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The French Social Protection System: Path Dependencies and Societal Coherence

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Summary :

This paper examines the evolution of the french system of social protection since the mid seventies. It first describes overall trends in social expenditure during the last twenty years and then analyses how funding principles have been altered in the context of changing business cycles and the economic fundamentals (section 1). It then turns to a presentation of developments in terms of activity patterns, poverty, family and demographic patterns (section 2). The following sections are devoted to sectoral analysis with regard to privatisation (section 3), targeting (section 4) and activation tendencies (section 5). It concludes that globally the French system of social protection has undergone numerous innovative transformations since the eighties and the nineties which design a clear general trend. Rather than a radical shift in the traditional French Bismarckian model, what seems to emerge is a new Bismarckian/Beveridgean *welfare mix*. This particular mix appears as a logical extension of a pattern present from the early stages of the system in 1945. Change is path-dependent but that path dependency does not prevent innovation in the French hybrid system. Although Beveridgean principles have influenced these developments crucially, the outcome in terms of institutions and rules is certainly not uniformly Beveridgean. A tentative new alliance is building up between the traditional *paritariste* spirit and state dominated national solidarity.

Introduction

In welfare comparative research France has traditionally been grouped with Germany as one of the "industrial achievement performance" cluster (Titmuss, 1974). More recently it has been categorised as a "conservative" (or "corporatist-statist") welfare regime (Esping-Andersen, 1990), i.e. as one of the "continental" models of social protection (Flora, 1986, Esping-Andersen, 1996). However we argue that these studies are methodologically and empirically flawed in the case of France, which is intermediary.

Using clusters inevitably implies listing "hybrid" countries under one of the ideal-types. Important features of the hybrid cases are thus underestimated or even ignored however determining they might be. "Hybrid" welfare states rather than strictly matching one of the three ideal-types (i.e., Germany, Sweden and the USA) combine characters of them[1], and static clustering methodologies tend to be inadequate when change is considered. Dynamic trajectories indeed involve new combinations of these characters (Martin, 1998).

International comparisons used to exclude the France till the late nineties and empirical evidence was lacking. But recent research[2] has been available to compare the French Social Protection System (FSPS) with other regimes. These studies point to some important features, notably its family policies, which contrast it with the German type. In this area, the French system rather resembles the "Nordic", social-democratic Beveridgean regime (Bradshaw and alii, 1994; Schultheis, 1996; Théret, 1996; Merrien, 1997; Martin, 1998). Indeed it has adequately been described as *a Bismarckian system* with *Beveridgean outcomes* (Bonoli et Palier, 1995; Palier, 1998, 1999). Such a qualification is consistent with the interpretation by Pierre Laroque - one of its founding fathers - of a compromise between both conceptions of social protection.

The FSPS exhibits four Bismarckian features: (1) It is extensively based *on social insurance principles* and funded through employers' and employees' social contributions; earnings related benefits are not focused at alleviating poverty for a non-working population. (2) It used to be functional to the *male-breadwinner family,* where coverage extends to the employee's wife and children. (3) It is *fragmented* i.e. made of a multiplicity of "*régimes*"[3]. (4) It is relatively independent from the state and jointly administered by social partners (trade unions and employers' associations) under the *paritarisme*[4] model. However this Bismarckian orientation has been tailored to achieve the three so-called Beveridgean "U objectives" (i.e. universality, unity and uniformity) (Kerschen, 1996). These have underpinned the historical development of the system since its 1945 foundation.

Rather than through applying one single scheme to the entire population, *universality* has been pursued through the continuous creation of new schemes and benefits to cover uninsured risks (such as the unemployment insurance in 1958), or to cover new categories of the

[1] For developments of this argument, see Théret, 1996 and 1997.

[2] Thanks to MIRE 1995, 1996, 1998, 2000 and Pallier, 1999.

[3] A *régime* (a particular sector/scheme within the overall insurance system with specific eligibility rules and benefits) covers employees in a particular trade or industry (for instance, railway employees) or a category of employees (for instance, managers, etc.).

[4] *Paritarisme* here stands for an equal representation (parity) of employers' associations and labour unions on the Funds' boards (*caisses*). This principle has undergone many reforms since it was introduced in 1945.

population. Through this gradual process, a *wage earner status* gradually emerged as a pivotal reference[5].

As for unity, it has been achieved under the symbolic "*Sécurité sociale*"[6] flag instead of a centralised single state bureaucracy. The multiple schemes (*régimes*) were made financially coherent (via "*compensation démographique*" mechanisms between them[7]) into an overall system under central government's *tutelle* (supervision). They adopted an "isomorphic" administration pattern (*paritarisme*) as well. On top of this, all particular *régimes* have kept participating in national solidarity (Barbier and Théret, 2000).

Finally, contrary to Beveridgean flat-rate contributions and benefits, *uniformity* was nevertheless present in the French system via the existence of "ceilings" applied for calculating contributions. The Bismarckian rationale was to some extent thus restricted to lower incomes, the Beveridgean logic being so-to-say reserved for the richest[8].

Hybridisation between Bismarckian and Beveridgean rationales has been a key factor of the changing FSPS for the last twenty years. This process is consistent with the possibility of *multiple paths of historical dependence*. Whereas Bismarckian features (namely, social insurance, "weak-stateness", fragmentation) constantly prevailed throughout the system's building stages, Beveridgean features were also at work. Testimony of this is for instance the gradually universalised access to healthcare and family benefits on the mere basis of residency. As internal and external challenges emerged, these Beveridgean features somehow acted as resources allowing for new potential compromises.

Analysing the French system's coherence and its embeddedness in French society vindicates the assumption that "dominated" Beveridgean features might provide internal resources for transformation. However the French system's coherence should not be overestimated (Hesse, 1999). Particularly when compared with the German ideal-type, the French welfare state appears very discordant because many other French institutions are at odds with the Bismarckian model. *Paritarisme* is deprived of a functional equivalent for the German industrial relations system (Tixier, 1998). French trade unions are divided and very weak; contrary to their German counterparts, they have no substantial say in companies' decisions (except for consultation procedures). French labour law, as part of a "social public order" is rooted into universal political rights rather than into a wage earner status, as in the German model (Mückenberger and Supiot, 1999). Social rights thus appear more to compensate for a deficit than to complement labour's economic and political rights. Because of the division within the trade union movement and the powers of state social bureaucracy, *paritarisme* between business and labour has often been more conventional than substantial (Catrice-Lorey, 1997)[9].

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[5] This interpretation of universality presumes a full employment society where wage earners enjoy citizenship and a status based on permanent/stable job tenure with social rights attached.

[6] When "social security" is used in the text, it refers to *Sécurité sociale* in the French sense, which is different from the US and UK meaning and closer to the German.

[7] Structures of contributors and recipients vary considerably across the "*régimes*": "*Compensation démographique*" refers to the special transfer mechanisms between *régimes* that compensate for these structural imbalances. These special transfers thus play a key role in the global coherence of the overall system.

[8] From the eighties on, for financial reasons, ceilings for contributions have gradually disappeared (except in limited areas, for instance for pensions - *régimes complémentaires*).

[9] An exception is the complementary pension schemes for managers and executives (*cadres*) (Reynaud, 1996). Another one may be found within the public firms (Duclos et Meriau, 1997) where it constitutes a sort of French neo-corporatism.

Secondly, the French educational system (seldom considered as part of the social protection system) is built on “liberal republican” - akin to Beveridgean, solidaristic and/or egalitarian principles (Renard, 1995; Kott, 1996; Bec, 1999). Its limited vocational training capacity shows a stark contrast with the German system (Maurice, Sellier, Sylvestre, 1982; Möbus and Verdier, 1987; Verdier, 2000).

Consequently, increasing influence of Beveridgean principles within the dominantly Bismarckian FSPS has resulted in growing internal tension. This is particularly clear with family policies. Historically, family allowances were administered directly by employers, which explains their subsequent inclusion within social insurance funds. However, as is well documented, the French State has traditionally been involved in natalistic family policies. Hence, from the first stages of the FSPS, Bismarckian principles for financing family benefits have been used in a natalistic and universalistic perspective (Messu, 1999). Eventually, the transformation of family patterns eroded the legitimacy of social insurance principles to finance flat rate universal allowances.

In the post-war context, Bismarckian forms of organisation were supported by reformist trade unions and employers’ associations whereas the “three Us” objectives, more in line with French republican tradition were supported by political parties (Bonoli and Palier, 1995). Because full employment allowed for the overall extension of the wage earner reference, compromises were possible. These proved both economically functional and socially efficient: social insurance and assistance principles were complementarily embedded into the basic scheme (*régime général)* (Renard, 1995; Bec, 1999).

However, the system subsequently became less efficient. It was first confronted with internal challenges (structural unemployment and “social exclusion”; the male breadwinner family’s crisis; ageing and inadequate containment of health costs). It also faced external challenges (globalisation). Compromises between actors within the hybrid Beveridgean/Bismarckian mould have thus been destabilised and new compromises are presently needed. Nevertheless, the French welfare state’s hybrid structure should not be equated with an entrenched incapacity for change. On the contrary, a hybrid structure might well constitute a comparative advantage in confronting the new challenges. Using its internal resources for innovation the FSPS could then eschew the polar choice between conservation (continuity) or revolution (radical change).

We will first describe overall trends in social expenditure during the last twenty years and then analyse how funding principles have been altered in the context of changing business cycles and the economic fundamentals. The budget deficit has constituted a key factor in this process (section 1). We will then turn to a presentation of developments in terms of activity patterns, poverty, family and demographic patterns (section 2). The following sections will be devoted to sectoral analysis with regard to privatisation (section 3), targeting (section 4) and activation tendencies (section 5).

Section 1 - An evolving political and economic context

1-1. Trends in social expenditures

Trends explaining the main challenges the French *État social*, along with other welfare states, has gradually been facing for the last twenty years, can be traced to the combined effects of (i) financial constraints, (ii) labour markets under pressure for flexibilisation, and (iii) demography and family patterns.

In any national system of social protection (NSSP) this combination of exogenous and endogenous changes is closely related to outcomes in terms of inequality, poverty and unemployment. But, because of increasing internationalisation of expertise and decision-making concerning social policy, it has become conventional wisdom that, even when they belong to different clusters (Lautier, 1995), welfare states face the "universal" challenges of globalisation. Esping-Andersen (1996, p. 6-7) for instance notes the "changes in family structure (the rise of single-parent households, for example), in occupational structure (indeed professionalization and differentiation) and in the life cycle (which is becoming less linear and standard)". These remarks point to such challenges as fertility decline, unstable couples and families, single parenthood, child poverty, workless households, welfare traps, insufficient employment and activity rates for certain segments of the working age population. For our part, we contend that NSSPs *diverge sufficiently* so as not to face the *same* challenges, although from a general perspective they obviously face *similar* challenges. The difference between sameness and similarity points to different NSSPs rationales as key explaining factors.

In the following paragraphs, after exposing the global trends and the macro-economic and political contexts, we will address these "universal challenges" in the specific terms in which they are constructed within the FSPS. Using systematic comparisons with other countries in Europe[10], we shall observe how France has comparatively fared.

In the second half of the 90s, total social expenditure[11] amounted to around 37% of households' gross disposable income and nearly 30% of GDP[12] (Abramovici and Mathieu, 1999, p. 18-19), i.e. approximately the mean European ratio. At the beginning of the 60s, the figure was 15% and it peaked at roughly 19% at the end of the "Fordist" era. The period from the mid-70s on should be broken into three (figure 1[13]).

The *first period* (1974 to 1983) saw a sharp increase of the social expenditure ratio to GDP in a context of *stagflation*. It combined high inflation - around 11% since 1974 (figure 6) - with a rapidly increasing unemployment rate - from 2.7% in 1974 to 9.1% in 1983 (figure 4). Those were correlated with a steadily declining GDP growth rate - from 4.2% in 1976 to 0.7 % in 1983 (figure 3). Sustained social expenditure growth during this period reflected both hysteresis

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10 Given the nature of the collective comparative research within which the present study was conducted, it seemed convenient to contrast the French case to the British, but also to the German and Scandinavian.

11 *Labour market programmes expenditure* is usually not considered as part of the social protection budget. As will be seen in section 5, it has nevertheless become an important element of social policy in France for the last twenty years.

12 When including public transfers of goods and services, such as education and culture, a "socialisation ratio" of households' income amounts to about 45%.

13 All figures are presented in the appendix section.

and further expansion of the Fordist-Keynesian welfare state. A significant increase in unemployment insurance benefits took place in 1974, as well as an increase of family benefits in 1981 and legal retirement age fell from 65 years to 60 in 1982. Increasing social needs, growing unemployment and high inflation were addressed according to the previously established FSPS rules, and social benefits kept growing at a high nominal rate – i.e. 16% (figure 2).

The nominal growth rate of social expenditure decreased during *the second period* (1984 to 1993) and stabilised at 6% (figure 2). Successive measures were implemented to contain and reduce expenditure. Whereas the overall structure of the system remained unchanged, Beveridgean innovations surfaced during the late 80s[14]. The social expenditure ratio to GDP in this period appears to fit with the growth cycle (first a decline and then a sharp climb until the 1993 recession, figure 1).

1994 initiates *a third period* where social spending has stabilised and even relatively declined. Structural reforms have now been on the agenda for some time (figures 1 and 2).

Pensions (12.7% of GDP and 43.5 % of social transfers and services in 1998) and *healthcare*[15] (respectively 9.7 % and 33.2 %) account for the bulk of French social expenditure. The other areas are (i) *family and housing benefits* (4% of GDP and 13.7 % of transfers), (ii) *unemployment and early retirement* (2.4 % and 8.2%) and (iii) *poverty and "social exclusion*" (respectively 0.4 % and 1.4 %).

Table 1 shows how social expenditure evolved between 1981 and 1998. The pensions' share grew by 2 GDP points between 1981 and 1998 and healthcare by 1 point whilst from 1983 on family/ housing benefits and unemployment compensation (including early retirement) have been effectively contained. The doubling of resources allocated to poverty and social *exclusion* should also be stressed, despite their relatively small share in the total.

During the last 20 years, this structural evolution has chiefly related to endogenous rather than exogenous factors: population ageing and a growing demand (and supply) for healthcare services, (most of which go to the elderly) are explaining factors. The three other "risk areas" experience evolutions linked to labour market imbalances. Whilst significant in terms of their contribution to the social protection crisis, their role appears more qualitative than quantitative.

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14 The CCSS "*Commission des comptes de la Sécurité sociale*" (a supervisory body) was created in 1979. Cost containment thus entered the political agenda (Serré, 1999, p. 55). Subsequently reformed the Commission only embarked on an effective role from 1987 (Serré, 1999, p. 57). RMI was created in 1989 and CSG in 1991 (see further).

15 Including sickness and income compensation, disability and industrial accident benefits. If pensions and healthcare are the main sectors of social protection in all EU countries, in some - namely Finland, Ireland and the Netherlands - healthcare is on top of the list. Portugal, the United Kingdom and Sweden spend almost as much for healthcare as for pensions (Caussat et Hel-Thelier, 1998, p. 76).

Table 1: Social Transfers and Services																		
%GDP	**1981**	**1982**	**1983**	**1984**	**1985**	**1986**	**1987**	**1988**	**1989**	**1990**	**1991**	**1992**	**1993**	**1994**	**1995**	**1996**	**1997**	**1998**
Sickness	6,5	6,7	6,7	7	6,9	7	6,8	6,8	6,9	7	7	7,4	7,7	7,7	7.8	7.9	7.6	7.7
Disability	1,5	1,6	1,7	1,6	1,6	1,7	1,7	1,7	1,6	1,6	1,6	1,6	1,7	1,7	1.5	1.6	1.5	1.5
Industrial Accidents	0,8	0,7	0,7	0,7	0,7	0,6	0,6	0,6	0,6	0,6	0,6	0,6	0,6	0,5	0.5	0.5	0.5	0.5
Total Healthcare	8,8	9	9,1	9,3	9,2	9,3	9,1	9,1	9,1	9,2	9,2	9,6	10	9,9	9,8	10	9,8	9,7
Old Age Pensions	10,5	10,7	10,9	11,1	11,3	11,2	11,2	11,2	11,1	11,2	11,5	11,8	12,3	12,4	12,6	12,8	12,8	12,7
Family	3,1	3,2	3,2	3,1	3	2,9	2,8	2,8	2,7	2,6	2,6	2,6	2,8	2,8	3	3	3,1	3
Housing	0,5	0,6	0,7	0,7	0,7	0,7	0,7	0,7	0,7	0,8	0,8	0,8	0,9	0,9	0,9	0,9	1	1
Family – Housing	3,6	3,8	3,9	3,8	3,7	3,6	3,5	3,5	3,4	3,4	3,4	3,4	3,7	3,7	3,9	3,9	4,1	4
Early retirement	0,5	0,7	1,1	1,1	1,2	1	0,9	0,7	0,6	0,5	0,4	0,3	0,3	0,3				
Unemployment	1,6	1,8	1,5	1,6	1,6	1,7	1,8	1,8	1,7	1,7	2	2,2	2,4	2,2				
Unemployment - Early retirement	2,1	2,5	2,6	2,7	2,8	2,7	2,7	2,5	2,3	2,2	2,4	2,5	2,7	2,5	2,6	2,6	2,5	2,4
Poverty – “Social exclusion”	0,2	0,2	0,2	0,2	0,2	0,2	0,2	0,2	0,3	0,3	0,4	0,4	0,4	0,5	0,4	0,4	0,4	0,4
Total	**25,2**	**26,2**	**26,7**	**27,1**	**27,2**	**27**	**26,7**	**26,5**	**26,2**	**26,3**	**26,9**	**27,7**	**29,1**	**29**	**29,3**	**29,7**	**29,6**	**29,2**
															1995	New	base	
% TOTAL	**1981**	**1982**	**1983**	**1984**	**1985**	**1986**	**1987**	**1988**	**1989**	**1990**	**1991**	**1992**	**1993**	**1994**	**1995**	**1996**	**1997**	**1998**
Total health care	**34.9**	**34.4**	**34.1**	**34.3**	**33.8**	**34.4**	**34.1**	**34.3**	**34.7**	**35.0**	**34.2**	**34.7**	**34.4**	**34.1**	**33.6**	**33.6**	**33.2**	**33.4**
Sickness	25,8	25,6	25,1	25,8	25,4	25,9	25,5	25,7	26,3	26,6	26	26,7	26,5	26,6	26.8	26.6	26.4	26.6
Disability	5,95	6,11	6,37	5,9	5,88	6,3	6,37	6,42	6,11	6,08	5,95	5,78	5,84	5,86	5.1	5.2	5.2	5.2
Industrial Accidents	3,17	2,67	2,62	2,58	2,57	2,22	2,25	2,26	2,29	2,28	2,23	2,17	2,06	1,72	1.8	1.7	1.7	1.6
Old Age Pensions	**41,7**	**40,8**	**40,8**	**41**	**41,5**	**41,5**	**41,9**	**42,3**	**42,4**	**42,6**	**42,8**	**42,6**	**42,3**	**42,8**	**43**	**43,1**	**43,2**	**43,5**
Family	12,3	12,2	12	11,4	11	10,7	10,5	10,6	10,3	9,89	9,67	9,39	9,62	9,66	10,2	10,1	10,5	10,3
Housing	1,98	2,29	2,62	2,58	2,57	2,59	2,62	2,64	2,67	3,04	2,97	2,89	3,09	3,1	3,07	3,03	3,38	3,42
Family – Housing	**14,3**	**14,5**	**14,6**	**14**	**13,6**	**13,3**	**13,1**	**13,2**	**13**	**12,9**	**12,6**	**12,3**	**12,7**	**12,8**	**13,3**	**13,1**	**13,9**	**13,7**
Early retirement	1,98	2,67	4,12	4,06	4,41	3,7	3,37	2,64	2,29	1,9	1,49	1,08	1,03	1,03				
Employment	6,35	6,87	5,62	5,9	5,88	6,3	6,74	6,79	6,49	6,46	7,43	7,94	8,25	7,59				
Employment/Early retirement	**8,33**	**9,54**	**9,74**	**9,96**	**10,3**	**10**	**10,1**	**9,43**	**8,78**	**8,37**	**8,92**	**9,03**	**9,28**	**8,62**	**8,87**	**8,75**	**8,45**	**8,22**
Poverty – “Social exclusion”	0,79	0,76	0,75	0,74	0,74	0,74	0,75	0,75	1,15	1,14	1,49	1,44	1,37	1,72	1,37	1,35	1,35	1,37
Total	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
Source : SESI-DREES																		

The main challenges thus appear to have *internal* roots. They are not directly linked to the impact of globalisation and as has been noted by some pension reform experts (Masson, 1999, p. 64; Dupont and Sterdyniak, 2000), financial considerations do not prevail. Choices are of a social and political nature, closely connected to national welfare regimes[16]. Economic interests and neo-liberal social forces nevertheless tend to use these challenges as opportunities for changing the system. It is no wonder that they press for solutions such as privatisation in the potentially most profitable sectors (i.e. retirement and healthcare). On the other hand, unemployment, family/housing, and poverty risks face challenges related to transformations in gender relationships and family structures. But these welfare areas are dialectically related to the labour market situation and depend on labour relations and wage policies[17].

All in all, two distinct sectors in the FSPS thus tend to emerge. The first one (pensions and healthcare) is confronted with pressure from financial interests (insurance companies, banks, international financial organisations, state financial élites) and globalisation strategies. The second sector (unemployment, family and anti-poverty programmes) is confronted to trade liberalisation strategies of world companies and neo-mercantilist governmental élites. This clear difference will appear in sections 3 and 4.

1 – 2. The macro-economic and political contexts

As social expenditure and GDP growth rate are linked, it is remarkable that the three periods referred above also are business cycles[18]. Traditionally business cycles "stylise" economic facts. Reference to them had disappeared in Europe during the Fordist era (1945-1975). However they were back with the mid 70s crisis. Links between social expenditure and production are not only explained in terms of economic cycles but also in terms of changing economic policies. Figure 3 shows quite divergent profiles and their corresponding underlying economic policies.

The first cycle encompassed both a fast recovery with sustained growth around 3.5% (1976-1979) and a gradual contraction resulting into a new recession in 1983. Keynesian policies were maintained during this cycle. These policies, labelled *stagflationist,* proved unsuccessful. They did not fit with an economy whose internationalisation increased quickly (see figure 7 below). Hence the doubling of the unemployment rate from 4% in 1975 to 8.1% in 1983 (figure 4) accompanied by persisting high inflation (a mean rate of 10.6% for 1976-1983) (figure 5).

The French socialists' abrupt conversion to monetarism in 1983 and the subsequent change in economic policy explain the second cycle's new profile. "*Désinflation compétitive*" (competitive desinflation[19]) and a strong franc tightly connected to the Deutsche mark as well as a restrictive fiscal policy resulted in: (i) the economic recovery being impaired in stark contrast with the fast 1975-76 recovery (figure 3). The upward trend of unemployment was thus not

[16] On the political character of choices concerning healthcare and the political role of economists in that field, see Serré (1999, p. 64-70) and Dammame and Jobert (2000).
[17] Wider disparities exist across European countries in the shares of family and unemployment benefits in total social expenditure than for pensions and healthcare (Caussat and Hel-Thelier, 1998, p. 76).
[18] Part of one business cycle for the third period.
[19] "*désinflation compétitive*" refers to economic policies implemented in the period mixing restrictive fiscal policies, trade liberalisation, strict monetary policy and the desindexation of wages.

reduced (this rate however decreased from 10.4% in 1987 to 8.9% in 1990). Unemployment remained higher than in the contraction phase of the previous business cycle (figure 4); (ii) a steep continuous fall in GDP growth rates (from 4.3% to –1.3%) from 1989 to 1993. At that time France experienced its worst recession ever since World War II and its unemployment rate peaked at 11.7% (a 44% increase as against the 1983 recession). Simultaneously the inflation rate dropped from 9.7% in 1983 to 2.5% in 1993 (figure 6). In spite of the currency's overvaluation and thanks to desinflation the French economy was able to sustain the high degree of international opening up set in the previous period (figure 7).

The third cycle is currently underway. Very low inflation (figure 5) has settled as well as a rather steady and relatively low GDP growth (around 2.5%). The very high unemployment level is linked to hysteresis effects (figure 4). The present recovery is also marked by the completion of the European single market, with economic policies abiding by the Maastricht criteria and the first steps of the euro. A mooted point remains whether Economic and Monetary Union (EMU) will be able to open up new perspectives for co-ordinated economic policies at Community level. These could be more employment friendly and the contribution of social protection to economic growth could be emancipated from strict financial constraints[20].

Moreover the role of global finance and trade liberalisation have actually proved crucial factors in the dynamics of the three above mentioned business cycles, inasmuch as they exert pressure on NSSPs.

In the first period real *interest rates* climbed steeply albeit gradually from negative values in 1975 (minus 4.8% and minus 2.4 % respectively for short and long term rates) to 2.6% and 3.6% in 1983 (figure 5). Rates kept growing during the second cycle, the short-term rate culminating at 8.13% the year before the 1993 major recession. On the contrary interest rates have declined in the third cycle, returning to their 1983 levels in 1998. *Public debt* followed a similar pattern albeit with some lag. Contained till 1981 in a period of inflationist monetary financing, it grew moderately from 1982 to 1991, sharp increases of real interest rates being compensated for through strict fiscal policy. Subsequently, public debt experienced strong growth from 1992 on because of the 1993 recession's impact on social expenditure and public deficits, given the high rates inherited from the previous period (figure 6). Thanks to the Maastricht Treaty, economic recovery and declining interest rates, stabilisation now seems to be on the agenda.

Converging observations can be made with respect to the internationalisation of the French economy (figure 7). Growth in the 1975-83 period was supported by a rapid and wide expansion of trade relatively to GDP. This was true either within the European community or with third countries[21]. This reorientation of the French productive system towards external markets was greatly eased by a continuously weak franc against the US dollar, the British pound and the German mark (figure 8). During the following cycle, imports' and exports' shares steadily remained at around 22% of GDP, which was consistent with a quasi-fixed exchange rate of the franc vis-à-vis the mark and its rise against the dollar and the pound. From 1994 to 1999 more favourable conditions prevailed and the exports' ratio nearly grew by 5 points, peaking at

[20] The come back of business cycles and of deflationist policies implied a lower mean growth rate from 1975 (around 2% instead of 5%), resulting in structurally harder general constraints on FSPS funding. French economic cycles have been similar to those affecting other European economies but disconnected from the US (figure 3 above). Despite other structural differences, this could explain why understanding and constructing social problems according to "universal challenges" have lagged.

[21] Initiated in 1969 the movement carried on at high speed until 1982 for imports (from 13.1% of GDP in 1968 to 23.7%) and until 1984 for exports (from 13.3% of GDP in 1968 to 24.1%).

27.4% whereas the import ratio only gained 3 points to 23.8%. The franc's exchange rates against the dollar and the pound have been favourably dropping again.

Trade integration within the European single market has played a prominent role in these developments (figure 7). For instance, when the export ratio was around 24% of GDP, the ratio of trade with third countries was only 7%. This means that the current period is quite new when compared to both previous cycles: within EMU France enjoys much more favourable conditions for managing active labour market and fiscal policies as well as engaging in less restrictive monetary policies at the European level.

This situation is bound to significantly alter the reform's context. Indeed European integration plays a crucial role because of the FSPS's Bismarckian features (the social contributions' role in financing). Globally within the EU where social contributions roughly finance two thirds of social expenditure (DREES, 1999, p.8; Caussat and Hel-Thelier, 1998, p. 76), the labour market situation directly affects social protection[22]. Conversely demands for new social rights, benefits and services directly affect business and/or employees. Thus growing unemployment does not affect social protection financing only on the spending side (by pushing up unemployment benefits), but also and mainly on the income side inasmuch as it reduces the social contributions' base.

1 – 3. Innovation in financing principles

The ratio of social contributions to GDP may roughly be periodized accordingly (figure 9). During a first period it increased steadily (from 16.9% in 1974 to 22.3% in 1983). It subsequently stabilised (at roughly 22.7% till 1992) and then declined[23]. However these developments are connected with a major innovation with respect to funding principles. From 1991 on pay roll contributions were gradually and increasingly substituted by "*Contribution sociale généralisée*" (CSG). CSG, being neither a tax nor a social contribution proper, combines features of both and its taxing base extends to all incomes (wages, benefits and capital earnings).

This innovation is as important as the 1988 introduction of the *Revenu Minimum d'Insertion* (RMI). It was devised to placate political controversy in the 80's and 90's relating to what was considered as excessive reliance on social contributions. Critics argued in favour of enlarging social security's tax base and embarking on a more Beveridgean type of funding. Social contributions allegedly endangered international competitiveness because they impacted indirect labour costs. But international comparison of unitary labour costs showed that the latter were not significantly higher in France. Social contributions, it was further argued, especially impacted low wages and unskilled labour in industries competing with low wages countries. Incentives to substitute capital for labour were assumed to be responsible for high unemployment and long term unemployment, as well as for poverty extension and an in-built social security deficit. Testimony of the underlying Beveridgean features at work in the FSPS, critics exposed the inadequacy of social insurance principles to fund national solidarity and risks as family and healthcare. National solidarity, it was contended, ought not to not be linked to pay roll contributions but to citizenship's rights. Supply side economics resulted in the gradual extension

[22] With social contributions amounting to 85 % of social benefits funding until 1990 (figure 9), France has had the highest ratio in the European Union and is consequently the most affected by these mechanisms.
[23] Because accounting conventions changed for national accounts, rates are not strictly comparable.

of employers' contributions breaks on wages (up to 1.8 SMIC, the minimum wage). Contributions breaks have also been massively resorted to for unskilled workers, apprentices, young workers with no qualifications, the long-term unemployed, etc.) (see section 5). Given that these breaks have been (partially) compensated by state subsidies to social security funds (Abramovici and Mathieu, 1999, p. 76), it is no wonder that the share of social contributions dropped.

Table 2 displays the structure of contributions and other resources from 1981. Up to 1994, the share of social contributions roughly remained stable at a mean 78%. However this apparent stability hid a significant swap of employers' with employees' contributions. From 1994 on, the employers' share was stabilised, but employees' contributions were subsequently substituted for by the CSG[24]. Throughout the period under review, state budget (including other receipts) contributed at around 15%.

Table 2: Net Resources	**1981**	**1985**	**1989**	**1993**	**1994**	**1995**	**1996**	**1997**	**1998**
Employers' contributions	55,2	52,4	52	49,9	49,5	47,2	46,6	46,2	46,7
Current						37,9	37,3	37,2	37,9
Reconstituted						9,1	9,2	8,9	8,8
Employees' contributions	18,4	19,4	22,4	22,5	22,3	22,4	22,6	21,3	16,1
Individual Workers' Contributions	5,1	4,8	5,2	4,9	4,7	4	4,2	3,9	3,4
Contributions on Benefits	0,1	0,7	0,7	0,7	0,7	0,7	0,9	0,9	0,1
Total social contributions (1)	78,8	77,3	80,3	78	77,2	74,3	74,3	72,3	66,3
Special Taxes (2)	2,3	3,2	3,1	5,7	4,5	7,1	7,2	9,2	15,8
Total Ratio (1+2)	81,1	80,5	83,4	83,7	81,7	81,4	81,5	81,5	82,1
State Budget Contribution	15,7	16,4	14,2	14,1	16,1	15,1	15,3	15,3	14,8
Total Taxes	18	19,6	17,3	19,8	20,6	22,2	22,5	24,5	30,6
Other resources	3,2	3,1	2,4	2,2	2,2	3,5	3,2	3,2	3,1
TOTAL	100	100	100	100	100	100	100	100	100
French francs (Billions)	852,8	1386	1730	2119	2189	2355	2459	2539	2640

While substitution between employers' and employees' contributions still pertained to the Bismarckian rationale, the Beveridgean CSG emerges as the main effective innovation in the period under review. It was initially fixed in 1991 at 1.1% of all incomes and attributed to CNAF (*Caisse Nationale des Allocations familiales)* (Family benefits fund) for financing family benefits (it substituted for employers' contributions reintegrated in gross wages). CSG rates subsequently regularly increased, first to 2.4% in 1993 (1.3 points going to a *Fonds de Solidarité Vieillesse* – FSV - for non-contributive pensions). In 1997 the CSG taxing base was enlarged and its rate fixed at 3.4%. Additional resources went to CNAM (*Caisse Nationale d'Assurance Maladie)*, (the health care fund) compensating for a drop by 1.3 point on employees' contributions. In 1998 the CSG rate more than doubled at 7.5% on wages and capital incomes, and at 6.4% on benefits. Additional resources again went to healthcare funds and balanced further drops in social contributions. Overall CSG now accounts for over 78% of all taxes affected to social security expenditure[25].

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[24] Special taxes (on alcohol and tobacco, on insurance and pharmaceutical companies, etc.) were also transferred.

[25] Respectively 56% of healthcare benefits (CNAM), 18% of solidaristic assistance (FSV), and 14% of family benefits (CNAF) (DREES, 1999, p. 8).

Analytically, CSG should be regarded as a typical hybrid resource combining both social insurance and tax. Inasmuch as it is generalised to all incomes, it undoubtedly bears the characteristics of a proportional tax, given that it is universal and was initially not deductible from taxable income[26]. However many of its characteristics make it distinct. CSG is strictly earmarked to finance benefits and it cannot be used for other destinations. Moreover CSG is collected along with social contributions by URSSAF. CSG thus emerges as an endogenous institutional innovation that alters the previous internal balance between Bismarckian and Beveridgean principles in favour of national instead of "professional" solidarity.

1 – 4. The social budget deficit

The "social security deficit" has constantly been a subject of controversy for the last 25 years in France. Indeed it provided a prevailing cognitive basis for political arguments and acted as a crucial justification for welfare reform[27]. When the deficit is important (figure 10), dominant actors tend to use it as an opportunity for reform in order to strengthen their position, as has been the case for instance in 1951-52, 1966-67, and more recently in 1995[28]. Nevertheless, at a time when FSPS expansion was a matter of consensus, both the government and social partners opposed state budget contributions, which has provided an in-built arbitration mechanism of disputes. The government kept opposing state budget subventions for obvious financial reasons whilst the social partners would stick to the Bismarckian rationale of the system and their power positions. Arbitration generally followed a two-stage pattern: in the first, trade unions and business associations fought each other over employers' and employees' contributions. Whenever this first negotiation failed, the government would enforce new financing rules and trade one-off financing of the deficit with expenditure reduction. This picture is however oversimplified, because of the fragmentation of the system into multiple schemes and funds (*régimes)* and because of trade-unions division. Each *régime* has its specific history and power structure. Consequently significant differences arise in the forms of "*démocratie sociale*", "*paritarisme*" or "*tripartisme*" according to *régimes*, depending on social partners' capacities (apRoberts and alii, 1997)[29]. Under state supervision the system's cohesiveness is however organised through special

[26] It is now mainly deductible. Under the CSG label coexist three distinct taxes (on wages and welfare benefits; on property earnings; on capital earnings). In 1995, 75.5 % of CSG came from wages taxation, 17,5 % from benefits and only 7 % from capital income (*Le Figaro* du 14/11/95), a structure that does not correspond to these incomes' shares in the GDP.

[27] Incidentally (figures 2 and 10) this deficit is in built. As total expenditure is only known of after annual accounts are established, corresponding resources cannot be fixed ex-ante. Which results in a permanent imbalance, either positive or negative. To balance actual expenditure, social contributions' rates for the different funds and *régimes* as well as state subsidies have to be adjusted every year. Hence a recurring dispute between state administration and social partners on the basis of these accounts.

[28] For instance in 1952, the Pinay government tried to transfer social contributions collection from social security to the Ministry of Finance administration, but was defeated and left office (Palier, 1999, p. 272). The same type of event happened to the Juppé Government in 1995-96.

[29] Four different configurations of power contrast (i) state companies (*régimes spéciaux* for the railways, gas and electricity, the post, etc.); (ii) the *régime général* (mainstream fund for private sector employees); (iii) *régimes complémentaires* (supplementary pensions, AGIRC, ARCCO); and (iv) the Unemployment Insurance (UNEDIC).

transfers[30] between the different *régimes,* based both on national and "inter-professional" solidarity (Abramovici and Mathieu, 1999, p. 85-90).

During the first business cycle under review (1974-1983), things remained unchanged: social contributions kept increasing to match growing expenditures. The government nevertheless gradually stepped up its intervention in order to reduce healthcare expenditure's growth (see section 3). During the second economic cycle (1984-1993) adjusting contributions to expenditure turned up very difficult, as the context had radically changed. In this period, trade unions as the weakest actors had to accept a gradual substitution of employees' for employers' contributions. So as to compensate for their weakness, they tried to abide strictly by Bismarckian social insurance and professional solidarity principles. Conversely they called for the state to contribute for national solidarity risks[31]. Accepting these transfers over to the state budget, the government staged a trade off in 1993. In exchange for taking charge of non-contributive pensions (*minimum vieillesse*), trade unions tacitly approved the Balladur pension reform for the *régime général* (see further). A new configuration emerged from 1994, and especially with the 1995 "*Plan Juppé*" (Dehove et Théret, 1996). Prime Minister Juppé forced the passing of his secretly conceived plan through Parliament while resisting all forms of negotiation with social partners[32]. His plan encompassed wide ranging reforms: privatisation of the national railway company (SNCF), an overall reform of social security financing, healthcare and public companies' pensions schemes reform. A powerful popular movement subsequently paralysed the country for two months and defeated Juppé's plan - at least partially. Both SNCF's privatisation and the pension reform had to be cancelled. Essential elements of the reform nevertheless were retained (see section 3). Of particular interest with respect to the FSPS' power structure were (i) the principle of an annual Parliament approval of a Social Security Bill[33]; (ii) the transfer of aggregated social security funds' debt to a state run special fund, CADS (*Caisse d'amortissement de la dette sociale*). It was agreed that the debt would be financed via CRDS, a new contribution akin to CSG[34]. CRDS's creation as well as a subsequent 1996 constitutional amendment allowing for Parliament's competencies to be extended to social security matters, represent a significant shift of power over to the state, thus reinforcing the Beveridgean component of the French system.

All in all, France paradoxically emerges as the country where "welfare stateness" (Flora, 1986) is the lowest in Europe. Up to 1994 social contributions accounted for 80% of total social security resources. That social contributions have always been collected independently and have not fallen under the ministry of finance's supervision, is also an indicator of weak stateness. In such a system, resources tend to be linked more to economic developments than to government's financial decisions. However, as has already been mentioned, the situation of pensions and healthcare on one hand, and other welfare areas on the other, are structurally very different. For

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30 See note on "demographic compensation".

31 Those expenditures deemed to exceed the boundaries of professional solidarity were termed as "*charges indues*", i.e. undue charges.

32 " The location chosen for the presentation of the Plan was highly significant. Whilst all other previous "*Plans de redressement de la sécurité sociale*" were announced after meetings with trade unions, Alain Juppé reserved the announcement of his plan to Parliament " (Palier, 1999, p. 526).

33 This Bill was supposed to initiate a new era for legitimising decisions concerning social expenditure. Its purpose was to address: 1/ general orientations and purposes of social protection; 2/ tax resources; 3/ the securing of a provisional expenditure growth rate compatible with balanced accounts; 4/ criteria for quantitative targets between risks and regions (Palier, 1999, p. 527).

34 Its uniform rate (0.5%) applied to all incomes (save social minimum incomes, interests on popular savings bankbooks and some pensions).

pensions and healthcare (see section 3) which absorb a little over three quarters of the social budget political decisions have been pending. For the other areas (section 4 and 5), significant transformations have already been implemented. Globally, the challenges to the FSPS have been addressed very differently according to the three periods reviewed above.

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(1) *From 1975 to 1983*, growth was more export-led and wages emerged less as a factor of internal demand than as a cost to be reduced. Nevertheless Fordist-Keynesian fiscal and monetary policies proved unable to control growing unemployment and high inflation. Along with high inflation came financing difficulties either through state budget or pay roll contributions. Fiscal and monetary tensions revealed the contradiction existing between Keynesian policies and internationalisation of the French economy. In 1983, President Mitterand eventually opted for the "*franc fort*" (strong franc) strategy and restrictive fiscal policies.

(2) *The 1984-1993 period* was one of "*désinflation compétitive*" (see previous note) abiding by the German Bundesbank rules. Allowing for persistent high unemployment and interest rates' growth, these policies forbade any rise in resources whilst social needs kept increasing, because of long term unemployment and poverty. Hence successive retrenchment plans were implemented, that lowered social coverage and contributed to the emergence of "social exclusion". In this period, welfare reforms responded to strict financial considerations. Major qualitative changes may also be ascribed to European Union developments, i.e. the single market and monetary union preparations. Indeed neo-liberal policies of deflation, deregulation and privatisation were directly submitted to the EMU political agenda (Jobert and Théret, 1994).

(3) *1994 initiates a new period* where the new European monetary union framework is working. The economic context seems more favourable. Real interest rates have fallen and eased fiscal deficits and public debt constraints. Unemployment has started to drop seriously. Economic recovery is export-led and a positive trade balance helps interest rates decrease. From a political point of view, EMU completion has resulted in a new agenda where European institutions' legitimacy is questioned (Quermonne, 1999). European citizenship and Social Europe are discussed as well (Maurice, 1999) and times are ripe for true European politics. But it is also time for a renewal of internal politics and structural reforms. These should less be dictated by purely financial reasons and take into account social protection's forgotten sociological dimensions. The Juppé plan seems to have contributed to a return of political debate on welfare reform, involving collective actors and civil society. Two opposite agendas are currently competing: (i) a strict market-driven orientation in favour of convergence towards residual social protection in a Europe only conceived of as a free-trade zone; (ii) the promotion of EU as a new political and cultural entity with a specific continental social model - a mix of Bismarckian and social-democratic-Beveridgean traditions. The extent to which the European level of government will influence the future architecture of national systems obviously will be the outcome of national options towards either the residualist or social-democratic regimes.

However the challenges the French system is currently facing are obviously not only external and related either to the European Union building process or to globalisation. Internal challenges concerning unemployment and inactivity, poverty and inequalities, family and demographic transformations during the last two decades will be analysed in the next section, in order to understand the transformations described in sections 3 to 5.

Section 2 – Internal context: employment, poverty and demography

France has undergone a significant transformation of its employment and activity regime for the last twenty years so that is ranks to day as one of the European countries with relatively low employment rates. However this has to be analysed in terms of structures of activity, employment and unemployment that obviously influence the balance of a welfare regime still mainly funded through pay roll contributions. In terms of poverty, a problem often deemed to constitute one of the universal contemporary challenges France's performance is intermediate in Europe. Its demography also demonstrates specific features.

2 - 1 – The French employment and activity regime

A "benchmarking" process for "labour market performances" has been gaining momentum for the last two years in the context of the European Employment Strategy. Politicians and statisticians now tend to prefer employment rates to unemployment ones as indicators of "labour market performance". Benchmarking countries according to employment rates should however be seriously qualified because these rates reflect "societal" choices, choices of social justice and values (Barbier, 2000). Employment rates nevertheless tell part of the story in the context of national "employment and activity regimes" (Barbier and Gautié, 1998).

According to the *Employment rates report*, France appears as one of the intermediate member states (EU Commission, 1998), along with Germany and Belgium. It is intermediary between countries with high employment rates (the UK, the Netherlands and the Nordic countries) and countries with low rate (the southern member states, except Portugal). Table 3 illustrates the last decade's developments, breaking figures according to age and gender.

Table 3 – Employment rates in France (1985-1997)

	(age)	1985	1997
All	15-24	38.7	24.4
	25-54	77.3	77.1
	55-64	33.6	29.1
	total	62.0	60.1
Men	15-24	43.3	27.1
	25-54	91.6	86.5
	55-64	42.1	33.2
	total	73.9	67.7
Women	15-24	34.6	22.0
	25-54	63.1	67.9
	55-64	26.0	25.2
	total	50.7	52.7

Source: EU, Employment report (1998)

Table 3 clearly illustrates one of France's labour market structural features, i.e. very low employment rates at both ends of the age spectrum (the young massively being in education and training and older workers commonly retiring early). One should not however jump to comparative conclusions from a mere analysis of such rates. A first qualification is that, when adjusted to full time equivalents, the ranking of countries differ significantly. For instance, a 60.8% employment rate for France in 1998 is equivalent to 57.4% in full time equivalents (EU Commission, 1999). For the Netherlands, the drop from a 68.3 rate is 14 points to 54.0 when shifting to full time equivalents. For the UK, the rate drops from 71.4 to 60.9 in full time equivalents.

Despite their standardisation, employment indicators do not homogeneously capture all the significant features of the labour markets across Europe. For instance comparison only based on unemployment rates is flawed, because a "slack labour force" exists in most member states, i.e. a potential labour force of working age individuals, who are not considered economically active for various reasons (discouragement, participation in labour market schemes, eligibility to welfare benefits for the inactive, early retirement, underemployment, involuntary part time and so on). The clearest case in this realm is that of the disabled. In France, roughly 600.000 working age disabled workers presently claim welfare benefits[35] of which an estimated 30% are active (Brygoo et al., 2000) so that there is no major "welfare-to-work" or "dependency" problem for this category of the population. The problem would rather be of discriminatory attitudes on the part of employers.

The subsequent table shows a comparative picture of underemployment in the European Union, according to US Bureau of Labour Statistics ratios. But, on the whole, underemployment might be roughly estimated as having varied from 10 to 25% of the potential active population in all countries, including those with apparently the best labour market performances[36]. All these data tend to put unemployment rates' comparisons in a wider perspective[37].

Table 4 - Underemployment indexes (1983-93)

% of active population	**United States**		**Japan**		**France**		**Germany**		**Italy**		**United Kingdom**		**Sweden**	
year	**83**	**93**	**83**	**93**	**83**	**93**	**83**	**93**	**83**	**93**	**83**	**93**	**83**	**93**
% of unemployed	9.8	6.9	2.7	2.6	8.0	11.4	6.9	7.7	8.4	10.2	11.2	10.3	2.0	5.3
% of discouraged workers	1.5	0.9	3.2	2.2	Na	0.2	Na	na	1.1	2.6	1.3	0.6	1.1	2.0
% of involuntary part time	5.7	5.0	2.1	1.9	Na	4.8	0.9	1.5	2.0	2.3	1.9	3.2	4.7	6.2
Underemployment rate (U7 ratio of the Bureau of Labor Statistics (USA)	13.9	10.2	6.8	5.7	Na	14.0	7.4	8.5	10.4	13.6	13.3	12.5	5.4	10.2

Source: OECD, Employment Outlook, 1995 and Barbier and Nadel, 2000

Another structural feature of the French employment regime is the persisting gap between male and female activity rates, which is nevertheless constantly decreasing. A higher unemployment rate for women, roughly 4 points higher than the male rate has also persisted for the last twenty years. The gap is about double for the young under 25.

In France, in the midst of the second period reviewed, the number of people in employment in 1990 was 22.32 millions and reached 22.43 millions in 1997 (the corresponding

[35] AAH (*allocation d'adulte handicapé*) beneficiaries are currently about 800.000.

[36] For instance, Denmark the current 2000 labour market "miracle" with an unemployment rate of 5% also has roughly 5% of its working age population in labour market programmes (Jorgensen, 2000).

[37] It is particularly the case for the Netherlands, because of the combined outcome of a high prevalence of part-time, especially among women and a high percentage of the potential active population on permanent invalidity benefits (De Beer and Luttikhuizen, 1998).

figure was 21.25 in 1972). Adjustments on the French labour market for the last twenty years have been made through two channels: explicit unemployment on one hand, and participation in employment policies and *insertion* programmes[38]. The balance established by the ministry of labour clearly illustrates this dynamics (table 5).

Table 5– Unemployment, employment and labour market programmes (1972-96)

	(thousands)	1972	1996	Variation
1	Total employment	21 253	22 321	+ 1068
2	of which: subsidised	2	2065	+ 2063
3	Non subsidised	21251	20256	- 995
4	Unemployment (ILO)	669	3248	+ 2579
5	Early retirements (state funded)	93	850	+ 757
6	Active population (1+4)	21922	25569	+ 3647
7	Potentially active population (6+5)	22015	26419	+ 4404
8	Total of participants in government programmes (2+5)	95	2915	+ 2820

Source: DARES, 1997 (PS 97.07, n° 27.1)

These overall transformations of the labour market for the last twenty years constitute a major factor of the French system. Whilst the French "welfare state" has not been rolled back, it certainly has undergone a major transformation via the emergence of "*politiques d'insertion*", and employment policies, as we will see in section 5.

2-2. Poverty and inequality

France's contemporary relative performance in Europe in terms of poverty is intermediate between the Scandinavian and Northern countries where poverty is lower and the UK, Ireland and the southern countries, where poverty is higher (Paugam, 1999). Measured as a proportion of the population earning less than half the national mean income, the French poverty rate was 16% in 1993 (as against 9% for Denmark, 13% for Germany and 14% for the Netherlands). It was thus closer to European countries with lower rates than to the UK's (23%) or Portugal's (29%). A similar ranking is true for the proportion of the poor among the long-term unemployed (30% as against 64% in the UK but 7.5% in Denmark) (Paugam, 1999). Recent comparative Eurostat statistical series confirm this intermediate status among the Union's member states, when the proportion of low-income[39] categories is considered (16%) (as against 11% in Denmark but 21% in Ireland and the UK). Eurostat calculates a Gini index of less than 0.30 for France, Belgium and Germany, as against more than 0.33 for the UK, Ireland and Spain (Eurostat, 1999).

However the structure of poverty varies significantly among European countries, which is of course very important when welfare reform is considered in comparative terms. For instance, Eurostat series show that single parents' poverty is much less a problem in France where the risk

[38] On the whole the working age inactive population remained stable from 1990 to 1996. This contrasts France for instance with the UK where adjustment happened not through unemployment but via inactivity (Employment Policy Institute, 1998).

[39] Low income is here defined as less than 60% of the median national income. Data are available for 1995 from the European Households Panel.

of being poor for them is twice the risk for the rest of the population, as against five times higher in Britain and six times in Ireland. Structural differences across countries must also be stressed as to the composition of the poor category: 114 aged persons (over 65) belong to the poor in France as against 100 for the rest of the population (respectively 160 in the UK). Conversely the French young (16-24) have a higher probability of being poor: 185 are in this category as against 100 for the rest of the population (and 78 in the UK).

That poverty is not homogeneous across Europe is well documented and may be linked to national systems' features. Two instances of this are the proportion of poor children and the proportion of "workless households". Testimony to a very worrying extension of poverty or deprivation situations in France has been the unprecedented increase in numbers of people eligible for benefits designed for various poverty situations (*minima sociaux*, cf. section 4). In 1970, 2.3 million households (accounting for 3 million people) claimed these benefits. Numbers started to rise sharply from 1990 and, in 1996, there were about 3.2 million households minimum income recipients[40] (i.e. 6 million people, or 10% of the total population). Among these were 1,5 million children (Amrouni et Math, 1998).

A comparative study (Jeandidier et al., 2000) illustrates how differently the French and US welfare systems operate and how the French - as other continental systems - achieve better outcomes in alleviating poverty for children. In the French situation, 19% of children would be poor[41] without family benefits and social assistance, whereas after these transfers, only 7% remained poor. In California and Pennsylvania, the corresponding figures were 34% and 25% before transfers. After transfers, 29% of Californian children remained poor as well as 21% in Pennsylvania. Such wide differences are explained by the family content of French social policy but also in terms of its expenditure levels[42].

Similarly, workless households with children are more a problem in liberal welfare state regimes. As has been shown by *The Economist* (1999) drawing on OECD statistics, France and Germany have around 8% such households as against 20% in Britain and 15% in Ireland (more than 10% in the US, Australia and Canada).

More precisely, in the biggest EU member states the risks of being without employment were as follows in 1995 according to types of households:

Table 6 - Risk for households of being workless

Countries	1 adult no children	1 adult with children	2 adults no children	2 adults with children	All households
France	37.1	34.0	31.9	5.9	21.9
Germany	31.8	38.0	28.1	5.5	20.7
Italy	41.4	28.9	38.9	6.6	20.7
UK	35.8	60.8	21.5	10.7	21.6
Netherlands	35.6	55.1	23.7	5.7	19.7

Source: OECD, 1998 Employment Outlook

40 See further. Using (not strictly comparable) UK statistics shows that social problems differ between France and the UK. "Key benefits" there catered for 17% of the working age population in 1998. This was down from 20% in 1995 (See Bivand, 1999). Key benefits include Family Credit, Jobseeker's Allowance, Incapacity Benefits and Income Support.

41 With an under 50% of the median income definition.

42 The study estimates that an "equivalent" to the French and Luxembourg policies reviewed, when applied in California, would expand social expenditure there fivefold.

Although all member states in the table above show a rather convergent mean rate, their structures differ widely. Single parent workless households are a majority only in Britain and the Netherlands, whereas France and all other considered countries have a rather convergent 6 points rate for workless households with two children (as against 10.7 for the UK).

What are the French system's relative performances in terms of redistribution? Redistribution performances are complex to compare across countries. Traditionally the French system has been regarded as able to organise very little vertical redistribution (from the rich to the poor) and one of its outcome has even been counter-redistribution (Palier, 1999, p. 263-292). Nevertheless given the cancelling of ceilings for social contributions, it has turned out more neutral at the end of the periods under review. Some of the counterproductive effects are typically seen in the pension system (Lagarde et Worms, 19xx) because life expectancies between social groups diverge.

Analysing redistribution outcomes from the perspective of the three periods defined in section 1, the first one (1975-83) certainly appears as following the previous pattern (family benefits were raised in 1981 and tax policies favoured a reduction of income inequality). "Solidarity" was then substituted to equality, from 1984 on (Théret, 1991; Jobert et Théret, 1994). In the third period vertical redistribution has tended to return to the political agenda, as well as the reduction of regional imbalances. Arguments in favour of a more minimalist Beveridgean orientation with increased emphasis on targeting have also gained momentum in the public debate. Nevertheless, from a European perspective (Eurostat, 1999), and when pensions are excluded, France is among countries where income distribution before transfers is intermediate, and where income inequality decreases significantly after transfers. Income distribution in the four main countries is as follows:

Table 7: Redistribution in the European Union: France in perspective

Country **1995**	Threshold (in SPA[43])	Income before transfers				Income after transfers			
		1[44]	2	3	4	1	2	3	4
Germany	7433	24	31	24	21	18	32	26	24
France	7025	28	29	21	22	16	34	25	25
UK	6720	34	22	19	26	20	30	22	28
Italy	5232	21	31	21	26	19	31	23	27
UE 13	6352	26	29	21	24	18	32	24	26

Source: Eurostat, 1999

Only the UK and Ireland have more than a third of their population under the low-income threshold before transfers. Other member states have proportions ranging from 21 (Italy) to 30% (Belgium). After transfers, the UK and Ireland score more than 20% (Portugal being the leader with 24%) and the Netherlands and Denmark showing the best scores (with only 10% of their population under the 60% threshold). France and Luxembourg score best after them. Comparison of quintiles result in similar findings (Eurostat, 1999).

[43] PPPS (purchasing power parity standards) are a conversion of national currencies; each unit corresponding to an identical quantity of goods and services in the different countries.

[44] (1) Less than 60% of the national income median; (2) 60 to 100%; (3) 100 to 140%; (4) 140% and over.

2-3. – Demographic trends

France's *population increase* mainly results from natural increase, immigration having had a relatively low impact on total increase for the last 15 years. With 4.3 per thousand in 1999 (3.2 in 1995 as against 4.6 in 1985) France's population growth ranks among the highest rates in the EU (with the Netherlands and Luxembourg) (Beaumel and al., 1999). It is estimated that it will keep increasing till 2020 (between 1990 and 1999, its annual increase has oscillated between around 190 to 250 thousands for a population which grew from 56.7 to 58.6 million[45]). This annual change entails a substantial yearly flow of new entrants on the labour market.

French *fertility rates* have decreased for the last twenty years as in other EU countries. However the French pattern resembles that of Sweden and is very different from other southern European countries (its birth rate - 13.4 per thousand in 1990 - decreased to 12.3 in 1994 but has since recovered to 12.7 for the last four years). Current fertility rates per women in France thus rank among the highest in Europe (at 1.7 in 1995, they remain similar to Bristish rates – 1.8). Although significantly lower than Canadian and US rates, French fertility rates are only outperformed in Europe by Ireland and Scandinavian countries (Beaumel and al., 1999). The French ranking has traditionally been ascribed –partially at least - to a specific set of family policies (see section 4), including measures allowing full time employment for mothers (mainly childcare benefits and services). This means that a "double earner" pattern for couples has settled in France for a longer time than it has in some other member states[46].

French matrimonial behaviours have also changed significantly for the last 30 years. Divorce is more frequent (38% of 1995 marriages are expected to break down). The proportion of unmarried couples has also increased. The number of marriages has decreased by 32% since 1972, but marriage rates have recently increased again (4.9 per thousand in 1999 as against 4.4 from 1993 to 1995, but 7.8 in 1970). Marriages are concluded later in life and nearly 40% of children are now born out of wedlock (6.8% in 1970 and 19.6% in 1985). The prevalence of single parenthood is however rather lower than in many European countries. Around 14% of all families with children[47] are single parents families (84% of these are single women), a proportion close to Germany's or Finland's but significantly lower than the UK's (23%). Moreover, contrary to many other EU members, lone parents in France have traditionally been economically active (more than 70% of lone mothers were active in 1996). Of the single parents with two children, 86% were active at the same date as against 49% in the UK or 56% in the Netherlands. On top of this, their activity pattern has been dominantly full time (only one third presently have a part time job). For this reason the "single parent question" has not been so crucial in social policy as it has in some other countries; again this may be ascribed to the traditional French family policy where, *globally*, economic inactivity has not been encouraged[48]. 17% of young adults (25-29) are living with their parents in France like in the UK (as against 56% in Italy, 24% in Belgium, 34% in Ireland, more than 50 in Greece, Spain and Portugal)[49].

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45 Excluding overseas territories (Kerjosse, 2000).

46 Unfortunately strictly comparable data still lack on the subject. Majnoni d'Intignano (1999, p. 19) notes that only 17% of 14.4 million economically active households are couples with inactive women.

47 1.7 million families in 1999 as against 1.4 in 1990.

48 Notwithstanding some cases were, especially in the second period under review, women's inactivity was obliquely encouraged, for instance through "*allocation parentale d'éducation*" (see further).

49 source: Eurostat, *The Economist*, April 1st, 2000.

As in all European countries population ageing trends appear inexorable in France. However conclusions drawn from indicators give rise to controversy about the basic demographic tenets of pension reform. Population ageing is the result of increasing life expectancy and stagnating births and immigration. Presently the proportion of over 65s in the total population is 15.9%; this will roughly keep steady till 2011 (16.8% and 20.6% are the present estimates for 2010 and 2020) (Levy, 2000). As for the proportion of over 60s, it will increase substantially from 2006 when the 1946 baby boomers are 60. This proportion was 20% in 1995 and it is supposed to reach 27% by 2020 and 33% by 2040 (Concialdi, 1999a). In comparative terms, a specific French feature is the high gap existing between men and women life expectancies (82.4 for women and 74.9 for men in 1999[50]). The question of dependency ratios is more controversial and constitutes one of the explaining factors of wide discrepancies in current expertise about the fundamentals of a looming pension reform.

Table 8 - Alternative ratios of dependency -

	2005	2010	2020	2030	2040
Old-age dependency ratio	103	110	136	164	182
Demographic dependency ratio	99	105	115	129	137
Economic dependency ratio	90	86	93	101	106

Source: Charpin (Concialdi, 1999a, p. 109) (1995=100)

Concialdi (1999a) discusses an "economic dependency ratio" from the Charpin report[51] which takes into account the overall "burden" of the non-working population (including the unemployed). He emphasises the considerable difference existing between the "old-age dependency ratio" and the "economic dependency" one. Whereas the former (see table 8) is expected to grow steadily from 100 (1995) to 182 (2040), the latter would decrease from 100 (1995) to 86 (2010) and then again increase to 106 (2040). The main explanation for such a situation is that the increased burden of pension funding (contributions) will in the future be at first outweighed and then partly balanced by the reduction of social expenditure for the young and the unemployed. Such calculations ought to be contrasted with the current alarming discourse concerning age dependency ratios, that the European Union estimates will increase by 50 % between now and 2020 in the member states[52].

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In the previous sections, the main shifts the *État social* has experienced in France have been addressed from the perspective of the basic financing principles. They have been set in their recent historical and economic contexts and put into perspective against labour market and demographic developments. We will now see to what extent the French NSSP may be said to

[50] Life expectancy in France also remains very dependent on social status and occupation. For instance, life expectancy at 35 is 44.5 years for managers as against 37 years for unskilled workers (*Données sociales*, 1999, p. 299).

[51] The Charpin report is one of a series of reports supposed to prepare government decisions (see section 3).

[52] Or with 1988 OECD estimates for an anticipated tripling of health and pension expenditures, especially in Japan (Esping-Andersen, 1997).

have followed trends similar to other welfare states in terms of privatisation and targeting (sections 3 and 4), before turning over to the activation and work oriented policies (section 5).

Section 3 – Towards Privatisation and Individualisation of Healthcare and Pensions?

Pressures for more privatisation and/or individualisation of rights are at work in healthcare and pensions but shifts in both policy areas have been limited so far. Opposite tendencies towards universalism and increased statism are clearly observable in health, whilst resistance to pension individualisation (via funding schemes) is strong. The State and non-state social actors are looking for a new balance between "interprofessional" solidarity (the Bismarckian tradition) and "national solidarity" (via a Beveridgean adjustment to financial interests' pressure).

3-1: The health system: from a limited de facto privatisation to universal coverage; from demand to supply management.

The French health system encompasses nineteen health insurance funds[53]. Services are delivered either by public or private hospitals (including private services within public hospitals), and by private providers for ambulatory care (medical and paramedical professions). The system therefore relies on contradictory principles. On one hand private liberal medical practice prevails: patients choose their practitioners freely in the private or public sectors and pay them on a fee-for-service basis. On the other hand health costs (care and medicines) are reimbursed to patients as contributors to a fund. Fees for cares as well as for prescriptions are flat fees approved after agreements negotiated between funds and professional associations.

Apart from public hospitals, government is thus unable to directly control the supply and it is inclined to exert indirect pressure on the demand side (via increasing social contributions and/or patient charges). Leaving aside objective factors (like for instance population ageing or AIDS) an "inflationist coalition" prevailed on the supply side until the early 90s. Co-administrators of CNAM, trade unions and employers' associations accepted fast expenditure growth (Damamme and Jobert, 2000), under the influence of a powerful pharmaceutical industry and the physicians' organisations. Indeed this coalition was quite efficient during the Fordist era. But slowing economic growth and recurrent recessions no more allowed for such management so that the system was pictured as more expensive and less efficient than in other European countries[54].

Therefore retrenchment and cost control have been on the government's agenda since 1975. Three successive strategies have been implemented, from the politically easiest to the hardest, which roughly fit in with our section 1 periodization. During the first stagflationist cycle (1975-1983), pay roll contributions were increased to adjust resources to spending. This was achieved through the removal of ceilings at the employees' expense (see table 9). Patient charges'

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[53] "*Régime général*" is the biggest and caters for private sector employees (CNAM); it accounts for 80% of total health spending. "*Régimes spéciaux*" are for civil servants and public enterprises' employees. There are also funds for the farmers (MSA) and the self employed (CANAM).

[54] For the most recent critiques, see Conseil d'analyse économique, 1999; Breuil-Genier and Rupprecht, 1999.

increases were supposed to foster incentive for patients to "self-adjust"[55]. But these measures failed to contain spending, which kept growing much faster than GDP. During the “competitive desinflation” cycle (1984-93), three more radical institutional innovations concerning hospital and ambulatory cares were implemented. A typically demand side measure, a daily hospital patient charge (*forfait hospitalier*) was introduced. Moreover public and non-profit private hospitals were submitted to caps on their annual funding (*dotation globale*) (Pouvourville, 1994)[56]. *Dotation globale,* although a supply side measure *de facto* operated as a demand limitation device because it organised external quantitative control and proved largely inefficient to contain medical expenditures (as against labour costs).

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[55] The level of patient reimbursement on ambulatory care and medicines was reduced.

[56] In 1997, the number of beds in the public sector accounted for nearly 65% of the total and private services within public hospitals for 10%. Private beds accounted for one quarter of the total (Devile and Lesdos-Cahaupé, 1999, p. 3).

Table 9: Social contributions for healthcare insurance (*Régime Général*)

	1945	**1959**	**1961**	**1962**	**1966**	**1967**	**1970**	**1971**	**1976**	**1979**	**1980**	**1981**	**1984**	**1987**	**1991**	**1992**	**1997**	**1998**
Employers' Contributions Rates %																		
Under ceiling	10	12.5	13.5	14.25	15	9.5	10.25	10.45	10.95	8.95	8.95	5.45						
On total wages						2	2	2	2.5	4.5	4.5	8	12.6	12.6	12.6	12.8	12.8	12.8
Employees' Contributions Rates %																		
Under ceiling	6	6	6	6	6	2.5	2.5	2.5	3	1								
On total wages						1	1	1	1.5	4.5	5.5	5.5	5.5	5.9	6.8	6.8	5.5	0.75
CSG																	1	5.1
Source: Lancry, 1995.																		

Achieved through *dotation globale,* this inadequate stabilisation of hospital costs was accompanied by growing inefficiency for regional allocation of resources because the cap entrenched existing inequalities between hospitals (Pierru, 1999, p. 19-20). Moreover budget control was not extended to private hospitals where costs kept soaring. At the end of the day financial constraints and competition with the private sector proved detrimental for the less well off customers and those on the margins of society, which appeared contrary to traditional French public hospital standards (ibid, p. 43)[57].

Thirdly, in a clear departure from the rules established in 1971, a second sector was created in 1980 for practitioners (*secteur II*) allowed to exceed approved flat fees while customers were only reimbursed according to tariffs. The number of sector I practitioners – those who kept abiding by approved fees - consequently declined rapidly, especially for specialists (table 10). This resulted in very significant increases of patient charges in ambulatory care. Sector II expansion was however subsequently stopped from 1990 on[58].

Table 10: Sectors' shares in ambulatory care

Shares First Sector %	All physicians	Generalists	Specialists
1980	82	90	70
1990	68	78	51
1991	74	81	66

Sources: Pouvourville, 1994; Bureau, 1999.

The detrimental effect to the poorest appeared all the more unsustainable that it came on top of other converging reforms: the daily hospital patient charge, patient charges' increase for ambulatory care within sector I while a growing number of medicines were excluded from reimbursement. Thus from 1975 to 1993, patients' participation to costs increased from 20% to 25 % (ambulatory care) and has peaked at 30% since the 1993 reform[59].

All this has resulted in growing "individualisation" and the shifting of costs over to patients while expenditure was not significantly contained. In fact, because of "*mutuelles*", costs have not been "privatised" in a proper sense. *Mutuelles* are work related non-profit health insurance organisations that employees join voluntarily as "friendly societies". As most French employees are members, costs were shifted to *mutuelles,* increasingly functioning as supplementary insurances (table 11) and maintaining the level of "socialised" spending.

Table 11: Financing healthcare and medicines

Total Healthcare Financing	**1975**	**1980**	**1985**	**1990**	**1993**	**1996**	**1997**	**1990 nb**[60]	**1995 nb**	**1998 nb**
Social Security	73.2	76.5	75.5	74.0	73.9			76.0	75.5	75.5
State	4.1	2.9	2.3	1.1	0.9			1.1	1.0	1.1
Total Public	**77.3**	**79.4**	**77.8**	**75.1**	**74.8**	**74.4**	**73.9**	**77.1**	**76.5**	**76.6**
"*Mutuelles*"	4.8	5.0	5.1	6.1	6.3			6.1	6.8	7.1
"Socialised" Spending	**82.1**	**84.4**	**82.9**	**81.2**	**81.1**			**83.2**	**83.3**	**83.7**
Private Insurances		1.5		3.1	3.6			2.6	3.1	3.0
Households share		14.1		15.7	15.3			14.2	13.6	13.3

Sources: Lancry, 1995; Rochaix, 1995; Rupprecht, 1999a; Geffroy et Lenseigne, 1999.

[57] In spite of these groups subsequently transferring their demand for health care from ambulatory care over to hospitals (Mormiche, 1995).

[58] Sector II physicians were mainly concentrated in large cities and in certain medical disciplines and a growing difficulty of access to care for some groups had emerged, less well-off patients being unable to pay for sector II fees.

[59] Corresponding figures vary from 35 to 100% for prescriptions and 20% for hospital care.

[60] New 1995 basis of social protection accounts.

But because lower income groups join *mutuelles* less frequently (table 12)[61], this process of individualisation and privatisation significantly increased inequality.

Table 12: Supplementary Insurance coverage

% of the group 1996	Coverage	% of those giving up care
Farmers	84.4	6.4
Unskilled Blue Collar	**69.9**	**18.1**
Skilled Blue Collar	**82.1**	**17.7**
Unskilled White Collar	**79.4**	**24.4**
Middle management	92.1	**17.8**
Executives	90.9	11.2
Craftsmen and shopkeepers	82	14.9
Total Active Population	86.4	16.5
Unemployed		**33.7**

Source: Rupprecht, 1999a, p. 156.

As table 1 in section 1 shows, retrenchment strategies (either incentives for patients to "self-adjust" or hospital budgets' annual capping) failed to really stabilise expenditure (from 9.1% of GDP it grew to 9.6 and 10% during the 1992-93 recession). At the same time this had unintended consequences in terms of inequalities[62]. For reasons both of inefficiency and inequity, the individualisation trend had to be reversed from 1993. Current reform orientations combine supply management for ambulatory care, a return to healthcare planning and an extension of universalism under increased state control. Paradoxically, these reforms have tended to limit traditional liberal practice. The 1995 Juppé Plan (see box) systematised these new orientations.

This very wide-ranging project drawing on previous piecemeal reform[63] gave a new impetus to change in a systemic way (Join-Lambert & alii, 1997, pp. 522-526). Because of fierce opposition some of its content had to be cancelled and courts have also challenged some of it but fundamental elements have lasted. This is especially the case for the steps taken to unify the different healthcare *régimes*, which led to the introduction of a *couverture médicale universelle* (CMU- universal medical coverage) later passed through Parliament in July 1999. This is also true of the accounting and cost controlling content of the plan, in spite of pending technicalities.

[61] Only 85% of the population join a supplementary insurance. Membership strongly varies with income levels and social groups (Rupprecht, 1999a, p. 155). In 1999, according to Volovitch (1999), 9.5 million people have no *mutuelle*, and only 2.5 millions of them are 100% covered by social assistance for their healthcare.

[62] Increasing inequality of access to care was experienced (despite targeted measures for the very poor - for instance RMI claimants in 1989). According to a 1995 survey, although nearly all interviewees had a health insurance, 24 % declared they had to give up certain cares, because of the inadequacy of the insurance coverage. Restrictions concerned dental cares (12 %), glasses (8 %), and other medical cares (6 %). Another study states that "the rate of renunciation to cares is more than 25 % for households whose income is less than 6500 FF monthly, while it is half (12,5 %) for those earning in between 20 000 - 30 000 francs. Moreover, the rate of renunciation was higher than the mean rate for people belonging to groups with the highest degrees of morbidity (Schneider-Bunner, 1995, p. 17).

[63] In previous years there had been "a long genesis of a rushed reform" (Damamme and Jobert, 2000). In 1991, US inspired "diagnosis related groups" were adopted. Medically adapted spending control procedures were first implemented in 1992-93.

The "Juppé" Plan for healthcare

- Parliament is constitutionally empowered to fix annual spending limits with the imposition of penalties on doctors who exceed these ceilings (maintained but not fully implemented so far). An 1996 constitutional amendment and organic laws organise an annual Parliament vote of a "Social Security Financing Bill" (LFSS). LFSS fixes national spending targets and a national objective for healthcare funds (ONDAM) (the first such objective was passed for 1997).
- Healthcare funds managing boards are restructured. Against the *paritariste* tradition, the government nominates fund executives and qualified experts are introduced (maintained).
- A universal health-insurance regime is created, encompassing the nineteen existing regimes. The work (or work related) conditions for benefits are substituted by residence requirements (adapted through CMU).
- Funding principles are altered. State contribution is increased through CSG (see section 1). Health social contributions are extended to taxable pensioners and the unemployed whose benefits exceed the minimum wage. Additional taxes are imposed on the pharmaceutical industry and "generic" drugs' use is encouraged. Family benefits become taxable (not implemented).
- Healthcare cost management procedures are introduced (maintained). An individual healthcare file is created to restrict patients' "nomadism" and access to specialist practitioners (not implemented).
- Regional administration agencies are created to administer hospitals; evaluation procedures are extended as well as co-ordination between public and private sectors (maintained).

The Juppé Plan clearly demonstrated that structural opposition by practitioners could not be easily put aside[64]. Because of medical associations' opposition, and because legal technicalities are still pending, an adequate mix of practitioners' accountability and overall spending limits has not been fully implemented yet. However new cost control mechanisms are currently devised to try and settle the internal conflict existing between liberal medicine and socialised expenditure. Specific compulsory medical norms and good practice references (*maîtrise médicalisée des dépenses*) are being gradually implemented[65].

The 1995 Juppé Plan and subsequent 1996 Parliament Acts have also introduced important changes in hospital care. Regional Agencies (ARH) now encompass previously separated state services and the funds' administrative bodies. Wielding general competence in matters of planning and financing for all hospitals, these agencies allocate regional resources according to LFSS standards and they are able to reduce previously entrenched imbalances and adjust resources to needs. In the long term, hospitals will have to comply with care quality standards (Breuil-Genier and Rupprecht, 1999, p. 155-157).

Finally implemented from 1999 *couverture médicale universelle* (CMU) is supposed to address the system's previous failings in terms of social exclusion and inequality of access to care. It first entails the creation of an additional subsidiary universal *régime* for all those previously not eligible to fund membership (150 000 persons did not enjoy personal insurance rights nor took up free medical assistance). Secondly CMU initiates a complementary insurance scheme for an estimated six million low-income individuals excluded from *mutuelles'* membership so far (see above). Entitlement to this insurance is income tested

64 Historically the only measure accepted was an annual *numerus clausus* for new practitioners (generalists and specialists). The number of students allowed was limited to 3600 in 1995 while it was 8150 in 1978 and 6409 in 1981 (SESI, quoted by Join-Lambert & alii, 1997, p. 517). This limitation failed to contain spending because contracts between funds and professional associations only fixed unitary flat fees.

65 Various contemplated instruments are still to finalise: compulsory standards for given pathologies (*références médicales obligatoires, RMO*), overall computerisation of the system, experimentation of care networks, extension of generic drugs use according to Drug Agency norms. Norms have been gradually and increasingly implemented since 1994 (Rupprecht, 1999b, p. 174). Their effectiveness is however dependent on further computerisation of the healthcare system. Presently only roughly one third of general practitioners are connected by computers.

(presently at a monthly 3500 FF[66]). Resources stem from a special tax on "*mutuelles*" and private health insurance, linked to incentives for these institutions to participate in the scheme (Marié, 2000, p.19)[67].

CMU thus eventually emerges as consistent with the Bismarckian tradition. Despite being termed "universal" it strengthens the fragmentation of the system by adding a new "*régime*". Because this *regime* is subsidiary, the work related base of healthcare remains unchallenged. Indeed the Bismarckian tradition emerges as confirmed, because both the pivotal CNAM role and *mutuelles*'s participation. Universalism is thus achieved through the creation of new schemes in a context of underemployment, while traditional links between "professional" solidarity and national solidarity are strengthened, and because solidaristic assistance is integrated into social insurance.

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All in all, developments in the French healthcare system for the last twenty years could certainly not be characterised as following privatisation or individualisation trends. Figures show long term stability within the particular French welfare mix (table 11) which has always let individual choice and practice play an important role. At the same time healthcare expenditure has remained high since 1993 (see table 1 in section 1). Neoliberal influences that had developed in the 1980's have been countered since. Universalisation of healthcare social insurance as well as renewed public planning are moves that somehow "disqualify the liberal temptation" (Pierru, 1999, p. 46). From 1995 on reforms also paradoxically give a new impetus to *paritarisme* (Catrice-Lorey, 1997, Hassenteufel, 1997). Far from only illustrating reinforced statism, they should also be considered as the tentative outcome of a new coalition between social partners building up[68]. Current reforms have also stressed the crucial role ascribed to contracting mechanisms (between government and social security, between regional agencies and hospitals, etc..). The creation of CMU demonstrates that the FSPS, at least in the healthcare area, has been able to draw a new balance from its hybrid Bismarckian/Beveridgean traditions.

3-2. Pensions: resistance of the pay-as-you-go system or development of pension funds?

The French pension system is almost entirely social insurance based and compulsory, it is based on a pay-as-you go principle and very fragmented[69]. Three main groups of schemes account for nearly 90% of 1997 total pensions (DREES, 1998, p. 41):

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66 AAH beneficiaries (the disabled) and some minimum income beneficiaries are not eligible (2 million persons) because their benefits are higher.

67 Supplementary benefits are supposed to allow for decent reimbursement of dentist and optical care (Breuil-Genier and Rupprecht, 1999, p. 147-48).

68 CFDT has replaced CGT-FO as MEDEF - the main employers' association' s partner. The internal balance of interests within MEDEF has also been altered at the pharmaceutical industry's expense and the *mutuelles* sector has been able to assert itself within the coalition, while a new medical association, MG-France, emerged as a supporter of supply-side reforms (Damamme and Jobert, 2000).

69 538 pension regimes cater for employees, the self-employed, professionals, farmers, managers and executives, each being organised according to different rules and delivering benefits of varying levels. Among them, one hundred *régimes spéciaux* cover 4.5 million public sector employees (20 % of all employees). A very small proportion of these *régimes* are voluntary (the farmers', some large corporations schemes for executives, a few schemes for the self employed). It should nevertheless be stressed that life-insurance schemes, because of their

- The *régime général* (administered by CNAV) serves basic pensions to all private sector employees including executives and managers (*cadres)* (i.e. one third of the total pension bill, for 8,5 millions beneficiaries, that is 70% of the over 60 population). Government control is here at its highest.

- The *complementary régimes* (AGIRC and ARRCO) provide additional pensions to *régime général* beneficiaries, amounting to one fifth of total pensions[70]. Social partners manage these schemes and government intervention is limited[71].

- The special *régimes* for public employees amount to one quarter of all contributive pensions. The government here acts as employer and negotiates with public sector trade unions on a neo-corporatist base.

Figures in the appendix show that pensions have been the main spending item since before 1975: their current 43% of total social expenditure was first reached in the early 70's. The quasi-linear growth of pensions over the three periods under review however points to diverging causes. Till the early 80s, pensions' value improved whilst the number of pensioners grew slowly. Then pensions' value decreased relatively while the number of pensioners grew very quickly (see section 2). The pensions' ratio to GDP per head thus appears almost stable (Concialdi, 2000). Whereas pensions policy remained generous till the early 1980's (retirement age was lowered from 65 to 60 in 1982), it turned more restrictive from then on. The gap between GDP and pensions' growth rates has thus gradually been closing (figure 13)[72].

As in other developed countries, the political debate about pensions, under the pressure of state élites and employers' associations has mainly stressed economic arguments: (i) long term demographic trends threaten the financial sustainability of pensions; (ii) income distribution has developed in favour of pensioners, whose mean income now equals or exceeds the active population's mean income[73]; (iii) low growth and massive unemployment as well as low employment rates jeopardise the financing prerequisites for pay-as-you-go schemes[74].

As structural reform is particularly difficult to implement in this area, because of fierce opposition by vested interests, retrenchment measures were limited to piecemeal action till 1993[75]. In 1993, structural reform really started under Balladur's prime ministership. *Régime général* pensions saw their contribution period increase from 37.5 to 40 years for basic and complementary pensions (in the private sector). At the same time an increase in the calculation period from 10 to 25 years was introduced and reference wages were indexed on

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very attractive taxing conditions have collected a significant part of savings (Masson, 1999; Cour des Comptes, 2000, p. 28).

[70] Social partners (in 1947 and 1961) decided to complement the CNAV basic pension (which amounts to a 50% replacement of gross wages under a ceiling - a monthly FF 14 470 in 1999). As these complementary *regimes* have become compulsory for all employees, AGIRC, ARRCO and CNAV form a quasi-integrated system. AGIRC caters for managers and executives.

[71] For private sector employees, the system is two tiered (excluding a social assistance minimum pension). Non civil servants in the public sector have their own complementary scheme, IRCANTEC (delivering an annual 5 billion francs pension bill altogether whereas AGIRC and ARRCO pensions amount to F. 180 billion, Ralle, 1998, p. 182).

[72] Since the 80's growth deficit has accounted for the growth of the GDP pensions' ratio.

[73] Given that current pensioners have benefited from inflation in the 60s and 70s, and from deflation and high interests rates on their savings in the 80's, wealth distribution is even more distorted than income distribution according to age.

[74] Not to mention a very generous use of early retirement schemes.

[75] Taxable pensions for instance have been submitted to health contributions from 1983 on and to CSG since 1991. Pensions were subsequently re-evaluated according to inflation instead of wages and lost purchasing power (a drop of 15.4% or 11.2% to the net wage - Dupont and Sterdyniak, 2000, p. 30).

prices instead of wages. Following the reform, a third of employees had to postpone retirement for two and a half years while seeing their pensions reduced by 5.9% (Ralle, 1998, p. 186).

Structural change also extended to complementary *régimes*. In these, additional pensions are calculated according to the number of "*points*" accumulated and not according to the number of contributing years. The complementary pension is thus a defined contribution scheme, not a defined benefit one. From 1983 to 1997, taxable pensioners have lost 10.4% for ARRCO and 14.4% for AGIRC vis-à-vis the net wages (Dupont and Sterdyniak, 2000, p. 31). This relative loss of additional pensions' value may be considered as "soft" adjustment of these schemes to demographic and socio-economic pressures. But changes have been negotiated from 1993 to 1996, which led to important modifications of the compromises between social actors (apRoberts and Reynaud 1998, p. 59).

Social partners agreed on substantial contributions' increase (and reduced pensions) in 1993-94, despite difficulties raised by conflicting interests between small employers and big corporations, while banking institutions were keen on paving the way for future pension funds; meanwhile division was also encountered among trade unions (apRoberts and Reynaud, 1998, p. 57). New contracts were agreed in 1996 aimed at balancing the *régimes*' accounts for the next ten years. Although in line with the existing tendency towards reducing pensions, these agreements did not increase contributions. This break from previous practice probably indicates that employers' associations and most trade unions were at the time implicitly agreed on accepting the creation of pension funds. Indeed, the government passed a bill a few months later through Parliament, later known as the Thomas Act. This Act allowed private sector employees to join pension funds under generous tax incentives for employees' and employers' contributions. However the Thomas Act was never implemented, in the wake of December 1995 social movements and Juppé's failure. The entire trade union movement - including the managers' and executives' union (CGC) - strongly opposed the law mainly on the ground that exemption of taxation on employers' contributions jeopardised existing compulsory complementary schemes. The new scheme being more substitutive than additional, left wing parties promised to scrap it if elected.

So far structural reform has thus only spared the "special regimes" for public firms' employees since the Juppé Plan measures that applied to them were abandoned. There is little doubt that along with the SNCF's reform the intended raising of the number of years of contribution on a par with private sector pensions caused Juppé's electoral debacle. Special *régimes*' participants enjoy favourable conditions in terms of replacement rates, calculation periods, pension indexation on wages[76] and even retirement age (55 or even 50 years for some categories of workers). Nevertheless some argue that these special regimes conditions are not so relatively privileged because of reference wages on which pension calculation is made exclude pay supplements (*primes*), and also because special regimes are exclusive from complementary ones[77]. This comparison is all the more important that since 1997 the new socialist government has embarked on policy to equalise pensions' conditions in the public and private sectors.

In 1999, the Jospin government created a new reserve fund for the *régime général*, while commissioning three experts' reports[78]. In March 2000, it issued clear orientations as to

[76] Paradoxically this latter disposition has proved less advantageous as public wages have lost purchasing power in the 80s and 90s: between 1987 and 1997, the mean loss was 0.4% a year (Dupont and Sterdyniak, 2000, p. 40).

[77] These factors led to the creation of public employees' mutual funding schemes (PREFON and CREF) which constitute the only instance so far of French pension funds for employees enjoying tax deductions (they cover 400 000 contributors out of 5 million potential participants (Dupont and Sterdyniak, 2000, p. 43-44).

[78] The *Charpin Report*, the *Teulade Report* and the *Taddei Report*.

the necessity to abide by traditional pay-as-you-go principles. Pension funds were thus again put aside. The first of the reports issued, the *Charpin Report* recommended a general extension of the contribution period from 40 to 42.5 years, which encountered fierce trade-union opposition. Nevertheless, current government reform projects envisage extending the 40 years period already effective for private sector pensions to the public sector (notwithstanding special conditions for the special regimes). Interestingly enough the reform project stresses the importance of negotiating with social partners while financial aspects are relatively played down. A new Pension Council (*Conseil d'orientation des retraites*) was put in charge of monitoring the negotiation process and proposing measures to guarantee the systems' coherence.

But on the whole, decisions have not yet been taken while the government seems to postpone effective them for after the coming election. Essential questions remain to be addressed. Will the 1999 reserve fund's role be temporary or structural? Will most trade unions (except CFDT) stick to their opposition to the 40 years period?[79] What is however clear is that, contrary to the situation in healthcare, parties disagree as to what is to be decided; also resistance remains strong against the introduction of pension funds within the French framework in spite of strong pressure from international organisations (OCDE, the European Commission) and the French business sector, now under the influence of the insurance companies professional association (FFSA).

A large debate on the issue is currently going on. Media insistence on a so called "demographic time bomb" and relatively widespread support for the creation of private, voluntary pension funds have been unable to stifle this debate. Issues at stake are of the sort politicians may not handle with authoritarian manners. Moreover economic and political arguments are not clear and remain a matter of controversial debate (cf. box).

Funding versus pay-as-you-go systems

Three main economic arguments are used to support the replacement of pay-as-you-go systems by pension funds (Blanchet, 1998; Concialdi, 2000).

1/The demographic argument: pension funding is supposed to allow adjustment to the increasing costs of an ageing population. However, just as pay-as-you-go schemes, funding schemes need additional resources out of the current GDP inasmuch as life expectancy increases. The difference between both systems only relates to the ways resources are allocated. Moreover, ageing is not the only socio-demographic problem. Intergenerational transfers for the non active and transfers among the active population should also be taken into account (Masson, 1999; Concialdi, 2000). This accounts for alternative measures of dependency ratios (as seen in section 2).

2/The savings argument: capitalisation is deemed better because it increases savings and consequently investments and stronger growth. This argument may have some consistency in the US context where saving ratios for households are very low. However in the French case (as in Japan and continental Europe), saving ratios are totally different. Moreover there is not shortage of capital, but a problem of assets allocation (Legros, 2000).

3/The rate of return argument: pensions funds would yield better returns. But capitalisation schemes have short and middle term transitory costs that are not compensated by long term gains. Moreover management costs are much higher for pensions funds than for pay-as-you-go schemes. Finally, if large capitalisation schemes extend to all developed countries, rates of return will be lower and financial instability higher, both risks incompatible with long term balance necessary to manage structural changes in the pension field.

[79] The government is confronted with a contradiction between increasing this period and the actual labour market developments where participation for the older groups has decreased dramatically, while at the same time, the young have entered the labour market later and later (see section 2). Public service employees (mainly in the public transportation sector) have gone on strike to ask for further lowering retirement age in order to hire young people.

Efficiency arguments in favour of capitalisation schemes thus do not compensate for the risk of structural change. Economic equity arguments clearly converge. Economic justifications have then given place to more directly political arguments.

1/The growth argument: According to pension funds supporters, increasing social contributions' burden on production is unsustainable and it is necessary to rely more on voluntary savings. But the present distribution of savings is very unequal among employees. Universal access to pension funds would then only be attained by making it compulsory, which would entail additional contributions (Balligand and de Foucault, 2000).

2/The leftist argument: trade unions would wield new powers as shareholders able to control firms' economic policies. On the contrary, recent research shows that experiments of pensions funds controlled by trade-unions in the US invalidate this idea and demonstrate that the financial logic hold the sway over the labour logic (O'Sullivan, 2000; Pernot and Sauviat, 2000).

3/The nationalist argument: For France and other continental European countries, it would be necessary to develop national pension funds to counter American and British funds' hegemony. However France, as most other European Union member states harbours large trade balance surpluses and is exporting massive amounts of capital towards other parts of the developed world. Here again the problem of assets' allocation is not directly related to pension funding.

As time passes and decisions are delayed, the financing requirements appear secondary to political and social justice stakes. Thus the financing problem with pensions is not of the same nature as for healthcare. There is no significant supply side efficiency problem despite the current debate on comparative rates of return. Two fundamental questions remain presently open-ended: (i) what share of national income is French society prepared to allocate pensioners and what would a fair ratio be for pensions' purchasing power as against wages? (ii) Do political and/or economic reasons exist that would necessitate private financial capital entering the pension sector, with the risks of financial instability and inequality? Whereas the answer to the first question is still a matter of debate, the answer to the second has clearly been negative so far. It seems therefore unlikely that private funding schemes will develop on a large scale in France, at least for as long as present compulsory mainstream and complementary regimes keep providing reasonable pensions on an "interprofessional" solidarity base. It has been argued that reforms have already sufficiently reduced pensions' level so as to create conditions for a future substitution of complementary schemes by pension funds (Bonoli and Palier, 2000). On the other hand path dependency supporters have argued that for mature systems such as the French, transition to funding schemes entail unbearable transition costs (Myles and Pierson, 2000). Our position is somehow in between. The French system's hybrid nature is open to several long-term paths of evolution. Because of political obstacles the neo liberal project of replacing pay-as-you-go schemes by pension funds administered by private insurance corporations is unlikely to succeed. However capitalisation principles are not totally alien to the French context as several instances demonstrate (existing albeit marginal public employees' funds but also large scale life-insurance saving funds already act as individual and voluntary complements to pension schemes, Masson, 2000). Future political compromises between French parties will determine the eventual structure of the pension mix, under pressure from business and financial élites, international organisations and civil society. They probably will allow for a limited development of funding schemes, possibly as a new tier of schemes within co-ordinated policies at European level.

Section 4 – Unemployment and Family benefits: areas for targeting? the growing weight of assistance

Targeting and universalism

Conventional wisdom generally opposes *targeting* versus universalism. However this opposition is not so obvious. In a certain sense, welfare schemes are intrinsically selective because benefits are only available when beneficiaries face *actual* risks: one has to be sick, old, unemployed, etc., to be eligible to the corresponding benefits. The only universalistic scheme would be a universal minimum income, which exists nowhere.

If poverty, for instance, is a social risk, the right to be protected from poverty is universal, but to be eligible one has to be effectively poor. Which entails that universality is not contradictory with selectivity or targeting and that targeting benefits on the poor may be the outcome of a universal right. The universality criterion concerns entitlements to benefits, not the benefits themselves.

However targeting may be opposed to universalism when it is based on conditions that only apply to closed groups (symbolically stigmatised for social reasons), or targeted for other reasons (skin colour, disability, residency, etc.).

It is therefore difficult to categorise welfare systems according to their targeting practice[80]. Paradoxically targeting may correspond to extending universalism, as is the case when the richest are targeted out. When flat rate family benefits for instance are not taxable, as has been the case in France, including them in the tax base extends universalisation whereas exempting them from tax provides a targeted privilege at the top of the income spectrum.

Rather than opposing targeting and universalism, it would then seem more adequate to contrast two different universalisms: (i) the liberal conception where universalism implies flat rate benefits for all and coexists with targeting on the poor; (ii) the 'social-democratic' conception where universalism allows for modulating benefits for vertical redistribution purposes and incorporates targeting in the perspective of equality of outcomes.

At first sight, "targeting" seems to have increased over the last 20 years in France in two main directions, namely family policy and unemployment benefits. Within the complex array of benefits that constitute family policies in France, an increasing proportion has tended to focus on vertical redistribution – a phenomenon related to the declining influence of French "family lobbies"; but, at the same time, universalistic principles have not really been challenged, except for a short lived reform of child benefit in 1998. As for unemployment insurance and assistance, we will explain why the significant reduction of levels and duration of benefits may not be regarded as strict "targeting". In a period of mass unemployment, this has resulted in the growing proportion of the unemployed being shifted over to assistance benefits, without significant social unrest – with the notable exception of the winter 1997-98 movement by the associations of unemployed. But before addressing these problems in more detail, the proportion of benefits and expenditures served under income qualifications across the entire spectrum of risks provide an overall view of possible targeting tendencies. Table 13 shows this phenomenon has been limited in scope in recent years.

[80] Programmes may target the rich (income-tests for high income). Thus it is difficult to characterise welfare states as less universalistic in aggregating both types of targeting schemes. Banting (1997) does so when he concludes that the Canadian welfare state is less universalistic than the US's. Nevertheless he acknowledges Canada's better social protection as compared to the US (Simeon, Hoberg and Banting, 1997, p. 393).

Table 13 - Benefits under income conditions

% of expenditure and benefits under income conditions	1995	1996	1997	1998
Health	6.8	6.9	7.1	7.1
Old Age	3.7	3.5	3.3	3.1
Family and Maternity	39.9	40.5	40.3	40.8
Unemployment	7.5	7.6	8.2	8.5
Housing	100	100	100	100
Social exclusion/Poverty	99.9	99.9	99.9	99.9
ALL	13.4	13.3	13.6	13.7

Source: Solidarité et Santé, n°4, 1999

For the health risk strictly speaking, a "targeting" ratio remains low: only *allocation d'adulte handicapé* (AAH) (a benefit for the disabled) is served under income conditions. With respect to old age pensions, the ratio has long been decreasing because of the gradual extension of the social insurance system. For unemployment, the proportion grew by one point due to the increasing weight of the main assistance benefit (*allocation de solidarité spécifique,* ASS, see further). Obviously "Housing", "Family benefits" and "Social Exclusion" are the main policy areas where benefits have concentrated on the poorest. We will review them in more details in the following sections. Minimum incomes (*minima sociaux)* have been introduced successively in four stages (Barbier and Théret, 2000): (i) old age minimum income and AAH before 1975; (ii) single parent and widowhood minimum incomes in 1976 and 1980; (iii) the third generation of minimum incomes emerged in the mass unemployment period [*allocation d'insertion* (AI) and *allocation de solidarité spécifique* (ASS)] created in 1984; RMI (*revenu minimum d'insertion*) created in 1988 will be extensively reviewed in section 5.

4-1 - Family and Housing Benefits

France has had a wide-ranging system of family policies for a long time (Barbier, 1990). Some family benefits in the French context would not be considered as such in other national contexts. Because of institutional settings and the pivotal role played by *Caisses d'allocations familiales (CAF),* family policies in the French sense include programmes focused on social exclusion and housing (Barbier and Théret, 2000). Housing benefits have tended to play an increasing role in alleviating poverty and the number of beneficiaries have increased sharply from the 1990's on (Barbier and Théret, 2000).

Family targeted programmes include: tax credits through "*quotient familial*"[81]; quasi-universal provision of early education (*écoles maternelles* for children from 3 to 6); various social security allowances and benefits; the *départements*' general social assistance and families assistance; and the municipalities' childcare services and crèches.

Traditionalists have made much use of the fact that family policy in France has become blurred because of its three concomitant objectives (the so-called "natalistic" one; vertical redistribution; horizontal redistribution, envisaged as "compensation" for caring with larger families for a given income level). Initiating an obvious shift from the 70s, vertical redistribution objectives became more prominent within family policy. This evolution is obviously related to the declining albeit not disappearing influence of "family lobbies".

[81] Taxable income is divided according to the number of units in the family, so as to result in tax reduction for households with children. The reduction has however been gradually capped from the late 1980's.

"Social" benefits rather than strictly family benefits kept being introduced in this period (benefits for widows, for the disabled, and other *minima sociaux*, most of them being administered by CAF). Most new benefits have been attributed under income conditions, and some were differential, like the single parent benefit introduced in 1976 (*Allocation de parent isolé*, API). Extensive benefits for the disabled (the young and adults) were introduced from 1975. During the same period, income tested housing benefits were gradually extended.

During a short period in the 1980s, family policy seemed to get back to its historical natalistic objectives, providing more explicit supplements and advantages in the hope of encouraging families having a third child. But that policy was short lived.

From 1981 on and till 1993, the focus was rather put on childcare services, for which France occupies an intermediate position in Europe. Benefits linked to labour market situations were also modified or introduced during this period. For instance, *Allocation parentale d'éducation* (APE), from 1985 provided for a replacement income for parents (actually, 90% women) that temporarily left employment to care for a third child at home. This benefit was attributed under strict work conditions (2 years in employment during the 30 months before the birth of the third child). The labour market worsening conditions of that period were undoubtedly linked to the fact that the work condition was relaxed in 1986 (2 out of the 10 years before the birth).

With 1994 and a changing majority in Parliament, innovations were limited, except for APE where the child's rank was transformed into a *second* child condition; moreover, women who kept a part time job also became eligible to APE. On the other hand, various measures were taken to increase childcare support (tax credits, social contributions exemptions for childminders employed at home, and services in kind). Also linked to the developments on the labour market and the very low activity rates among the young (see section 2) was the new stress put upon the extension of the age limit for children's eligibility, which was supposed to gradually increase from 18 to 22. Families with children up to 20 now are eligible to child benefit[82], irrespective of the dependent children's status (training, education) provided they are inactive[83].

For a very short period in 1998, child benefits were "income tested". This resulted in benefits cuts for a small number of richer families (351.000 families targeted in that year lost their entitlement, a proportion of 8% of all child benefit claimants). It was somehow piquant to observe that the UK system retained a universalistic principle whereas the French government (temporarily) abandoned universal child benefit. However this measure, taken by the new socialist administration, was considered very unpopular and after a symbolic "*conférence de la famille*" in June 1998, universal child benefit was restored[84]. Financially, the government preferred to cap tax allowances available to richer families (capping the "*quotient familial*" credit for 400.000 more families among the richest).

Globally, given the multiple objectives of family policies which have been firmly settled from the 70's on (namely "natalism" gradually shifting over to neutrality vis à vis the number of children; vertical; and horizontal redistribution), the general picture has been one of stability for the last twenty years, except for the growing importance taken by *minima sociaux* and housing benefits and some contradictory but minor inflexions during the period.

Indeed, the vertical redistribution element has become more and more prominent. The increased proportion of benefits served on income conditions (*sous conditions de ressources*) is related to the increasing part played by *minima sociaux*. CNAF statistics from the last 20 years clearly show their increasing weight. 60% of all family benefits are income tested to

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[82] The limit was finally never raised to 22.

[83] This is another instance of the various national approaches to the social construction of the youth problem.

[84] Only families of two or more children are eligible to child benefit, on a universal basis. But poorer families with one child have been entitled to child benefit for the last decades.

day, whereas only 12% were in 1970. However, excluding *minima sociaux* (API, AAH and RMI administered by Family funds), the proportion has been stable at only 25% from 1973 to 1995 (Join Lambert and al., 1997, p. 553). We will return to the specific features of these *minima sociaux* in section 5-2.

A certain "natalistic" orientation has persisted, mostly during the 70's and 80's, but it should now be more regarded as rhetoric than substantive[85]. The specific French compromise between actors in family policy matters should however not be underestimated, as the failed attempt to tax family benefits in 1996 proved. Indeed, the resilience of distinctions among justifications for benefit programmes in terms of supporting families should not only be regarded as symbolic. Testimonies of this are the specific characteristics of the single parents issue in France and the redistribution outcomes in terms of child poverty (see previous sections).

Less important trends are also to be observed in the childcare system, due to allowances and tax deductions given to richer families that are able to hire childminders at home on a regular basis (these measures have explicitly been linked to their potential employment impact in services). These programmes have *de facto* targeted the rich but their overall impact in expenditure has been limited so far.

Although not part of the Family Benefits system, a new assistance benefit (*prestation spécifique dépendance*) has been added to cater for people over 60 in need of permanent care when they loose physical and/or mental autonomy. This benefit, which took over from a previous one, has been means-tested from its start in 1997. Contrary to the German example, loss of autonomy for old people was not established as a new fully-fledged social insurance risk. It was instead included within the conditional differential assistance benefits administered by *départements.* Financial constraints have finally triumphed here and currently only 120 000 beneficiaries are eligible, assistance being provided them in kind either at home or in institutions.

4-2 – Unemployment: benefits reduction and transfer from insurance to assistance

Considering income replacement for the unemployed, the French system has undergone a clear trend towards diversification for the last 20 years. Strictly determined by the emergence of mass unemployment, this process has also contributed to a transformation of the general structure of rights and obligations, which will be dealt with extensively in section 4.

On the assistance side, from 1984, two benefits (*minima sociaux*) were introduced for the registered unemployed with inadequate insurance qualification. ASS (*allocation de solidarité spécifique*) has from then been served to the long-term unemployed with no insurance entitlements left. Its conditions of eligibility were restricted in 1992 and 1997. These now not only include income-tests, but age limits and recipients must have contributed at least five years out of their last ten years of employment[86]. The number of recipients has increased nearly sixfold since the beginning of the programme. AI (*allocation d'insertion*) was also introduced in 1984 for specific categories of job seekers with no entitlements (young

[85] This aspect is purely rhetorical (political and ideological polarisation between the pros and cons). Economic estimates show that no significant measurable impact has existed on fertility patterns for the last 25 years.

[86] The maximum amount in June 2000 was FF 2500, i.e. a little under half the full time minimum wage, SMIC (FF 5440). The unemployed over 55 with 20 years of contributions or when they reach 57.5 and 10 years contribution are entitled to a supplement. When over 55, recipients may be exempted of the actively seeking clause.

people, single mothers, refugees, recently freed prisoners, etc.). From 1992, this benefit was cut for two important categories of individuals initially eligible: under 25 young job seekers and single mothers[87].

On the insurance[88] *side*, the main innovations were introduced in the 90's. Unemployment insurance payments have been earnings related from the start and submitted to a ceiling. From 1992 and 1997, decreasing benefits were introduced after 6 months, insurance benefits gradually decreasing by the end of the entitlement (from 21 months for the under 50, those over 50 being entitled for longer periods under strict conditions). At the same time eligibility employment periods of contributions were increased. It is remarkable that these retrenchments did not provoke any social movements. The co-governing coalition between the unions and employers' association was at that time transforming, CFDT becoming business's privileged partner (see section 3).

During the same period income replacement levels of assistance as compared to standard insurance benefits was greatly reduced. Whereas in 1984, ASS and insurance benefits were roughly equivalent, in 1997 ASS was inferior by 27% to the standard insurance benefit (Daniel and Tuchszirer, 1999). That makes for the first prominent feature of the new income replacement system: levels of incomes' replacement have widely diversified.

Moreover, the reform entailed adjustments allowing for an increased linkage between entitlements and participation into specific programmes[89]. The general purpose of increasing incentives to active job seeking and to "activating" expenditure has been present since 1984: this trend at first encountered fierce opposition from the trade unions which run the insurance benefits fund jointly with employers' associations on a *paritarisme* basis (see first section).

Consequently the diversification of categories among the unemployed also entailed a diversification of their obligations. The standard insurance recipient is entitled to a certain percentage of his/her previous earnings, as long as he is actively seeking a job; he (or she) may keep part of his/her benefit when he (or she) has a job paying less than their previous insurance entitlement. Some beneficiaries constitute a second category because they are engaged in training activities while retaining their benefit. In a third case, older recipients are exempted from the actively seeking clause (de facto early retirees)[90].

On the whole these reforms have resulted both in an increasing share of the unemployed being catered for by the assistance system and an overall decrease of the proportion of the registered unemployed eligible to insurance benefits, as is shown in table 14. An exceptional social movement was started at the end of 1997 by several organizations of the unemployed, which were protesting against government's refusal to increase minimum incomes.

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87 Whereas nearly 214.000 claimed it in 1984, less than 15.000 do it now.

88 Comparatively speaking, the French unemployment insurance system was established only recently (1958).

89 At the time of writing (June 2000) a confrontation is opposing trade unions and employers' associations over the possible introduction of a new scheme where job seeking conditions would be enhanced for the job seekers. Inspiration for this has been found in UK programmes.

90 There are around 250.000 such unemployed to day.

Table 14 – Insurance and assistance (RMI excepted) for the unemployed

Year	Insurance recipients	Assistance recipients	All recipients (excluding RMI)	% of recipients/ all unemployed registered[91]
1987	1 416 041	455 262	1 871 303	60.2
1992	1 929 830	371 787	2 301 021	62.4
1997	1 831 200	492 500	2 323 700	53.5

Source: Daniel et Tuchszirer, 1999.

During the same period the number of RMI recipients rose to just over 1 million in 2000 and the 1990's restrictions in unemployment benefits resulted in a transfer of ASS recipients over to the general assistance RMI (see next section).

On the whole, this is however not equivalent to a "targeting" process in the terms of liberal welfare regimes. It rather amounts to a mix of social insurance with a fragmentation of categories and universal social democratic Beveridgean principles (see section 1). However income replacement levels for a major part of the unemployed are significantly less generous than in the Nordic systems. This change, as in other countries, has been accompanied by an increasing – however contained – stress being laid on "activation" policies. At the time of writing (June 2000), this subject is high on the agenda of social partners negotiating new contracts for unemployment insurance. Trade unions have split again during the negotiation, a provisional contract with the employers' associations being agreed on only by CFDT and CFTC. One of the main causes of disagreement is related to the French model of "activation".

Section 5 –A French Model of Activation: a Citizenship Solidaristic Perspective

Relationships between the labour market and social protection in France for the last 20 years have taken a more complex pattern than before. In a period of mass unemployment and of scarce job creation, the traditional unemployment insurance proved inadequate (see section 4). Innovations were necessary because an increasing proportion of the potential active population was underemployed and exclusion increased dramatically. *Revenu minimum d'insertion* (RMI), the main 1988 innovation eventually emerged as a *substitution* benefit for unemployment insurance and as the main minimum income. But concurrently, *employment policies* and *insertion programmes* expanded throughout the 1980s and 1990s, during the second period identified (1984-1993). Entirely new developments have emerged during the last period (from 1994): especially a general reduction of social contributions to foster job creation (for the low skilled and lower wages), but also part time work subsidisation and the first steps of the implementation of working time reduction. From a comparative perspective, these elements may be regarded as constituting a French approach to activation, that in a way is more similar to the Nordic countries' model than to "Anglo-Saxon" welfare to work/workfare policies. This French model demonstrates its own way of implementing the traditional obligation of "actively seeking a job" for assistance claimants deemed to be "employable". Benefits which, in international comparison terms would be considered as traditional Anglo-Saxon welfare do not fit into the same pattern (Barbier and Théret, 2000).

[91] As calculated by Daniel and Tuchszirer (1999) the rate includes all the registered unemployed, including those looking for a part time or fixed term contract. Using such standards (different from the ILO definition), 1.8 million unemployed are ineligible to unemployment benefits, strictly speaking. Many of them (the number is not known) are RMI beneficiaries either as main beneficiaries or as someone from their households.

This will be stressed before analysing both the innovations implemented in the French system of social protection, namely RMI with its associated "*insertion*" programmes and the new contribution played by employment policies at the end of our second period (1983-1993) and over to the current one. Developments in this section should be viewed in the context of the poor job creation performance in France for the last 20 years (see section 2), a performance that has only been reversed since 1997. This is why we argued that one of the challenges for the French contemporary system of social protection was more implementing "work to welfare" strategies than "welfare to work" ones.

Actively seeking a job in the French context

As has been shown in section 3, when delivered through the insurance system (whether the standard entitlement or ASS) unemployment benefits are available provided traditional eligibility conditions are met (availability, seeking work and being out of work)[92]. To keep their benefits' entitlement [93], the registered unemployed are expected to comply with participation in the various employment and training programmes offered by the Employment Service. This applies for insurance and assistance recipients with sufficient employment background and contributions. On top of this, unemployment insurance benefits recipients may, as has already been said, keep part of their benefit when they find a job with a wage differential.

As for other benefits, claimants do not particularly "need" activation procedures, because the major part of the so-called "employable" among them are already in employment. In the mainstream assistance system (*aide sociale*, whether *aide sociale à l'enfance*, *aide sociale aux personnes handicapées*, or *minimum vieillesse*), the absence of any linkage between active job search and entitlements is obvious, notably because of the recipients' age or health conditions (Barbier and Théret, 2000). *Minima sociaux* claimants, including RMI beneficiaries, are neither compelled to seek work or to register with the Employment Service as unemployed.

Allocation de parent isolé (API) caters for lone parents; they are under no obligation to seek work. This benefit was created in 1976 as part of family policy and was considered from the start as catering for provisional situations: lone parents are entitled to API only as long as their last born child reaches the age of three. Indeed, beneficiaries – an overwhelming majority of women - actually work (contrary to what happens in certain countries). While they take jobs, the wages they earn are deducted from the API benefit. For most of them, API would then appear, to use an English "equivalent", as an "in-work" benefit. Single parents' present rates of activity are high (see section 2) and this is consistent with the fact that the French female participation in the labour market has been one of high activity and mostly full-time[94] for a long time.

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[92] Conditions are lifted for beneficiaries aged 55 or 57 who may not seek work; the condition of being out of work is lifted in certain cases when beneficiaries are employed for short spans of time ("*activités réduites*"). In universalistic terms this is a functional equivalent of British "in-work benefits".

[93] When compared with the very strict benefit regime in the UK for instance, the French is much less strict. There are no targets in that domain; most leavers of the unemployment count do it from their own choice. The monthly average of leavers for unknown reasons is much higher than the number of claimants sanctioned.

[94] Notwithstanding the fact that part time jobs have been increasing steeply as a proportion of all jobs during the 1990's. The current proportion is 17% of the active population (but more than 30% for women).

Disabled persons eligible for AAH[95] (*allocation d'adulte handicapé*) are no likely candidates to "welfare-to-work" either. Contrary to other countries (the UK[96], the Netherlands, for instance), a significant proportion of them not only works in special institutions but also take standard jobs thanks to subsidisation (nearly 30% are active, see section 2). Integration into jobs is regarded as a citizen's right for the disabled. Because of their suffering from disadvantages employers are legally obliged to hire a certain quota[97] of them for solidarity's sake.

For its part, RMI, as will be seen further, has had a dual nature from its start. A "social assistance" programme, it is also the only one where special public funded activities (*insertion* activities) are systematically implemented to help beneficiaries take jobs or enter training programmes. All these activities are *voluntary*[98] and access to *insertion* is legally entrenched as part of the basic citizenship rights. Employment schemes are always wage-based (instead of assistance-based) but most participants work part time and are among the very low wage group (the working poor). However wage-based schemes imply that participants have access to standard social insurance rights.

RMI, "insertion" and "social exclusion"

RMI[99] has very quickly become an important component of the FSPS, embodying Beveridgean tendencies towards universalistic assistance. Because it is disconnected from employment and the traditional Bismarckian features of the system, it has introduced a change in the philosophy of solidarity (Barbier and Théret, 2000). Moreover it gave birth to a new type of *insertion* policies, and it is very decisively linked to the emergence of "social exclusion[100]" (whether exclusion from social participation, citizenship, the labour market).

Attached to the benefit is RMI's main innovation, a *contrat d'insertion*. This contract is signed both by the administrative body (*commission locale d'insertion*) and the claimant, supposedly within a three months' period after claiming. Its describes a *projet d'insertion* upon which both agree, i.e. a description of the type and scheduling of actions the recipient is supposed to undertake with social services' support. Whilst the benefit is state funded, local authorities (*départements*) are legally obliged to fund "*insertion*" activities for at least 20% of the benefits paid in their resort. These activities encompass actions and schemes in the domains of health, housing, various forms of counselling and "*insertion professionnelle*" (employment and training activities).

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95 All AAH beneficiaries are presently about 800,000 (eligible from 20 to 65). This is comparable to the number of WAO recipients in the Netherlands, for a French active population of roughly 25 million. 600 000 AAH beneficiaries are of working age. The activity rate of persons that declare being disabled is 54% (Brygoo et al., 2000).

96 The number of recipients of long term sickness and disability benefits in the UK currently exceeds the registered unemployed and some of them are considered as a potential target of Welfare to Work schemes. No such situation exists in the French context. *The Economist* has estimated that 11% of the potential labour force in the Netherlands and 8% in the UK are disabled welfare recipients.

97 6% for firms with staff over 20.

98 The number of RMI recipients sanctioned for not complying with the "*insertion*" obligations has been negligible, at least in European comparative terms.

99 RMI is a means-tested, differential, state funded (paid by Family funds) benefit. There are presently (2000) more than 1 million claimants. The maximum benefit ranges from FF 2552 for a single person with no child to FF 6636 for a couple with three children. The average monthly income of a RMI recipient was FF 4200 in 1995, RMI accounting for 46% of the total and housing benefits for 18%. The number of beneficiaries has grown dramatically since 1989 when it was only 407,000.

100 The notion of "social exclusion" is one of these vague notions widely used across European countries with diverging meanings.

Each society defines a particular value-loaded approach as to behaviours expected from citizens to obtain their way of living either from the labour market or from benefits. In that perspective, one central opposition contrasts the French system from some others. In the UK and the USA for instance, the stress has for long been put on a "punitive" approach (King, 1995)[101]. In the French context, this is not the case (Morel, 1996a; 1996b; 1998; Barbier, 1996, 1998)[102]. Society's obligations include providing individuals with the necessary means to become (and remain) "integrated" within society without either compelling them either to be "available" or to "actively seek work".

This explains why a strict translation of the term "*insertion*" into English is impossible. The use of the term "*insertion*" in French social policy dates back to the late 1970s, but it took its present meaning from the late eighties. The significant polysemy of the term certainly reveals present contradictions within the FSSP. *Insertion* is a social work sphere targeted at the "socially excluded" - not only those excluded from the labour market. Integrated social services that build on co-operation of various social institutions include supporting claimants to gain access to their full social rights, supporting their socialising through health and housing, but also counselling, training and employment schemes. Part of *insertion* may be employment-oriented (*insertion professionnelle*).

But more generally, *insertion* also refers to the complex mainstream social process eventually leading *all citizens* to social integration. It thus points to a universal citizenship's right not specific to targeted programmes, as is explicitly stated in the 1988 RMI law[103]. However, actual RMI programmes' implementation reveals such shortcomings that the universal citizenship element often remains ineffective.

RMI and *insertion* provide a good example of the limits attached to applying a universalistic perspective to welfare reform. Giddens (2000, p. 52) for instance states that one of the distinctive features of the "new welfare state" (or one of the "Third Way" requisites) is the "no rights without responsibilities" principle. But as the French and the Scandinavian cases demonstrate, there are many ways of implementing such a perspective. Precisely, when the RMI bill was passed in 1988, controversy arose about whether the new benefit would be subject to any *counterpart* from claimants. Belorgey (1996) justly argued that RMI was eventually instituted as an explicit right, *universal rather than local, differential and unconditional*. However, in practice he is right to point to the existing "ambiguous situation", where the benefit is somehow in between a wholly unconditional benefit and a benefit dependent on the beneficiary's compliance with participation in "*insertion*" activities. Notwithstanding ambiguity, since 1988, roughly 50% of beneficiaries have constantly not signed any "*contrat d'insertion*" and on the other hand, only a very small proportion (5 to 6%) have been sanctioned explicitly for not complying. Moreover, only a minority of "*contrats d'insertion*" so far have had an "*insertion professionnelle*" content (i.e. a work or training component). This underlines the fact that the French obligation significantly differs from an obligation in Giddens' terms or in the terms of the 1996 US welfare reform. It is closer to a more "balanced" obligation in Danish terms (Jorgensen and al., 1998).

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101 Which is undoubtedly the case for the 1997-98 New Deal programme in the UK for the young: ministers have extendedly stressed the fact that "there is no fifth option" in the scheme.

102 The opposition should not however be overstated when effective implementation is considered: in the US context, it was shown in the 1980's that there remained a "tension" between a "co-operative" approach aimed at "employability" and a "punitive" one, where the intention is to lower the characteristics of "suitable" employment (Rodgers, 1981, p. 12). The fact that the actual implementation of workfare schemes differ from the normative ex-ante objectives is well documented (Anspach, 1996).

103 Article 2 of the law 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 professional insertion, is entitled to the RMI" (1988, 1992 revised law).

RMI’s developments point to the blurring of frontiers between traditional social policies and employment policies in France. Whereas the main social problem in the seventies was to apply specific techniques to limited marginal groups and help integrate them, the problem to day has rather been to tackle underemployment across a wide scope of the population. To this task actors and institutions like for instance the public Employment Service have proved at the same time inadequate and overloaded so far (Barbier, 1995). In the present recovery period, RMI beneficiaries’ and the long-term unemployed’s numbers have not declined as quickly as the rest of the unemployed. Indeed the number of RMI claimants kept increasing in 1998 and 1999.

Through *insertion policies* (and despite a growing awareness of the gradual extension of a “working poor” component of the labour market) social policy has retained specific features in the “welfare to work” debate up to the present day. Policy has kept encouraging “wage-based” schemes where standard employee entitlements (including unemployment insurance) are provided rather than “second class” assistance status. The extension of “working poor” situations has thus not been linked to lower wages or diminishing social rights but to the shorter hours of contracts for *insertion* or employment schemes. Public employment schemes thus paradoxically have supported more flexibility at their participants’ expense (Barbier and Nadel, 2000). Participation in these programmes has nevertheless always remained voluntary whether in *insertion* programmes or in the mainstream labour market programmes. Despite a relatively high turnover of beneficiaries[104], a significant proportion of the potentially active population fails to return to standard market jobs or regular state employment and remain “stuck” on a “second labour market”. This population, difficult to estimate, cannot easily be distinguished from the standard labour market programmes’ participants of the last ten years.

The emergence and consolidation of a new sector of social policy: public employment policies (PEPs)

Contrary to the US situation, France, as many Northern European countries has in fact developed a broad array of specific labour market programmes during the last twenty years (Barbier and Gautié, 1998). “Employment policies”[105] have gradually catered for an increasing proportion of the active population to around 9% (roughly 2 millions) presently[106]. It amounted to an expenditure of more than 300 billion francs in 1998 (as against 10 billion in 1973) (DARES, 1996). The corresponding GDP proportion has increased during the same period from 0.9 to 3.99%. Programmes have included training for the young (notably apprenticeship) and the unemployed, temporary public employment, subsidised private sector employment and early retirement schemes.

These programmes have dominantly been targeted to the unemployed (a proportion superior to 10% of the active population for most of the last ten years, 12% in 1998, but less than 10% at the end of 2000). Among them are the long term unemployed (30 to 40% of the unemployed, i.e. roughly 0.9 million in 2000) and other disadvantaged groups (the young with low qualifications, the disabled, for instance). For the least “employable” priority target

104 For instance, a study of 1995 RMI recipients showed that if 70% of them had been claimants for one year, one third of the 1995 claimants had left the rolls by the end of the year (CREDOC, 1996).

105 From an universalistic comparative point of view such policies would rank among “active labour market policy”.

106 Including participants in the *insertion professionnelle* activities.

groups have remained rather stable for the last ten years or so, notwithstanding a high turnover of schemes.

During a first period (1975-1986), schemes were mainly supposed to cater for the first effects of disappearing full employment: the victims of retrenchments in restructuring industrial sectors and firms, the young experiencing increased difficulties during their transition from school to work, the long term unemployed. Early retirement programmes, training schemes, retraining programmes, job subsidisation and temporary public employment (with an affirmative action focus) were launched on an extensive scale. A new employment policy has thus settled on the fringes of the traditional FSPS, which has resulted in a considerable transformation of the nature of public employment intervention, in a period of growing orthodox fiscal and monetary policies (see section 1).

On the whole, labour market schemes implemented have mainly consisted of five types:

(i) Temporary public jobs (in public administrations and voluntary organisations);

(ii) Training for the unemployed and the low skilled young;

(iii) Targeted subsidised jobs (affirmative action) in the private sector;

(iv) Specific "*insertion*" activities (see above);

(v) Early retirement and other schemes that allow aged unemployed not to seek work when remaining entitled to ASS benefits.

The main scheme in the first category has been the *contrat emploi solidarité* - CES (inspired from Swedish programmes) and has been very typical of the new French PEPs in the last fifteen years (first created as a training scheme in 1984, it was transformed into a wage-based contract in 1990). Its counterpart in the private sector, the CIE - *contrat d'initiative emploi* - has also been typical of these affirmative action programmes targeting the long-term unemployed (first created as CRE – *contrat de retour à l'emploi*, in 1989).

At the same time, social policies have undergone other transformations. Tentative "*politiques transversales*" and "*politiques territoriales*" have been experimented, consisting of integrated local action combining employment and other social intervention, with a particular insistence upon partnerships. These policies (for instance, *plans locaux d'insertion économique*) may have a thematic basis (*politique de la ville*, communal development) and give birth to local organisational and political co-ordination while also using standard central government schemes. The Employment Service has also been involved in specific targeted campaigns of action.

This policy has often been dismissed by its critics as "*traitement social*" (social treatment) and contrasted with an alternative "*traitement économique*" (economic treatment) policy using taxes and incentives. However research has demonstrated the significant contribution it made to containing unemployment levels and recycling a significant number of participants into regular jobs (DARES, 1996).

With hindsight, this evolution has resulted in the construction of what amounts to a new "risk" area in French social policy despite the fact that it is not generally seen as directly pertaining to social protection. To a certain extent, this appears consistent with the framework presented at the beginning of this paper. Whilst "activation" was sought for with "insertion" on one side, temporary jobs and training programmes were supposed to compensate for the limited labour market performance in terms of jobs creation. Both Beveridgean and Bismarckian features have been at work here. Creating new intermediary statuses on the fringes of the labour market (temporary employment, training measures and subsidised private sector jobs, but also, and crucially early retirement schemes) amounted to creating new categories of clients in the French traditional Bismarckian logic. But at the same time RMI and insertion have introduced universalistic solidaristic tendencies. Also typical of the relative incoherence in the FSPS has been the fact that a new social policy sector (namely the

PEPs) has been created and administered dominantly outside union intervention and *paritarisme*, but also until very recently at odds with the with the education and initial training system. At the same time, with generous early retirement schemes, this policy was able to placate large corporations that organised continuous redundancies for the period.

Whilst undergoing this evolution the FSPS has retained some of its initial central statist characteristics, and its “employer of the last resort” flavour that distinguish it from many other European Union member states. Testimony of this are two current PEP programmes: the “Nouveaux services emplois jeunes” (five years temporary public employment for the young[107] and working time reduction to a statutory weekly 35 hours.

Thus, “social treatment” critics have finally not triumphed altogether, despite the fact that from 1986 onwards “economic treatment” has gradually held sway. An increasing amount of the budget has been devoted to reducing labour costs (indirect labour costs, taxes and social security contributions for employers). This reduction has been implemented through diversified measures, be it social contributions breaks for part time contracts (which resulted in part time employment increasing enormously from around 10% in 1990 to 17% presently) or subsidies for hiring low skilled people and the unemployed. Significantly enough, working time reduction has been mixed with labour costs’ reduction. Employers that have to comply with the 35 hours regulation at the same time become eligible for additional subsidies and social contributions breaks for wages under 1,8 SMIC (the minimum wage), a very significant subsidy indeed. Whereas such a policy is not targeted at individual contracts for assistance recipients, it has undoubtedly influenced the general functioning of the labour market. The degree to which job creation has consequently been eased for those excluded from the labour market is a matter of debate among experts (DARES, 1996) because of important deadweight effects. Such a policy must of course be interpreted within the national coherence of institutions we previously referred to, and especially the interrelation with social protection funding principles (insurance contributions). Within the French system, no general mechanism of tax credits like the US EITC programme or the present tax credits in Britain would be easily accommodated.

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Thus emerges a rather specific and to a certain extent contradictory French model of activation. It combines elements consistent with an “employer of the last resort” orientation and at the same time indirect intervention to enhance jobs’ flexibility and reduce the influence of traditional Bismarckian elements - retrenchment of social insurance principles for unemployment benefits, solidaristic assistance developments through RMI, which tentatively attempt to enhance citizenship universal rights.

Concluding remarks (provisional)

Globally the French system of social protection has undergone numerous innovative transformations since the eighties and the nineties. The very long list of acronyms according to which new schemes, instruments, institutions, financial mechanisms, etc., are named is instructive in itself. These new “institutional forms” all pertain to adaptations either to

[107] From December 1997, the government started this new programme aimed at creating 350.000 five years public jobs for the young under 25 years; a small proportion of these is reserved for non-skilled youngsters and the ones “excluded” from the labour market.

financial pressure or to labour market and demographic challenges. They result from a process of trials and errors, from hesitations between conceptions of welfare, but also contingent social constructions by actors, since the end of the Fordist era. Most of these new forms emerged in the early 90's after a succession of two contrasted periods. During the first one traditional expansionist social policies were pursued from 1975 to 1983. Financial retrenchment characterised the second one until the 1993 recession. Structural reform in almost every policy area has been on the agenda during the current period, which started in 1993-94.

It is obviously too early to assess what the eventual outcome of on-going reforms will be, given that in many areas, crucial decisions or compromises are still pending. Nevertheless the general trend seems clear. Rather than a radical shift in the traditional French Bismarckian model, what seems to emerge is a new Bismarckian/Beveridgean *welfare mix*. This particular mix appears as a logical extension of a pattern present from the early stages of the system in 1945. Change is path-dependent but that path dependency does not prevent innovation in the French hybrid system. Although Beveridgean principles have influenced these developments crucially, the outcome in terms of institutions and rules is certainly not uniformly Beveridgean. A tentative new alliance is building up between the traditional *paritariste* spirit and state dominated national solidarity.

If, as was noted in section 1, Beveridgean objectives were pursued with Bismarckian means during the early stages of French social security, the reverse might well be true to-day, as Beveridgean instruments seem to be used for Bismarckian objectives. CSG, CMU, RMI, and the new employment policies undoubtedly all participate in the system's evolution towards universalistic social protection. But at the same time these elements remain subsidiary within an overall Bismarckian architecture. Healthcare and pension reforms demonstrate its resilience. Significant adjustments in family and housing benefits, poverty and employment, result from adaptations to labour market developments but so far do not dispense altogether with the traditional wage/benefit relationship.

External influences have been important, but probably not decisive. However, in the context of increasing influence deriving from European Union institutional building, national social policies will certainly turn up less independent. What remains to be seen is whether the present structural welfare mix will be able to resist pressures from globalisation, which clearly favour social protection liberal minimalist standards. All continental systems face this question which points to stakes in terms of future welfare provision quality. Clearly social actors' democratic and trans-national mobilisation will be needed to allow ambitious collective social investment strategies.

APPENDIX

Figure 1: Social Benefits

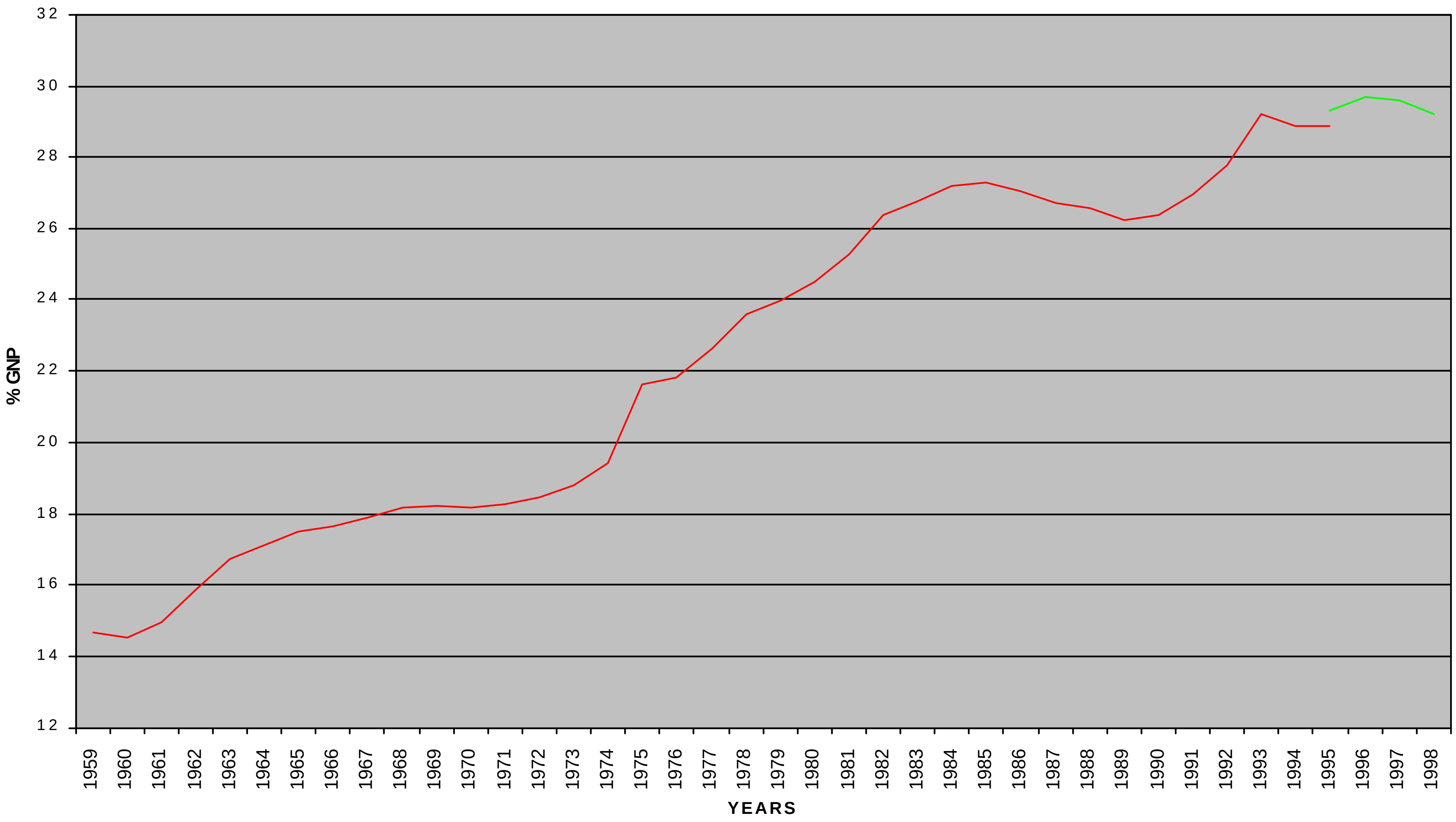


Figure 3: GNP Growth Rate (1990 Prices)

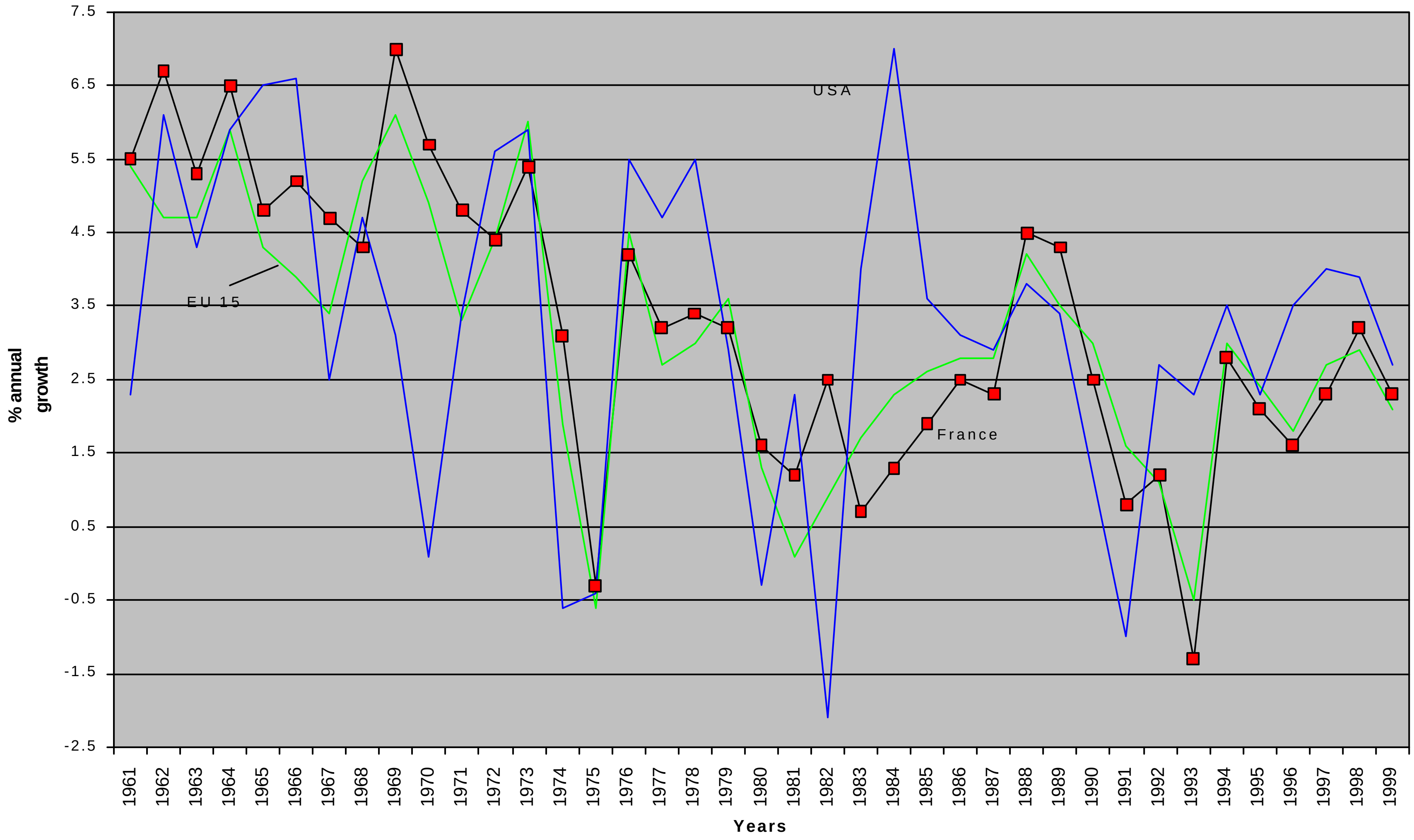


Figure 4: UNEMPLOYMENT RATES

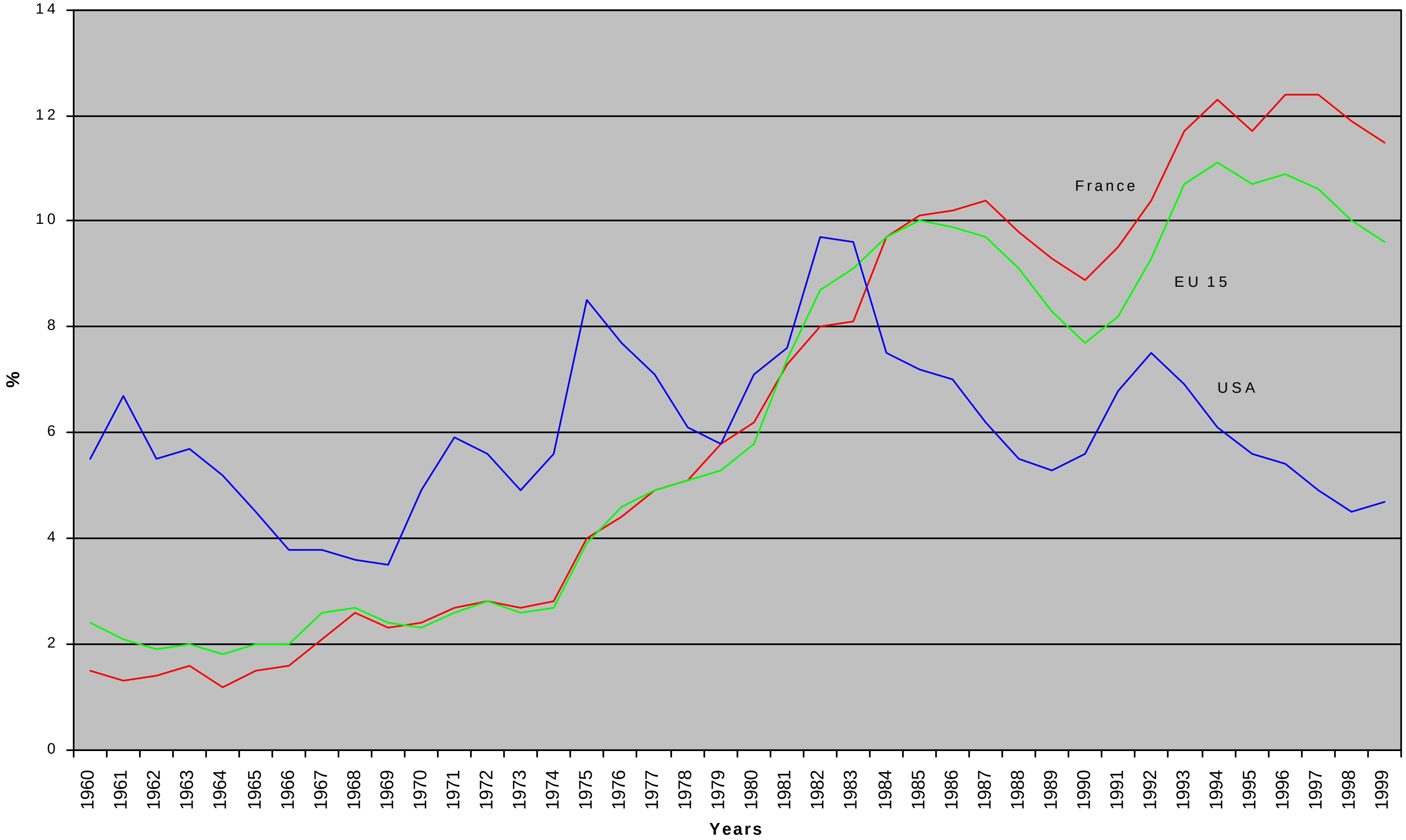


Figure 5: Real Interest Rates and Public Deficit

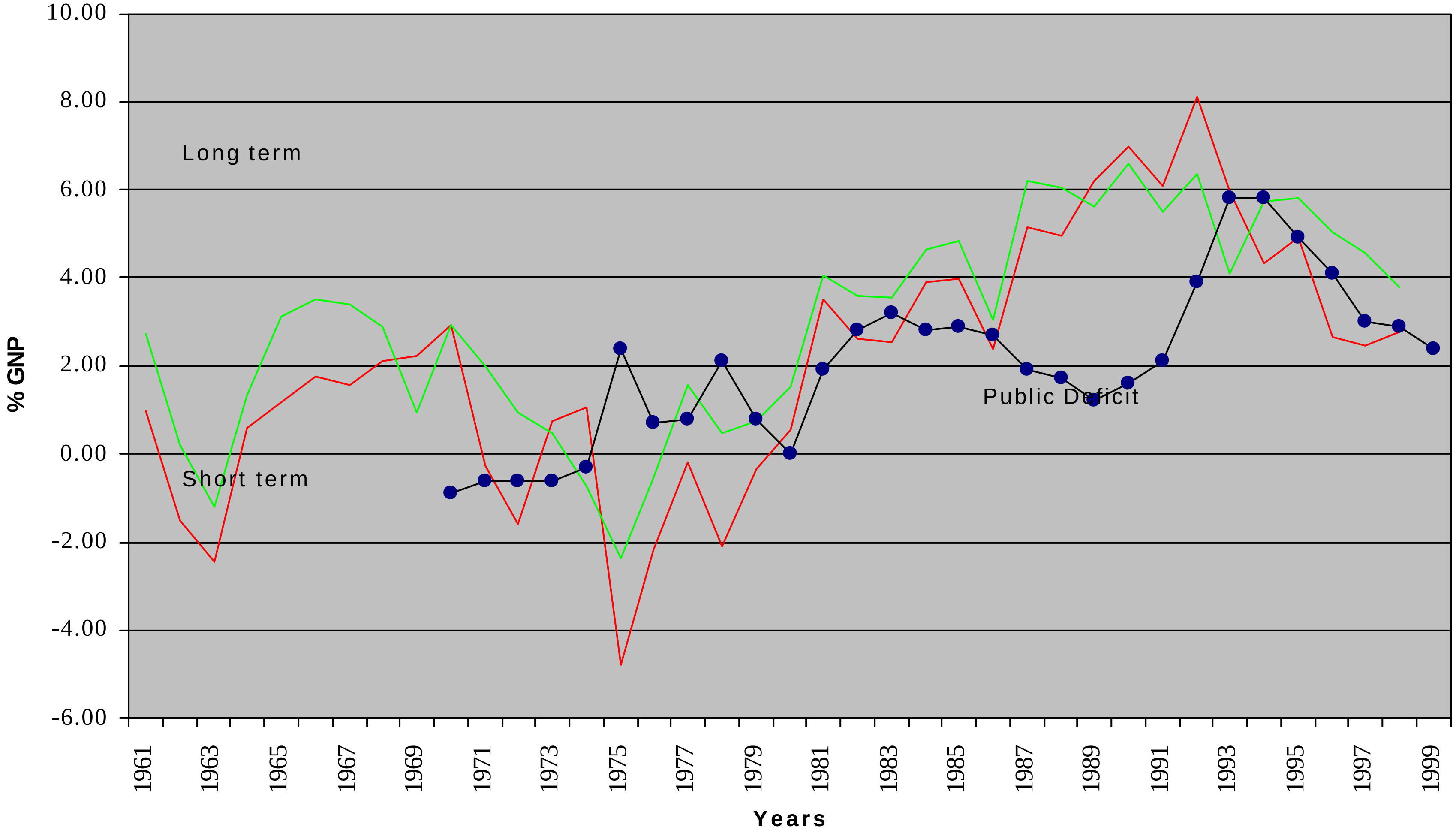


Figure 6: GNP PRICE INDEX AND PUBLIC DEBT

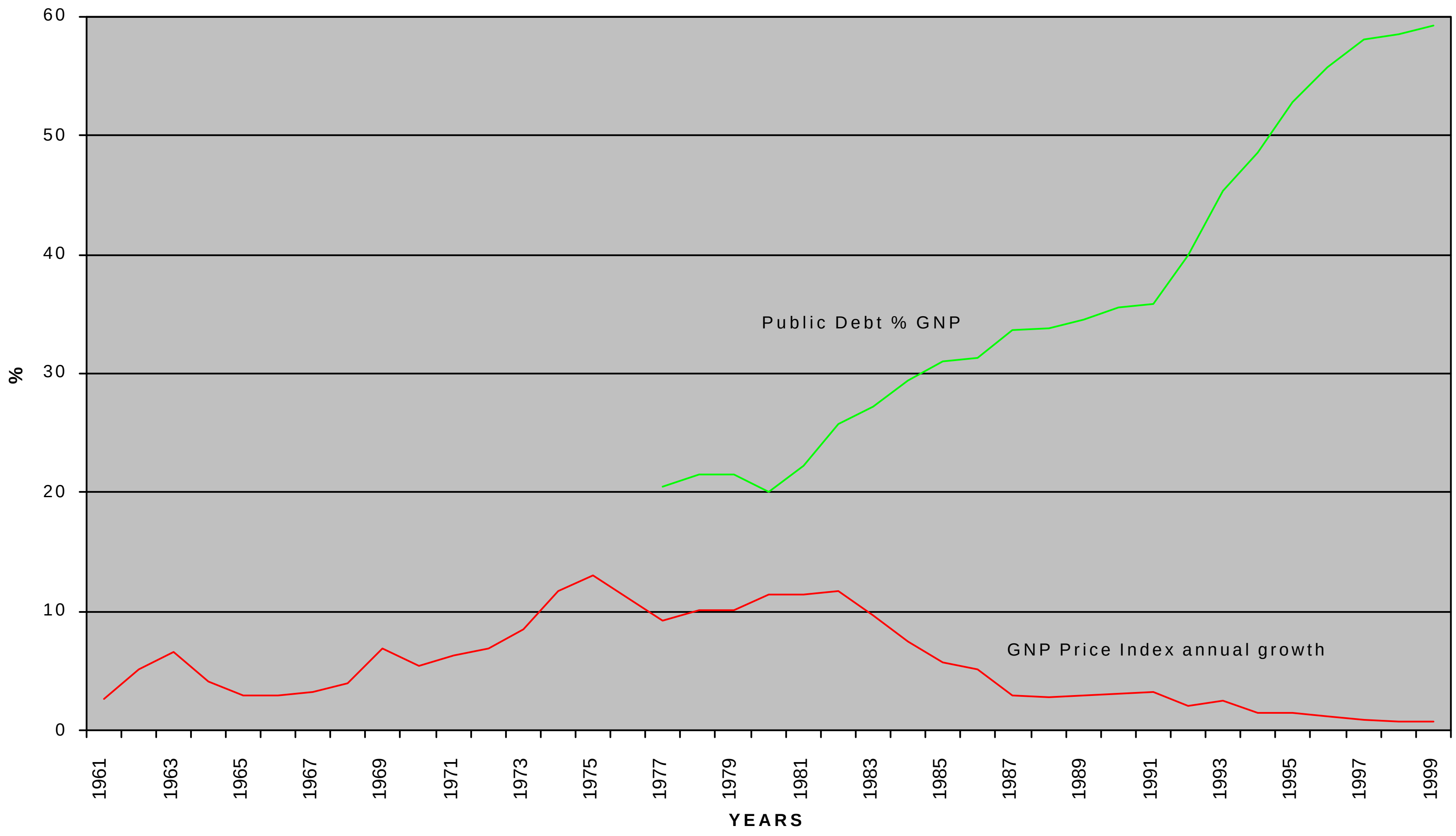


Figure 7: DEGREEs OF ECONOMIC OPENING

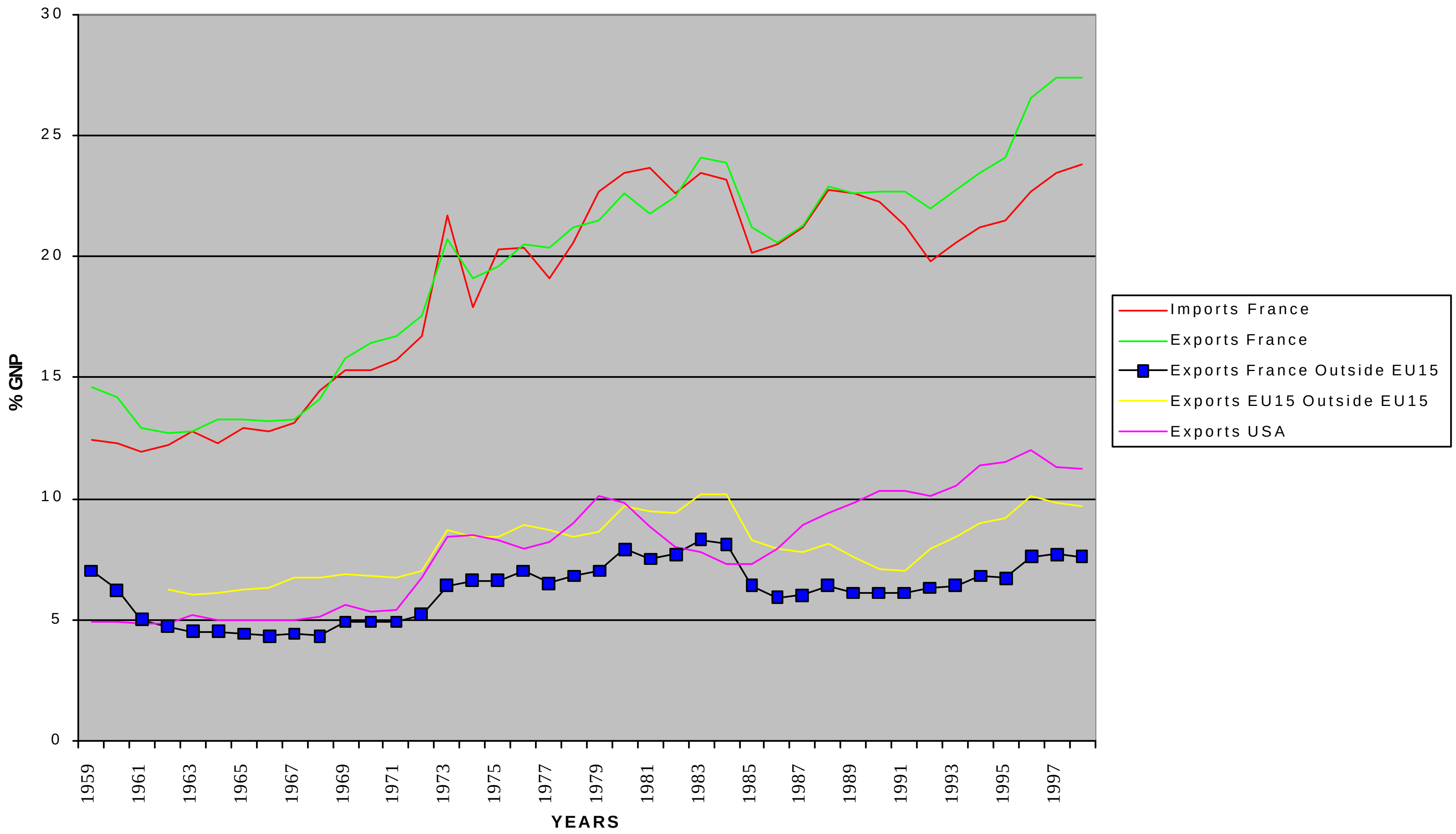


Figure 9: SOCIAL CONTRIBUTIONS

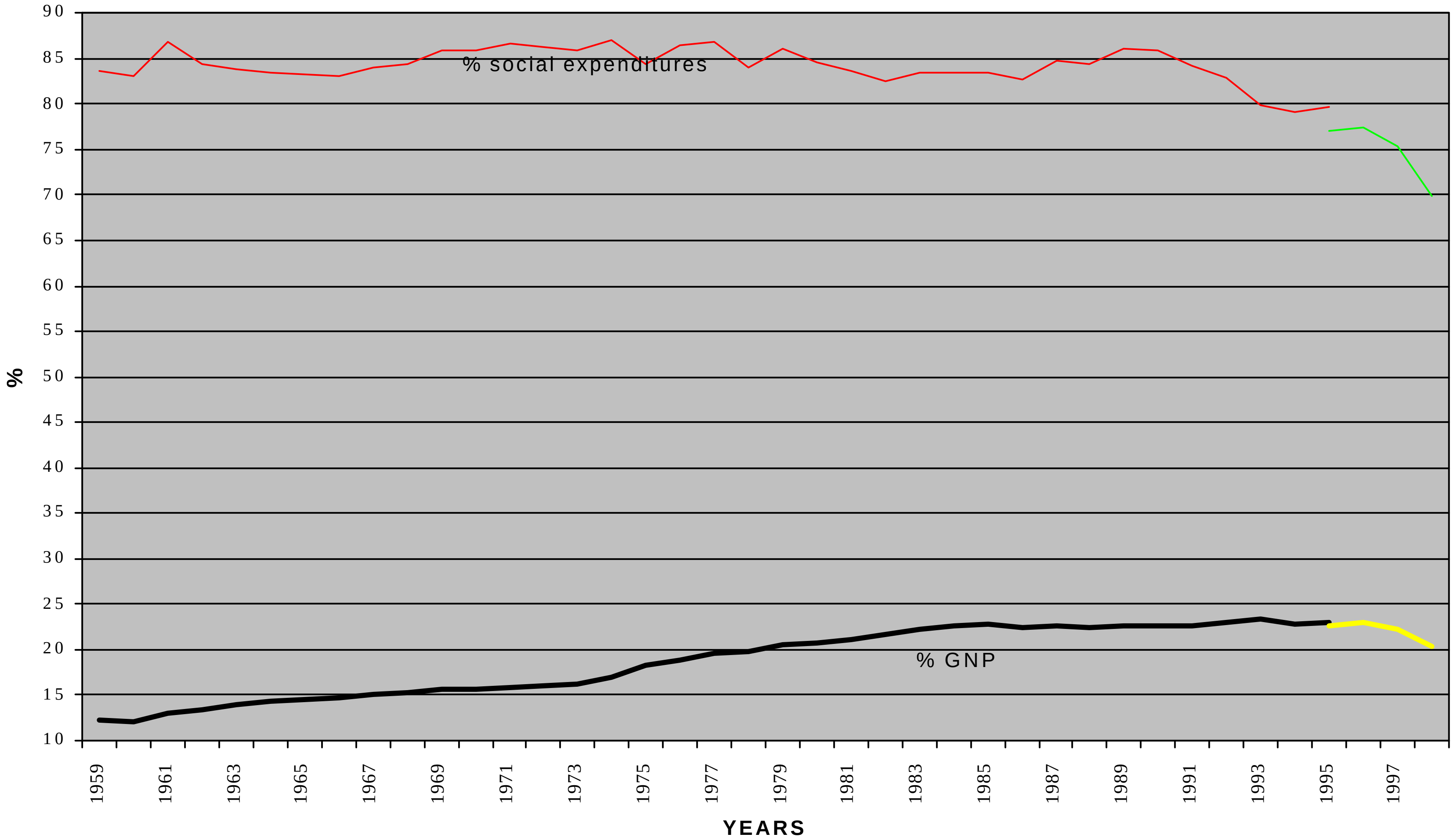


Figure 10: BALANCE OF SOCIAL PROTECTION ACCOUNTS

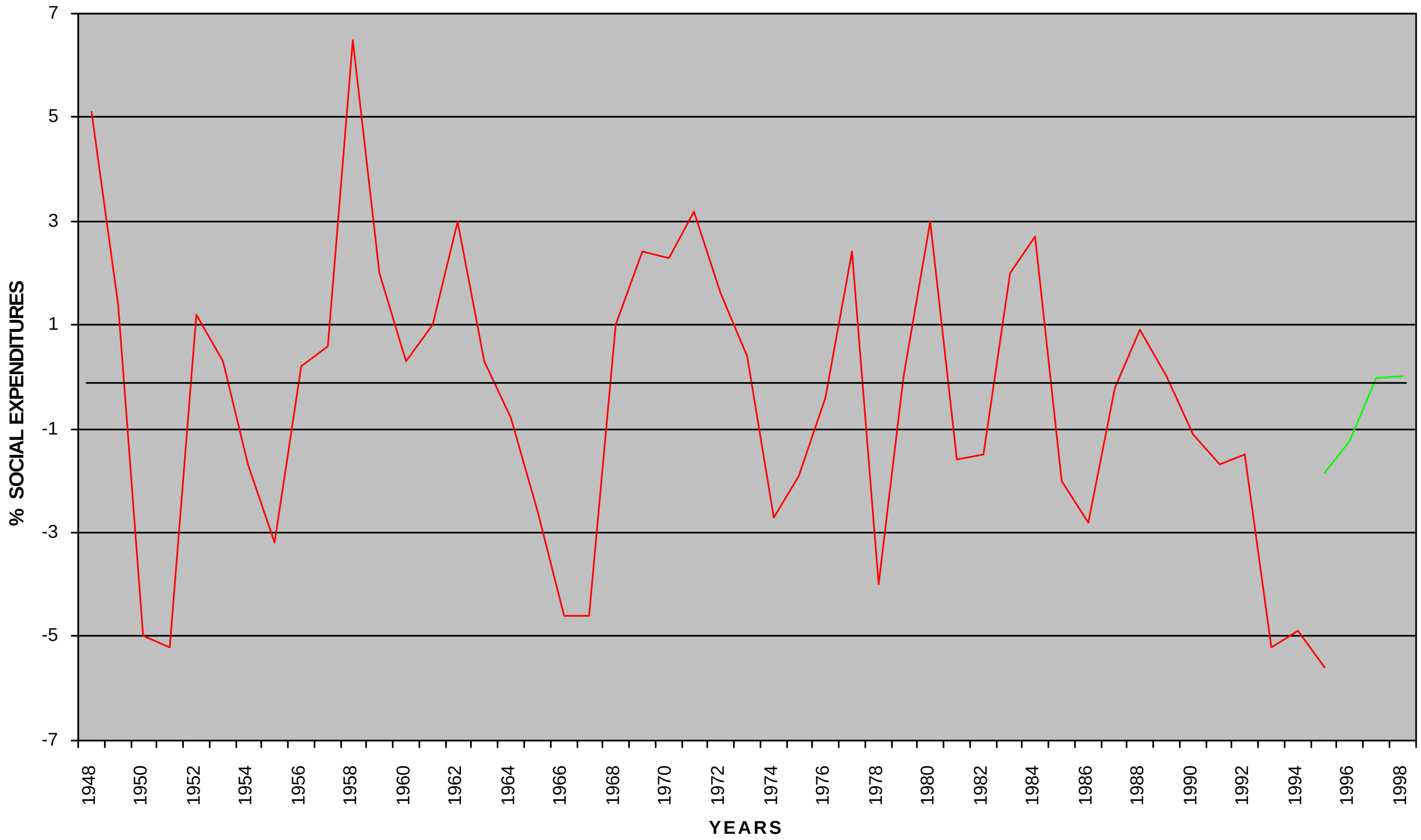
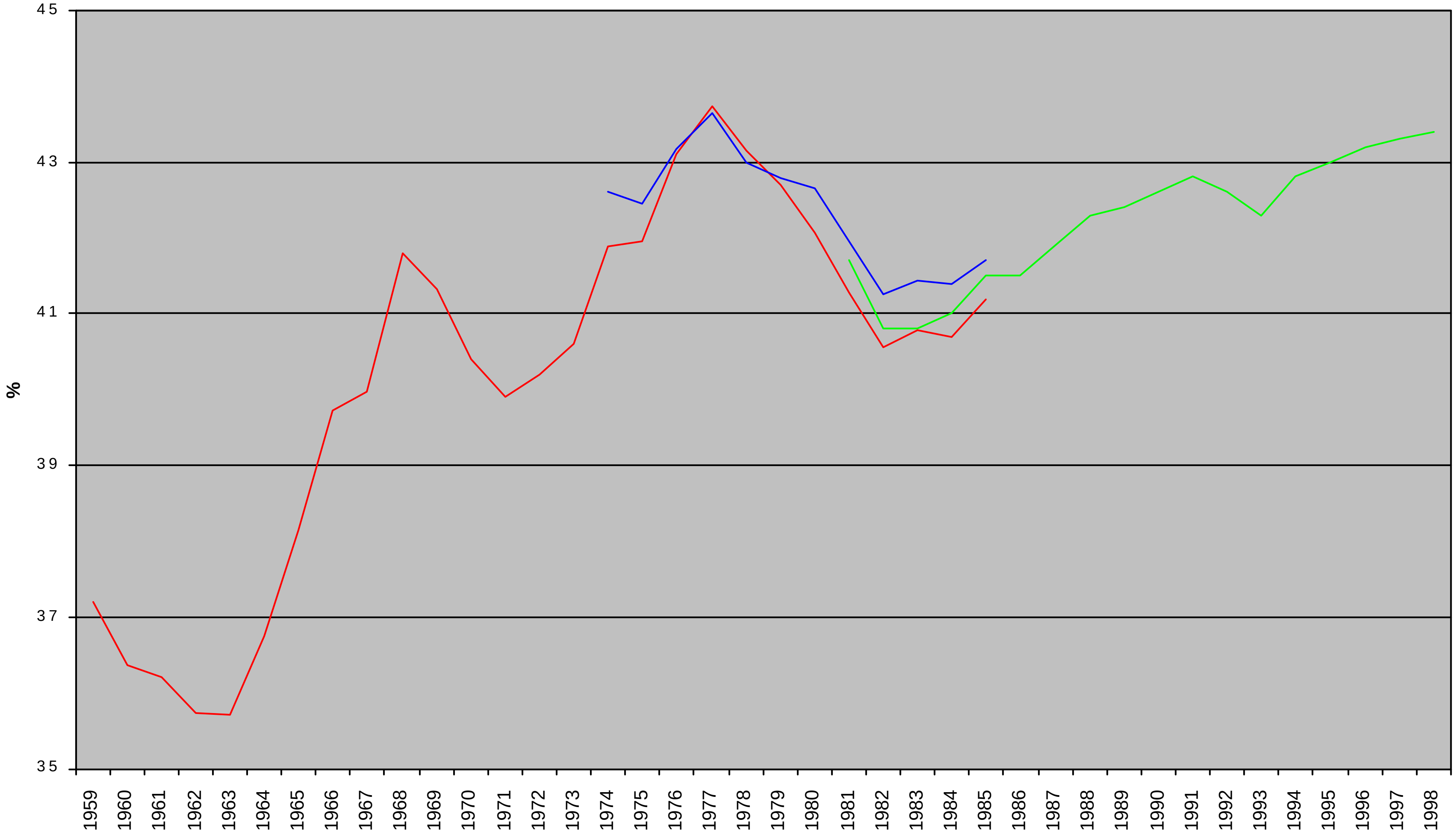
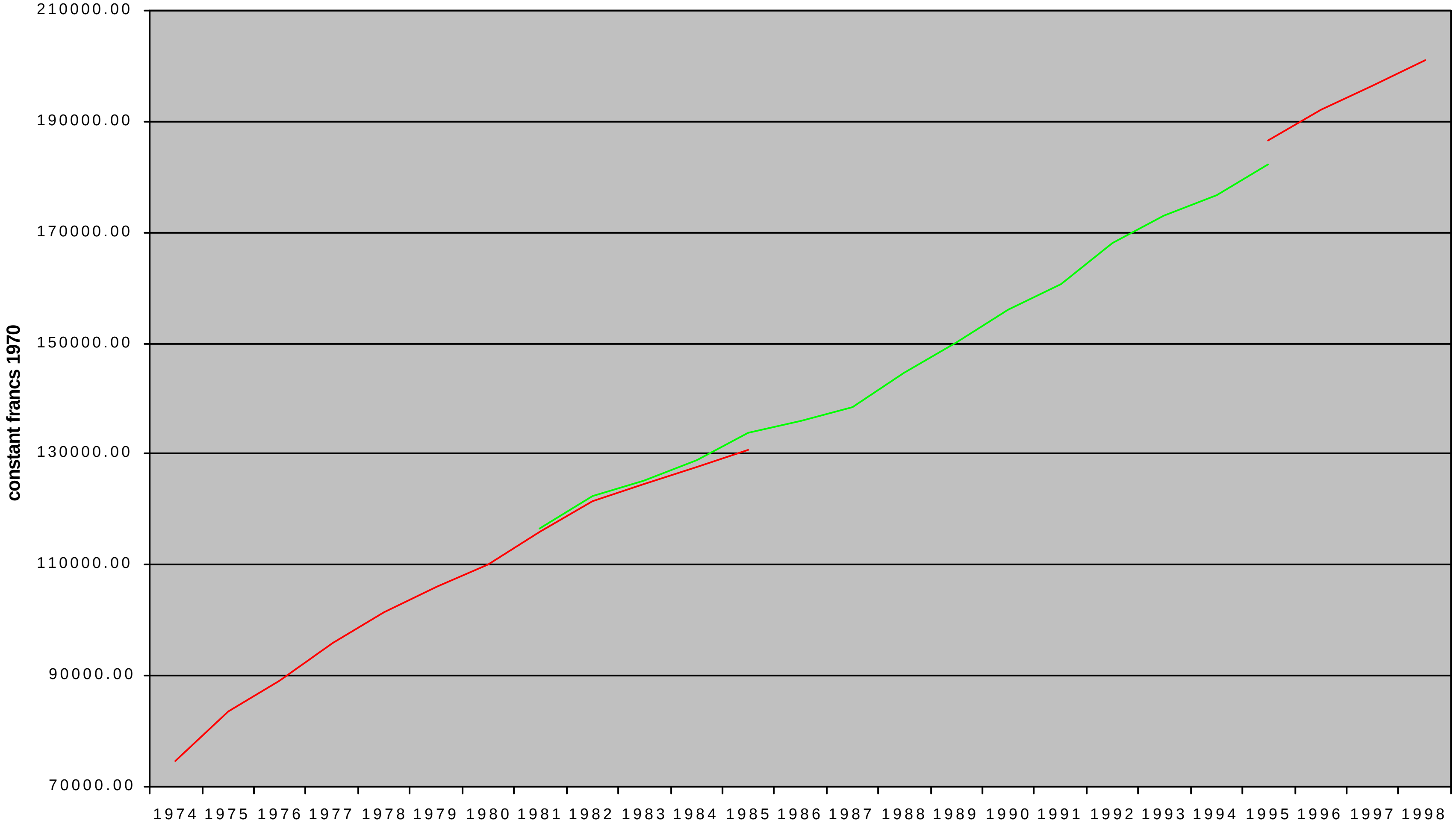


Figure 11: Pensions Share in Total Social Expenditure



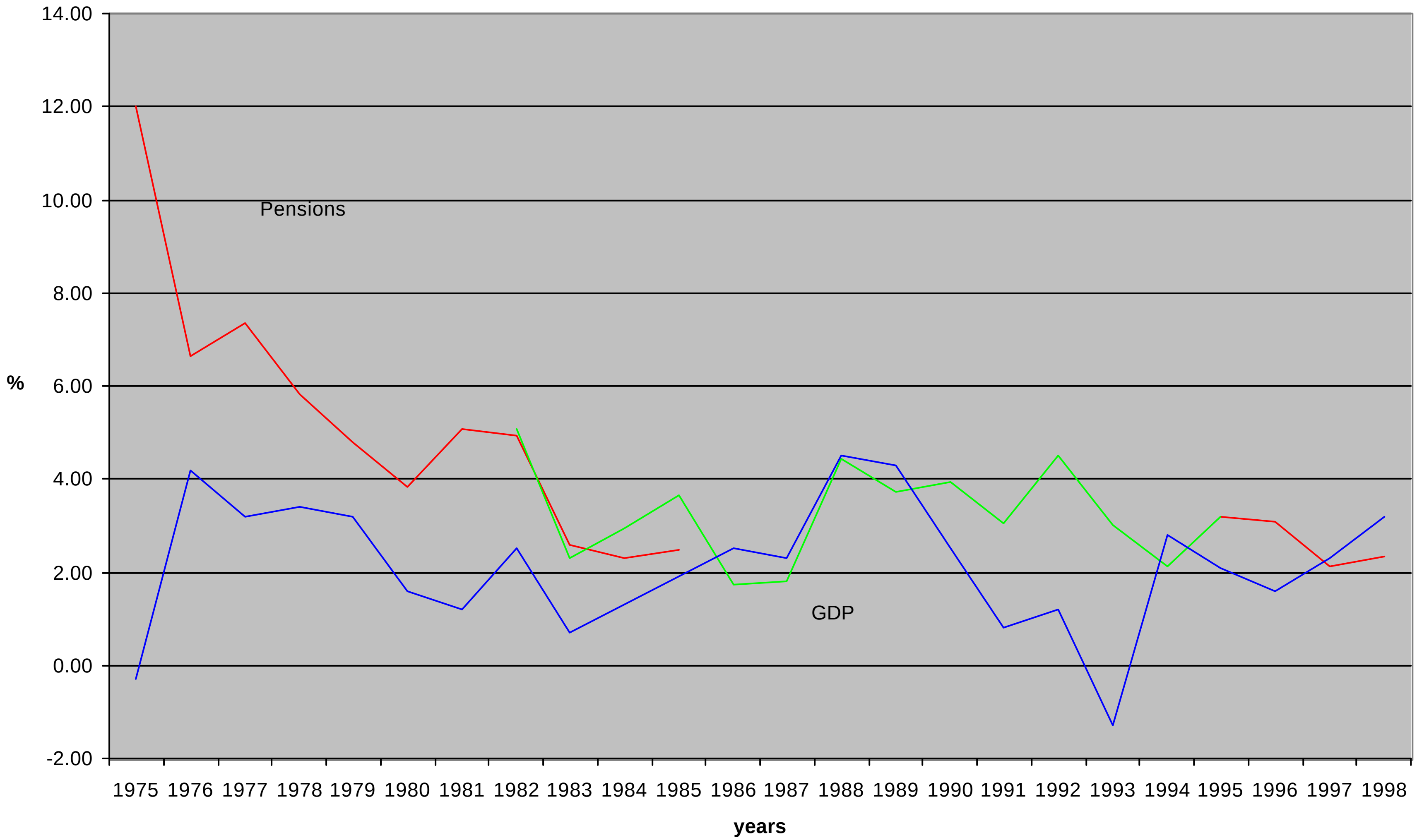
Source : SESI 1986 and Table 1

Figure 12 : Pensions' evolution



sources : SESI 1986; DREES 1999

Figure 13: Pensions and GDP real growth rates



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