms like the national railways). Hence, it was only much later that the Raffarin government decided to reform pensions for employees in the public sector, but not in the *régimes spéciaux*. Again, a powerful movement was started to oppose the reform, but the government and its minister Fillon finally won the day in 2003, with the help of CFDT, one of the biggest unions. The reform was based, roughly, on applying to public employees the same rules as those valid for the private sector. The number of contribution years was also extended to 40 in a first stage, until 2008; however, from 2008, this number of years will rise again to 42 in 2020.

However, the main point to consider for the future is that the government and social partners will have to again negotiate for the next step after 2008. These negotiations are supposed to take place after the presidential and parliamentary elections in 2007. The presidential candidates have announced that the *régimes spéciaux* will have to be reviewed this time.

From a comparative point of view, it is important to note here that contrary to earlier plans from some parties and from financial actors, the resort to funded schemes appeared finally to be limited, alongside the long existing '*assurance-vie*' accounts (bank deposits with special tax rules) schemes which, *de facto*, constitute one of the channels household use to complement their basic pension and their additional pension (*retraite complémentaire*). Note also that these *retraites complémentaires* are paid on a pay-as-you-go principle.

The French situation also shows a particular inability to manage and control the early exit from the labour market. As table 3 shows, participation rates among the 54+ are especially low in France, only matched by Italy. From the late 70s and into the 90s, governments have resorted extensively to early exit schemes and early retirement was particularly used to remove older and redundant workers from the labour market, their early retirement benefits being funded by the state budget. This mechanism became very palatable both to employers and to unions, because it allowed for a ‘socialisation’ of individual consequences and it dispensed employers from designing old-workers-friendly conditions of employment (Guillemard 1986): this very well known prerequisite of active ageing strategies has only recently started to surface again in the public debate although with considerable hesitation (Guillemard 2003). Resorting to early retirement arrangements was at its highest in heavy industries and large firms in the 80s. It then started to decrease significantly; however, new, more targeted schemes were introduced, of which only some were actually ‘activated’ in the sense that the older left the labour market in exchange for the recruitment of young people. In 1994, the statistics showed a stock figure of participants in various early retirement schemes at about 210,000 people. At the same time, 284,000 older unemployed were allowed not to seek jobs. In 2001, the corresponding figures were at 204,000 (71,000 in 2004) and 365,000 (more than 400,000 in 2007). These figures point to a persistent inability to turn away from inherited practice. Fresh initiatives were heralded in the wake of the 2003 pension reform and a new strategy was launched in 2006, but all odds are that France will prove unable to reach the targets for employment rates which were fixed at the EU Barcelona summit.

**Table 3 Labour market: activity rate**

<b>% Source EU (2005)</b>	<b>Denmark</b>	<b>The UK</b>	<b>France/ Italy Spain</b>	<b>Poland</b>	<b>Germany</b>
<b>Young 15-24</b>	68.1	61.9	38.4/ 33.8/ 47.7	35.7	49.7
<b>Age 55-64</b>	62.8	58.5	40.0/ 32.6/ 45.9	30.5	52.0

### *Healthcare*

Certainly healthcare is among the sectors of social protection where national diversity is highest: consider the contrast for instance between the USA, where some 40% of their population has no such protection and the universal and efficient coverage in the Nordic countries. As is often the case, France, with its ‘mixed’ system, occupies a middle ground. The mixed system is a combination of private practice (*médecine libérale*) and universal coverage through social insurance (some twenty different *regimes* – including the universal one for those not covered, *couverture maladie universelle* – CMU, added in 2000, another

recent innovation). Care is delivered by public and private hospitals and private practitioners. The contradictory organisation of healthcare appears easily: sick people are free to choose their provider while expenses are reimbursed by the healthcare insurance funds. This leads to the fact that the state is unable to directly control the supply: it is thus obliged to either influence the supply by limiting the practitioners' income, or control the levels of contributions and of reimbursements. This structural contradiction has resulted in a sort of oscillation of policies in the past 30 years (Théret, 2007). In 1995, the essentials of the Juppé reform for healthcare were adopted, in the context of an apparently renewed compromise with the social partners under the firm intervention of the state. This was manifested essentially by three innovations: parliament was now to vote a spending limit each year (ONDAM); the universalisation of healthcare was later completed by the introduction of CMU; at the same time, various measures were introduced to limit delivery of medicines and interventions from the supply side (*maîtrise médicalisée des dépenses*, planning of hospital outlays, etc.). However, these compromises were, as we have shown (Barbier and Théret 2004) difficult to implement. The Jospin government (1997-2002) was thrown in a difficult position, because practitioners refused to abide by the rules, which led to a certain loss of trust over the spending limits. The structural and long-term opposition of the medical professions, especially practitioners led the following right wing governments (2002-2007) to yield to categorical demands and introduce a new piecemeal reform in 2004 that led to a return to measures of the 'competitive disinflation' period (see chart 3) and will undoubtedly result in a fresh increase of inequalities. Hence, all in all, the successive reforms have only introduced rules and norms, technical tools for a better management of the health system, but the opposition of certain social forces has delayed, when not countered their effectiveness. Finally, it is also important to insist, without detailing it, upon the fate known by the APA (*allocation personnalisée d'autonomie des personnes dépendantes*), which in a way is typical of the hybrid nature of the French system. Introduced in 2002 as a universal benefit, it was nevertheless tailored to the income of the old persons in need, thus covering only a part of their and their families' expenditures. The benefit's level was also curtailed subsequently.

### *The gradual adaptation of 'family policies'*

The French legacy of a large scale family policy is well known (Bradshaw *et al.* 1994): it has encompassed a wide array of benefits, the most prominent of which have been benefits for families with two kids and more, and housing benefits which have acted as effective mechanisms to alleviate poverty. This should not be equated with 'familialisation'. Indeed, the dual-earner model has prevailed in France for a long time. True, in certain cases, and very recently again, familialistic and even natalistic features of the old times have resurfaced, clearly contradicting the mainstream policy of enhancing child care and the reconciliation of work and family<sup>20</sup> (Barbier and Théret 2004). Yet, despite very important persisting gender differences, the French system has long been 'de-familialised' although obviously not to an extent similar to the Nordic situation. Contrary to Esping Andersen's interpretation (1996), this feature clearly distinguishes France from Italy, Spain and Germany. However, French family benefits de facto allow many young people to remain dominantly inactive and France is among the EU countries with the lowest participation and employment rates for the 15-24. Universal housing benefits are also at a substantial level for students not living with their parents and, contrary to what happens in the Nordic countries, they are not accompanied with high labour market participation (table 3). Hence, the combined effect of high participation in

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<sup>20</sup> This was for instance the case with the introduction of the *allocation parentale d'éducation* (APE).

education and family-linked benefits can be seen as directly hindering the extension of the activation dynamics for the young, and to a minor extent for certain categories of mothers.

### **3. Interpreting change: changing clusters, changing paradigms?**

Following G. Esping-Andersen (1990), comparativists have generally agreed on his useful classification of social protection systems: the liberal family including the Anglo-American countries, but also Japan and Switzerland; the social-democratic ‘cluster’ composed of the Scandinavian countries; the ‘corporatist-conservative’ family of continental Europe (within which a Latin model – Southern Europe – is often set apart).

By default, France is generally included in this last category. The problem is that such an (inevitably) ‘reductive’ classification often leads to a deterministic vision of change. To be sure, a number of the French system’s formal features – among others, its organisation into multiple funds, which we have just seen – justify its classification within the ‘continental’ family, the classic example of which is ‘Bismarckian’ Germany. However, there are numerous reasons, notably related to the hold of the centralising republican state model (which contrasts with the German federal model and is more in tune with the ‘Beveridgean’ model prevailing in the other two families) for applying this classification with great caution. The issue of the family and the role of women on the labour market also contribute to this reluctance. Prior to the Second World War, the French system historically incorporated a clearly paternalist dimension which was subsequently pro-natalist. But this familialism, discredited by its association with the Vichy government in particular, was transformed in the post-war era, with the setting up of a more composite social security system which, unlike in Germany, Spain or Italy, was compatible with a high rate of female labour market participation. From this point of view, France is closer to Sweden. In other respects as well, France shows similarities with the social-democratic model; this is notably the case for policies aimed at increasing employment and countering exclusion, even if a similar orientation in France yields results which are quantitatively less convincing than, for example, in Denmark. In a way, the invention of the notion of *insertion* in the late 1970s attests to this proximity. As we have just seen, far-reaching reforms have profoundly transformed the 1970s system by accentuating its Beveridgean features and thus its composite nature. When all is said and done, an international comparison prompts us to pay less attention to the similarities between France and Germany than to a historical feature which is proper to the French system: the fact that its ‘heritage’ is composed of an original mixture of the marks of the various families, combined and ordered differently depending on the areas of risk and the historical context. Thus, we maintain that it is preferable, especially in the context of analysing its changes, to view social protection *à la française* as a hybrid system.

Consequently, it comes as no surprise that the reforms we have surveyed have been taking manifold paths over the last twenty years, instead of being ascribed to a rigid unique ‘path-dependency’. Like most other systems, the French one is confronted with two types of ‘causes’ for its evolution, i.e. ‘internal’ and ‘external’ causes, that exercise their influence diversely across the various sectors of social protection. This applies to all systems of social protection. Additionally, far from being an ‘automatic’ adaptation, the evolution of systems across Europe and the world, whatever the international pressures for change, always entail a determining political process within each polity. Political compromises struck at national or regional level play an important role in the reform process.

'Internal causes' are to be seen more in the areas of family policy, of old-age pensions and employment. 'External' reasons – linked to globalisation and flexibilisation demands particularly apply in the area of healthcare and pensions. 'External' and 'internal' causes are not exclusive of one another of course. However, in the French case, two 'sub-sectors' have neither the same weight nor the same dynamics: on the one hand, pensions and healthcare, on the other, unemployment, the family and poverty. Their actors are different. In the area of pensions and healthcare, the system faces pressures from financial interests (insurance companies, banks, etc.) and above all from financial globalisation strategies. This sub-sector represents a potential market tied to population ageing and a growing demand for healthcare. The stakes of the reforms for the dominant actors are less the reduction of spending than its privatisation. On the other hand, market forces apply weakly in the other sub-sector (employment, family, housing and anti-poverty programmes). Rather, these domains are confronted by the large companies' strategies for greater flexibility and the consequences of family life and patterns, but also to the fiscal rigour promoted by government elites. In addition, the reforms, like the crisis, also – and primarily – result from national-level economic policies and an interaction of players which is itself marked by the national form of the political system. For thirty years the reforms have thus been paced by the reappearance and recurrence of a business cycle alternating recovery and recession (see chart 3, and Théret 2007), as well as a succession of different economic policies associated with it: the 'stagflation' of the 1974-1983 period, the 'competitive disinflation' of the 1984-1993 period, economic policy governed by the Maastricht criteria from 1994 to the absorption of the shock created by the changeover to the euro in 2002 and at present, the prevailing dissociation of the territorial levels of monetary policy and fiscal policy. Each cycle can in fact be associated with one main type of adjustment or reform: the pursuit of social progress along Keynesian lines during 'stagflation management', parametrical reforms centred on a reduction of social spending with unchanged institutions during the period of 'competitive disinflation', more structural reforms once the EU's single market came into being. Thus, significant reforms in the area of healthcare and pensions, the sectors which are by far the most costly for public finances, were above all introduced in the third economic cycle, from 1993 on. But internally, this was also a period where the resistance of the weakest collective actors took a more active form. These adjustments in economic policy over the past thirty years and the distinct reactions they have entailed among the social forces concerned have given rise to forward-looking reforms followed by setbacks or abrupt halts, transformations which were conceivable at a given time but which, held back by resistances, seemed less appropriate in the following period, to political learning processes involving trial and error, to innovations combining the new and the old.

Of course, internal political variables are not totally autonomous relative to the external ones but the national political choices have primed. Thus, the fact that the social reforms of the past thirty years have mainly been governed by financial considerations may be linked, more or less directly, to the introduction of the single market and the single currency in the European Union, via the interplay of policies inspired by 'governance neo-liberalism'. Yet the single market and single currency have not been pulled out of a magician's hat; they are political and social constructions reflecting internal political choices. The future of the national social protection systems in Europe also depends on such choices and the way they will shape the evolution of European building.

More generally this means that the hybrid nature of the past of certain systems – like the French – is bound to play an important role in its reform. Secondly, clusters as they were designed should not be seen as more than types, and the empirical world teaches us that all

real life national systems tend to borrow features from the other types: for instance, the social-democratic cluster of nations, and especially Denmark have since long incorporated private market elements of social protection. The role of politics also supports the idea that the future process of reform is largely undetermined, notably because – within even dire fiscal constraints that apply across nations – choices are at least partly reversible. Hence, the reforms we have been describing so far presently appear as an ‘unfinished business’.

#### **4. Unfinished business and work in progress**

The French system has been in constant reform, from the late 1980s; its hybrid nature was in certain areas a positive factor facilitating this adaptation; it has been in a way faithful to certain original republican choices as well as to choices made after the Second World War, for instance with regard to women’s participation to the labour market. Despite an undeniable societal coherence (Maurice *et al.* 1982), and after the recent reforms, the French system compares favourably in certain sectors but it is certainly flawed in others. Essentially, this does not add up to make all the reforms we have described consistent. 2005 was perhaps a turning point in the reform debate in France and this debate has been raging ever since, not only because of the long run-up to the presidential and parliamentary elections in 2007.

##### *Behind a comparatively mean inequality, more important and urgent problems*

Apparently, France occupies a middle ground with regard to inequality in Europe, as measured the Gini coefficient and other EU coordinated indicators in 2003: France is at 0.28 for the Gini coefficient, as against 0.24 for Denmark, but 0.31 for Spain and Poland, and 0.34 for the UK. France’s monetary poverty also stays in the middle: 14% as against 18 for the UK, 17 for Poland, 20 for Spain and only 10 for Denmark.

Yet recent and very conspicuous social movements in 2005-2006 have put this comparison in jeopardy. A ‘solidaristic’ dimension undoubtedly prevails in the dominant political discourse but social movements are a testimony of its distance to the real situation of certain groups in society, groups who are certainly not marginal. Many inequalities in social statuses add up to form a particular fragmentation of the French society in the years 2000. The social movements were (i) the revolts in winter 2005 in the suburbs (*banlieues*) that were started by young – often very young – low qualified people – mostly young men, living in difficult housing areas; (ii) the revolt again started by the young against the introduction by the Villepin government of a special contract for the young, considered to be discriminatory (*Contrat première embauche*, CPE, in Spring 2006). Despite the very different nature of the demonstrations and protests – the 2006 was supported unanimously by unions, both the explosions point to the particularly unfavourable situation of the young in France, who are – like in Italy and Spain – more exposed than others to the bad sides of the flexibilisation of the labour market, i.e., unstable and insecure jobs with little social protection. Many entitlements and benefits the young under the age of 20 to 25 are eligible to still depend on the family policy system and are not individualised. Moreover, the young experience worse conditions than adults and older employees in terms of labour market participation and the precariousness of employment, especially the less qualified and young women.

However the young are not the only groups of the population to be in a relatively unfavourable position. The French system is also still much prone to gender-bias. Although labour market gaps between the status of women and men on the labour market have tended

to decrease in the 90s, caught in their presumably 'gender-blind' republican tradition, French policy makers have begun to seriously address the gender question only in the second half of the 90s. Although the French system has been much more 'de-familialized' than Italy's, Spain's or Germany's, as individuals, women in France overall enjoy lower quality social protection and lower quality provision of services related to employment. The bad sides of a legacy of familialism have not altogether completely disappeared in France. Hence, the 'insider-outsider' divides in French society are many and they are certainly not without effect within the polity.

#### *Wavering healthcare management and uncertain future decisions about pensions*

As a result of the 'oscillating' policies over the last 30 years and despite the decisions taken in the wake of the Juppé plan, the French system still displays a major flaw with regard to the ability of managing a sustainable system of healthcare, because of its intrinsic contradictions. The most apparent is the inability to strike serious compromises with the medical professions. The uncertainties are not less apparent for the looming next phase of pension reform, starting in 2007 and due for the deadline of 2008. Issues are the completing of the two stages reform of 1993 and 2003, in the context of sustained pressures for privatisation and the extreme fragmentation of *régimes*.

#### *The conspicuous labour market failure and the Public employment service (PES) reforms*

Although quite a significant part of labour market problems are in a way hidden, because, in certain countries, they do not show up in the unemployment figures, France's labour market performance is among the worst in the EU-15. There prevails a structural difficulty in terms of labour market participation from the young and the older and a clear inability so far to reforming early exit from the labour market. Moreover, whatever the reforms, they have occurred on the background of low employment creation and of an increased segmentation of the labour market, with certain categories in the workforce particularly affected by insecurity and instability, low quality of jobs, while the majority has retained significantly better security and social protection rights.

This situation is an additional facet of the French *inability to universalism* (particularly to the 'generous' universalism typical of the Scandinavian countries). France is certainly 'continental' in this respect. As is typically illustrated in the case of the minimum income benefits, and especially RMI, whereas entitlements and rights are theoretically designed as universal, *de facto* eligibility is selective. This situation can be explained by many reasons: overload of services, scarcity of resources, actual targeting mechanisms. A similar situation applies to the unequal access to places in employment or vocational training programmes. It leads to some polarization (the opposition between better quality mainstream insurance-linked provision and lower quality assistance-linked provision, but also to the increasing emergence of a working poor stratum in French society) and labour market segmentation, along with the very high share of the French civil service in the labour force (Barbier, 2005d). Finally sweeping reforms were announced in the Public employment service and the unemployment insurance fund.

#### *The solidarity discourse confronted with real trouble*

In the domain of assistance benefits and temporary subsidised jobs in the public and non-profit sector, results have really been disappointing. In a context of a highly selective labour market with low employment creation, a major proportion of beneficiaries are 'hard-to-place'

and ‘stuck’ in a succession of either subsidised contracts or low quality market jobs and for them, quality *insertion* has remained a failure. However, in a never negligible number of cases, such subsidised jobs help transitions to the conventional labour market and are a source of income (albeit limited and increasing the number of the working poor); they also help beneficiaries keeping contact with some forms of employment and the former express satisfaction at that. *Insertion professionnelle* has retained a positive function of political integration, but groups are excluded from access to it. One part of the French employment and assistance policy emerges as trying to implement a function of second-rate ‘employer of last resort’, which, only for some opens the path to mainstream participation in the labour market, while a significant part of the population (with turnover) suffers from inequality and the increased complexity of subsidised contracts.

## 5. A role for Europe

In order to forecast future developments, it is also necessary to take into account the European Union’s role in social protection, a role which, while it is not decisive today, remains a factor of change which cannot be considered exogenous in the same way as transformations of international relations. Indeed, Europe is being constructed by the European States themselves and within each one, social policies and European integration policies necessarily interact with one another. Today, and especially since the introduction of a coordination of employment policies (the 1997 Luxembourg summit) and the social and economic orientations decided upon at the Lisbon summit in 2000, the EU has asserted its reforming mission in the area of social issues, even if the latter remain under national jurisdiction. Such is the case with the promotion of gender equality, the analysis of the effects of population ageing on the future of pension systems, social exclusion, the role of lifelong learning and so on. From the 2005 reforms, and the referendums in the Netherlands and in France, this EU-driven pressure has been downgraded, but this situation offers a striking contrast with the 1970s, when the ‘European agenda’ touched on a minority of ‘social problems’. We cannot really speak of convergence, however, or even of institutional harmonisation at European scale. The common problems which the national systems are called upon to resolve (demography, increasing labour market flexibility, financial globalisation, etc.) cannot be considered to result in identical adjustments. It seems more apt to think that if contemporary societies have handled social risks differently so far, things should not be any different in the future. General procedures or overriding principles may seem to converge but specific institutions, political systems, actors, conceptions of justice and performances are stamped with the national traditions.

Marked by a new welfare mix in which Beveridgism has undeniably assumed greater weight, the emerging system, which is still undefined, will probably be shaped by the impact of three factors: the orientation of European economic policies; the strictly political, and notably constitutional forms which the EU will take and the role of social policies within it; and last of all, the ability of the main organised social forces to propose and negotiate the forms of social protection they would like to see at the different geographic levels (European, national, regional or even local). At EU-level however, there has always been a contradiction between the ‘governance liberalism’ agenda which has on the whole prevailed and the need to correct social and regional inequalities in order to ensure social and territorial cohesion within the EU, in a context where the question of the federal form of European political integration is raised more and more openly. The future evolutions of the French social protection system will certainly remain consistent with the inheritance of the past, but the integration of the

national systems into the larger EU is now a highly open process capable of giving rise to multiple scenarios.

## 6. Conclusion

Finally, it is difficult to assess the importance and the influence of the two major political events in 2002 and 2005. In 2002, the far-right and xenophobic candidate was second after the first presidential poll; in 2005, like the Dutch, the French rejected the project of a European constitutional treaty, while the immense majority of their members of parliament and their political elites were trying to convince them to vote yes. The presidential campaign in 2006-2007 has been the opportunity for the presentation of quite a number of reforms of the political institutions but it is of course too early to know what will come out of these debates. Fresh and further reform of social protection will certainly depend upon the polls' outcomes in 2007. However, it is striking that in the early years 2000, from the outcome of the reforms of the 1990s, the situation appeared in a more favourable perspective as today. Key compromises remain to be struck among social partners, and among social partners and the state, but also between elites and society.

The sudden popularity of the notion of 'flexicurité' (flexicurity) in the French debate, a notion imported from the Danish example, certainly points to the fact that one of the key compromises will be to progress towards a better articulation of the labour market functioning and social protection. By contrast, the Danish comparison stresses one of the constant 'continental' features, namely the social preference for preserving 'statuses'. This preference is strongly challenged presently in the French context, and, to come again to the theme of 'hybridisation', it might be possible that old 'republican universalistic' values in the French history of social protection could resurface and influence the future reforms.

Whatever the huge differences existing between the European and Latin American situations, the French experience nevertheless shows dimensions or characteristics that find echo in the present situation of many Latin American countries. The most obvious is a common diversity within their respective regions: Latin America is probably as diverse as Europe as a region, when social protection is considered. In the last decade, Europe was able to keep its diversity while at the same time coordinating exchanges and ideas about the necessary reforms; it is thus possible to enhance exchanges and possible learning without having to impose some 'one-size-fits-all' solution. Quite consistent with the first one, a second lesson lays in the fact that, given the common 'external' pressures countries experience for reforming their systems, the decisive moment is strictly 'internal', i.e. has to be realized in the context of specific national institutions and specific political and social compromises between the country's actors. However, the French case study exposes the determining influence of the business cycle and of the state of the economy, to allow for adequate changes to happen. Finally, two crosscutting lessons also emerge from the discussion of the French process of reform: there is first a tendency to accept that a significant progress of 'universalism' is inevitable and appropriate, in the conception and orientation of programmes and benefits; secondly, whatever their institutional legacies, all European countries – including France, for that matter – have tended in the last years to find their own particular brand of mixing the private and public principles. Both tendencies illustrate a larger process of 'hybridisation' that is at work in social protection systems all over Europe.

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## **ANNEX - Charts**

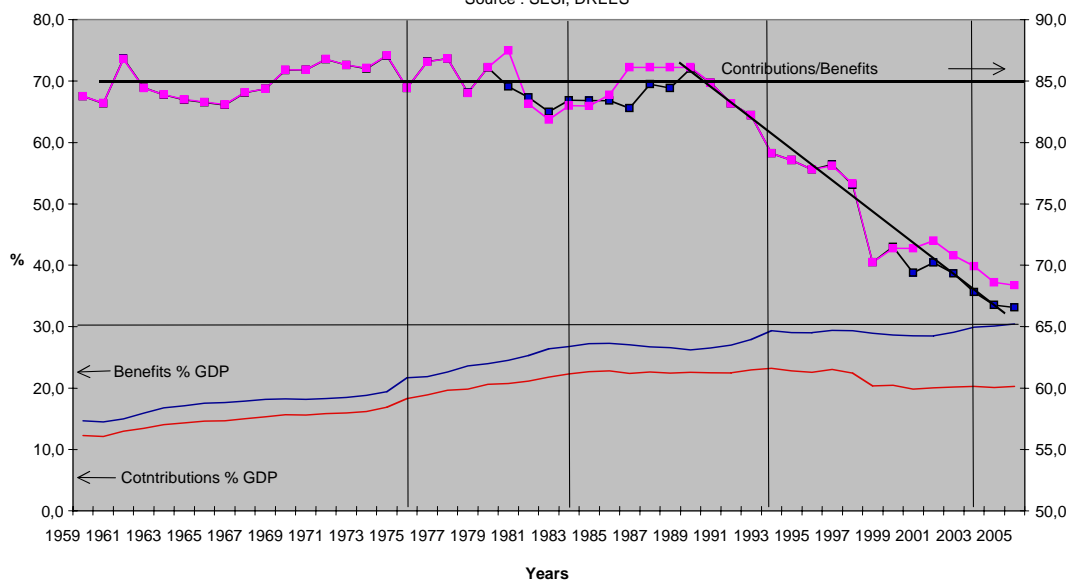
Chart 1 – from © Théret (2007) – Trends in social contributions and benefits.

Chart 2 - from © Théret (2007) – Inflation and unemployment.

Chart 3 - from © Théret (2007) – Economic cycles and social protection developments

**Chart 1: Contributions and benefits, from Théret, 2007**

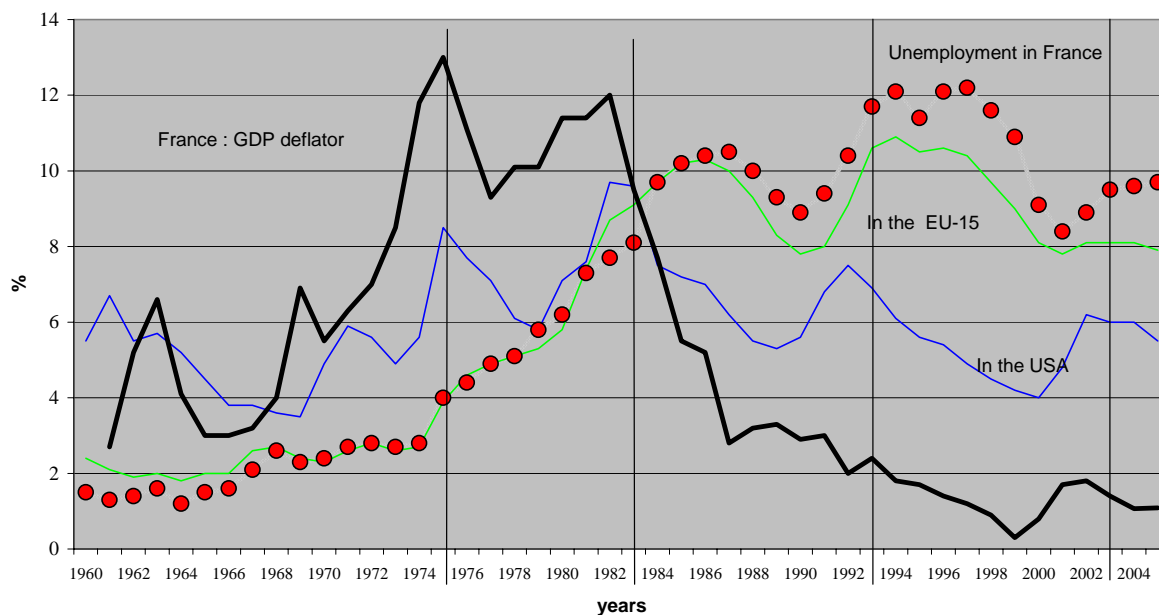
Source : SESI, DREES



**Caption** : red and pink lines : contributions; Blue lines: social expenditure: Four cycles from 1975: stagflation; competitive disinflation; EMU adaptation; Strong Euro: see chart 3

**Chart 2: Inflation and unemployment from Théret 2007**

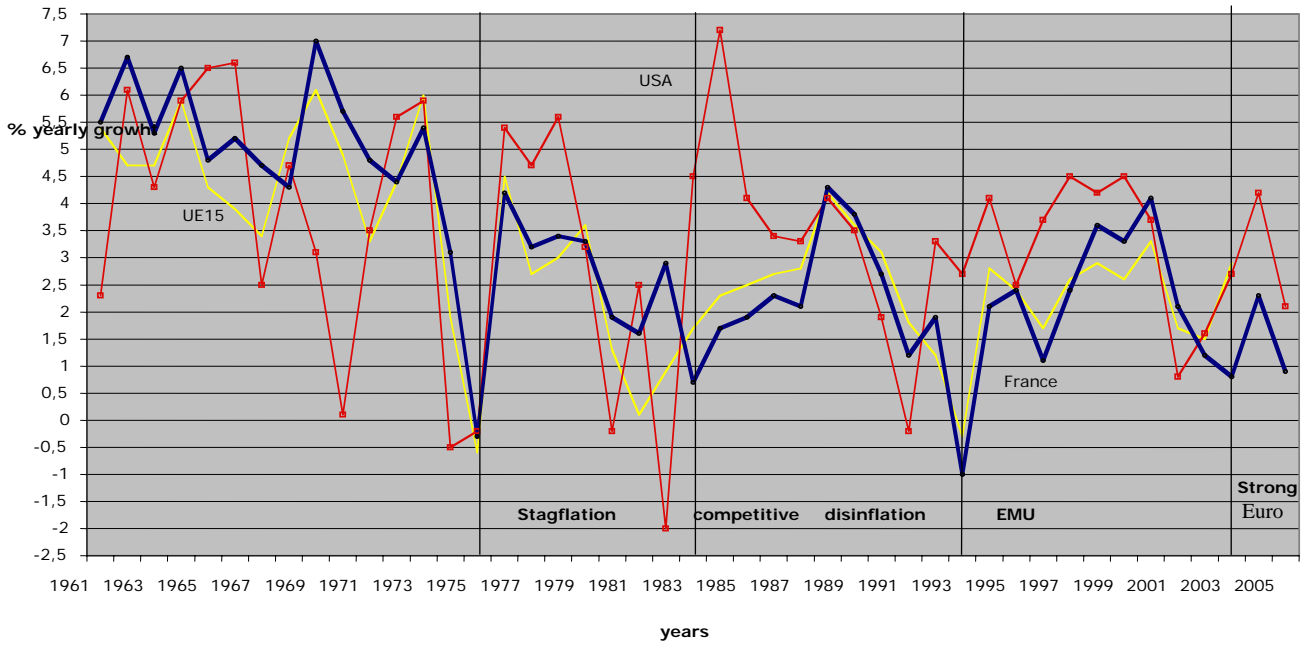
Source : OCDE



**Caption** : black line: Inflation; red dots: unemployment in France. Green line: EU-15 unemployment; blue line: US unemployment

**Chart 3 : GDP real growth, Théret 2007**

Source : OECD



**Caption :** Business cycle in France, the USA and EU-15 : in France, social protection reform periods is not independent from the business cycles : Stagflation (1975-1983); Competitive disinflation (1983-1993); EMU adaptation (1993-2003); Strong Euro (from 2003).