

ROME, 30 NOVEMBER 2017, EMPLOYMENT POLICIES IN FRANCE

It is commonly considered that mass unemployment, which currently concerns over 6 million people in France, started in 1974 with the first oil crisis and, at the same time, the first national budget with deficit.

It was, for long, considered as a temporary phenomenon that could rapidly be resolved after a few economic adjustments were made. The initial objective of employment policies was not to reform the structure of the economy to make it more competitive and able to create jobs, but rather to limit the social consequences of unemployment.

So emerged the concept of “a social treat of unemployment”, which led several observers to say that France had a “preference for unemployment”.

At the time was created the National public service of employment, under the tutorship of the Ministry of Labor.

It is currently composed of Pôle emploi, that was created in 2009 by merging two entities (ASSEDIC and ANPE) respectively responsible for supporting the unemployment in their search for jobs and for the distribution of unemployment benefits. Other institutions include Unédic (that manages the unemployment insurance) and AFPA, in charge of vocational training.

Until the 90s, employment policies were largely focused on “passive measures”, meaning that that the aim was to made unemployment bearable and to reduce the size of the active population (legal duration of work downsized to 35 hours per week and promotion of pre-retirement measures).

One should note that, to date, only the pre-retirement measures were cancelled, but a 50 year old or more, unemployed still benefits from 3 years of unemployment benefit.

Since that time, without excluding passive measures, France has developed progressively active expenses to a significant extend, in order to promote an economic growth that would be more likely to create jobs. This was done by introducing flexibility on the labor market: suppression of the administrative authorized to proceed to contract termination in 1996 and, very recently, the reform of the labor code that aims at providing additional security to the employers in case their activity slowdowns, this concretely means simplified and less expensive process to terminate employees' contracts.

The cost of employment policies is more than 100 billion EUR a year, which is 5% of the GDP. They include:

- Passive measures, mainly the unemployment benefits, represents 33 billion EUR, to which should be added other types of specific benefits representing 3 billion EUR per year. It should also be noted that the cumulated deficit of the unemployment insurance represents 35 billion EUR.
- Active measures, largely represented by vocational training, that worth 35 billion EUR per year (which is comparable to the annual budget of the Ministry of Defense) and government-sponsored contract, that represent 3,5 billion EUR for 500 000 beneficiaries.

- Finally, we should add 40 billion EUR of tax exemption and deduction in favor of the employers, to enhance their competitiveness and, potentially, create jobs.

The State is the overall leader of employment policies, it initiates them through the parliament or via decree, but may as well delegate its duties. In Pôle emploi, the governance includes the State but also Employers representatives and workers' unions, while Unédic manages the unemployment insurance through a share governance (employees and employers' representative).

This organization of the Employment public service is reproduced at the regional level, under the tutorship of the Prefect (the local representative of the State).

Unemployment insurance financing is ensured through employers contributions (4.05%) and employees contributions (2.40%), so an overall of 6.45% of the salary cost.

As for vocational training, a compulsory contribution of the employers was established back in 1971 (Law Delors), which depends on the number of employees in the firm (whether they are less or more than 10). In average, this represents 1% of the salary cost.

This shows that France remained quite faithful to the Bismarckian model that was introduced by the National Resistance Council at the end of WWII.

Today, after the 2017 presidential elections, the French very high unemployment rate (3% more when compared to Germany) is taken into account as part of a reform that was just initiated and that should lead to important structural and conceptual changes.

The key idea is to reconcile employment and economy, leaving the "social treaty" behind after 40 years of unsuccessfulness. After the era of passive policies (1974 – 1990), then the introduction of active policies (1990 – 2017), a third era seems to start and to properly tackle the reality of unemployment in France. The French President's decision to cancel in 2019 (after reducing by half in 2018) the State sponsored contracts is a clear signal to confirm this change of era.

Despite its 10% of unemployed, France managed to maintain high social inclusion and limit extreme poverty, which should be accounted for. Yet the French society is clearly affected by two major structural changes: the persistence of mass unemployment and the rise of Information and Communication Technologies that have a growing impact on the labor market, as shown with the new forms of employment associated to the Transportation company Uber.

The current Government plans on changing the key concepts and the general philosophy of employment policies, but also their implementation modalities. This will be done in 3 steps, covering the overall spectrum from passive to active measures. This constitutes a brand-new way of dealing with the problem. Indeed, past governments tended to prefer adjustments. Sometimes important adjustments but without completely reshaping the underlying key ideas.

After the cancellation of State sponsored contracts, the government launched a new reform of the Labor code, to free companies from several administrative obligations that have a financial impact, to simplify employees representative bodies by merging them and to make contract termination simpler, with the idea that this the complexity of contracts termination might be a hindering factor for contracting in the first place.

The second step is the reform of the unemployment insurance, with a view to make it evolve as the labor market evolves. "I want France to be full of start-ups" claimed the candidate that was later elected President. A concrete outcome should be the opening of unemployment insurance to the risk takers. This is a major change with past policies where only the employees benefited from a social coverage. To adapt to the labor market new conditions, any employees might benefit from new conditions, quit their jobs every 5 years with a good professional plan, and still remain eligible to unemployment insurance. Finally, the control of people that receive benefits, a long-standing taboo, should (as in Germany) become reality.

Finally, vocational training with 80 000 different training institutions (while in Germany there are only 8 000 institutions) is balkanized while only 10% of the unemployed receive a training, and only half of those later find a sustainable job

Astonishingly, vocational training mainly benefits to those that need it the less, with a job already, thus increase inequalities, which is unacceptable and require a complete reform.

With 6 million unemployed, France still has a need to attract foreign workers, which is largely attributable to the inefficiencies of the system.

The organization, the governance and even the main purpose of vocational training should experience no less than a revolution in the coming months, with training with a high added value, with appropriate training certification, with a better understanding of the labor market needs, at the regional level. The regions have gained autonomy since 1981 and the last decentralization law increase their role, in close relation with their general economic development missions.

After the era of the "social treat" and the one of "active expenses", a new era is starting in France. It consists in acknowledging that employment issues do not require an administrative response but rather an economic one. France is experience a transition from a "trench war" against unemployment, to "maneuver warfare", which should show positive results within 2 years according to the current Minister of Economy