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## Activating solidarity. The French reforms of minimum income schemes: a critical assessment

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## Ενεργοποιώντας την Αλληλεγγύη. Οι γαλλικές μεταρρυθμίσεις για το ελάχιστο εγγυημένο εισόδημα: μια κριτική αξιολόγηση

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### ABSTRACT

The article presents the main features of French Minimum Income Schemes (MISs) and examines how activation has changed the French concept of solidarity: originally thought as “social debts” towards poor households, MISs now mainly refer to individual duties. Subsequently, it will question this change, relying on the analysis of the failure of the Revenu de Solidarite Active (RSA), and draw more general conclusions.

**KEY WORDS:** France, welfare state, Minimum Income Schemes

### ΠΕΡΙΛΗΨΗ

Το άρθρο παρουσιάζει τα βασικά χαρακτηριστικά του γαλλικού ελάχιστου εγγυημένου εισοδήματος (ΕΕΕ) και εξετάζει τον τρόπο με τον οποίο η «ενεργοποίηση» μετέβαλε την έννοια της αλληλεγγύης η οποία αρχικά γίνονταν αντιληπτή ως «κοινωνικό χρέος» προς τα φτωχά νοικοκυριά, ενώ πλέον το ΕΕΕ αναφέρεται σε εξατομικευμένα καθήκοντα. Στη συνέχεια, διερευνάται η μεταβολή αυτή, με βάση την ανάλυση της αποτυχίας του εισοδήματος ενεργητικής αλληλεγγύης και διατυπώνονται γενικά συμπεράσματα.

**ΛΕΞΕΙΣ-ΚΛΕΙΔΙΑ:** Γαλλία, κοινωνικό κράτος, ελάχιστο εγγυημένο εισόδημα

## Introduction

**M**inimum income guarantees (MIGs) have developed in many European Union (EU) countries to meet changing and urgent needs due for instance to evolving family structures and weakening family solidarities, to growing unemployment, to recessions, or to cuts in social expenditure in the name of fiscal discipline. Since the late 1990's MIGs (as well as other social transfers) have however been increasingly perceived as carrying the risk to discourage recipient's work and to threaten the economic sustainability of European social states. Promoting the "activation" (*i.e.* the return to employment) of income support or unemployment benefits recipients became seen as the most efficient way to combat poverty. In several EU member states, minimum income schemes (MIS)<sup>1</sup> have been reformed in line with this strategy, combining MIGs with reinforced economic incentives to work and strengthened integration policies. The relevance of these reforms, which turned out to be unsuccessful even in favourable economic contexts (Cantillon, 2010), has to be questioned, especially in times of recession and austerity.

The French experience is interesting in many respects to illustrate as well as to question the relevance of such activation reforms. In 1988, the left-wing socialist government has created a new MIS, the Minimum integration income (*Revenu minimum d'insertion*, RMI) in order to meet the need for protection of an increasing number of unemployed persons who had lost their entitlement to unemployment benefits, notably because unemployment compensation rules had hardened. This scheme combined a MIG with an "integration contract" aiming to support beneficiaries' social or occupational integration. Its originality and its contribution to alleviate poverty were at first recognised, not only in France but also in the EU. However, the RMI became gradually perceived as carrying the risk to trap its beneficiaries into poverty. Several activation reforms have thus been undertaken in the 1990's and early 2000's to reinforce economic incentives to work and to improve the job-search support provided to MIG recipients. In 2009, the RMI and the API were merged and replaced with a new MIS, the Active solidarity income (*Revenu de solidarité active*, RSA) supposed to promote a renewed "active" conception of solidarity. This reform, carried out in times of recession and fiscal discipline, have had disappointing results, (Eydoux, Gomel, coord., 2014).

Stemming from a comparative perspective, this article will underline the main features of French MISs (1). It will examine how activation has changed the French conception of solidarity: originally thought as "social debts" towards poor households, MISs now mainly refer to individual duties (2). The article will then question this change, relying on the analysis of the failure of the RSA (3), and draw more general conclusions (4).

## 1. Reforming MISs: a brief comparative perspective

**A** comparative perspective shows that the French case is singular but not isolated: after the implementation of a whole set of income support schemes from the 1950's to the 1980's, a gradual shift towards the activation of all adults, including MIG recipients, took place in the 1990's and 2000's, like in many other EU countries.

## 1.1 France in comparative perspective

MISs often combine MIGs with other measures such as economic incentives to work, job-search or social integration support, activation measures (integration, training or employment contracts), that shape their action against poverty. Minimum income guarantees are primarily thought as safety nets constituting the last part of the chain against poverty. Their level is usually below the poverty line so that their quantitative action against poverty remains limited; but they significantly contribute to alleviate extreme poverty: *“although minimum income schemes are insufficient to lift people out of poverty, they do play a very important role in reducing the intensity of poverty”* (Frazer, Marlier, 2009). MISs are generally embedded in a whole set of other social transfers or public services that contribute to reducing poverty. As a consequence, they perform better in “generous” social States than where social provisions and/or public services are residual (Ferrera, 2005). The French case well illustrates the role of MISs in a (rather) “generous” social state.

### Comparing MISs

Comparing MISs in Europe is a delicate task. First, their scope is uneasy to define (Figari et al., 2010). In most cases, MIGs are means-tested according to the household’s or family composition and income. But many combinations exist with other social protections: MIGs may operate as unemployment assistance benefits or be distinct from (and eventually complementary to) the unemployment compensation system. In addition, MIGs may include a housing allowance, the coverage of family needs, or combine with housing or family allowances. MIGs may also either take the form or combine with a tax credit.

An additional difficulty for international comparison lies in the fact that MISs are embedded in different social models and institutions, conditioning in turn the nature and efficiency of the fight against poverty. Comparative researches have underlined the variety of capitalist employment and social protection regimes (Esping-Andersen, 1990, 1999; Ferrera, 1996; Lewis, 1992; Manning and Shaw, 1998), notably opposing two regimes. The Social-democratic regime (Denmark, Finland, Norway, Sweden) is considered as generous and allowing for the “de-commodification” of work (worker remain protected when outside the labour market). Extended social provisions (especially unemployment benefits), active labour market programmes and public services (also supporting the “de-familialization” of care and consequently women’s employment) limit the need for (and scope of) MISs. The so-called liberal regime (United Kingdom) is deemed to offer limited social protection and childcare services, to promote the commodification of work and to favour a polarization of work (short part-time being for instance a way to reconcile work and care for low-skilled mothers). Considering the residual level and extend of unemployment benefits, MISs actually meet social needs. They are also residual, and formatted so as to avoid discouraging their recipients to work – they notably combine with a Working tax credit aiming to make work pay.

Several other European countries are characterized by a lack of safety nets for poor households. In Post-socialist countries, the high labour market participation (of women and men) often reversed during the so-called “transition” period. This transition and the economic recession beginning in 2008 called for the implementation of MISs. Southern countries (Italy, Greece, Portugal and Spain) are providing a relatively limited social protection and particularly rely on family solidarities (Southern regime), mainly assumed by women whose participation in the labour market is relatively low (except in Portugal). In these countries too, both the recession and austerity policies call for the implementation of (or the extension of local or residual) MISs.

## The French case

In France, the main MIS is the RSA (more than 2 million households). Formally, it is not an unemployment compensation scheme, despite the fact that many recipients are jobless or precarious households. The RSA is complementary to two unemployment compensation schemes: the insurance scheme providing eligible unemployed people with an unemployment allowance (the Return to work allowance, *Allocation de retour à l'emploi*, ARE) depending on their reference wage, and the solidarity scheme paying a MIG (the Specific solidarity allowance, *Allocation de solidarité spécifique*, ASS) to those unemployed who have lost their entitlement to the ARE and belong to a low income household. The RSA is embedded in a set of nine MISs gradually implemented since the 1950's to cover social risks (Box 1). It also combines with an income tax credit, the Employment premium (*Prime pour l'emploi*, PPE) created in 2001 for active modest households and benefitting to more than 6 million fiscal households. The RSA is formatted so as to take the family needs into account: the MIG is computed according to the household composition (a single person does not receive the same amount as a couple, and a supplement is provided for every child) and the allowance is differential so as to complete other household's resources (activity income, unemployment and family benefits, etc.) up to the MIG; a lump sum ("housing package") is deducted if the household benefits from housing allowances or from a free housing.

### Box 1: Minimum income schemes in France

- Old-age minimum for poor retirees, ASV / ASPA (1956-present)
- Invalidity supplementary allowance, ASI (1957-present)
- Handicapped adult allowance, AAH (1975-present)
- **[Lone parent allowance, API (1976-2009)]**
- Widow allowance, AV (1980-present)
- Specific solidarity allowance for entitled long-term unemployed, ASS (1984-present)
- Temporary waiting allowance, for asylum seekers, released prisoners, etc., ATA / AI (1984-present)
- **[Minimum integration income for poor households, RMI (1989-2009)]**
- Solidarity income for ageing MIG recipients retiring from the labour market in French overseas, RSO (2001-present)
- Equivalent retirement allowance for senior unemployed retiring from the labour market, AER-R/ATS-R (2002-present)
- Active solidarity income for poor households including lone parents, RSA (2009-present)

According to the comparative literature on employment and welfare regimes, France is illustrative of the Continental regime (together with Germany): social entitlements are relatively generous, originally based on social contributions ("Bismarckian" model) and designed in accordance with a traditional (male-breadwinner) model of the family. This regime is particularly challenged by the rise of unemployment and precarious work as well as by changing family models (separations and divorces, increasing women's employment rate). It has adapted through the creation of new social rights as well as through the development of childcare services (especially in France) or female part-time employment (in Germany). MIGs relying on universal ("Beveridgian") entitlements have gradually been introduced to close the gap of existing (deteriorated) Bismarckian

protections. French MIGs however still represent a small part of public social expenditures: in 2012 about EUR 15 billion (13 billion relying on state intervention) were dedicated to MIGs while total public social expenditures were up to EUR 695 billion (31.2% of the GDP) and social protection benefits near to 653 billion (513 billion depending on social insurance and 59 billion depending on public intervention). The RSA, representing about EUR 9 billion, thus only constitutes the last safety net for the working age population in the whole set of social benefits (in cash or kind, taking the form of allowances or public services), playing a minor role in the income or the well-being of the households when compared with other social protections.

## 1.2 Activating solidarity

Since the 1990's, a climate of urgency to reform has gradually developed in Europe, supported by renewed normative conceptions of solidarity promoting the activation of various categories of non-employed people (not only registered unemployed, but also income support recipients, inactive women or retirees). The activation of solidarity is part of the European strategy since the late 1990's and has influenced employment and social policy reforms in many EU Member states, including France.

### Renewed normative conceptions of solidarity

Normative approaches of European social states developed at a time when socio-demographic factors, such as the high unemployment rates and ageing societies, became perceived as threatening the economic sustainability of European social models. These models were both considered endangered face to the risk of unsustainable social protections, and dangerous because social protections could carry the risk to discourage people to work. In this context, several EU experts and policy makers advocated a shift in the conception of solidarity. An "active social State" (Vandenbroucke 1999) promoting the employment of all adults became seen as a way to prevent the non-employed from being trapped in social benefits and to ensure the preservation of the European social model. Similarly, the "social investment State" (Giddens 1998) investing in the education of children and youth and relying on the activation of parents and mothers became a reference for EU experts and policy makers. Solidarity had to transform and to promote the employment of all adults instead of just supporting their income.

European social states have however adopted different models of activation (Serrano-Pascual, 2004). The liberal model of activation mainly relies on low social benefits (to make work pay) and often imply workfare programmes, like those experienced in several states of the USA as soon as in the 1970's, or in the UK under the Labour government in the late 1990's. For people enrolled in these programmes, working in a deregulated labour market is a condition for eligibility to social benefits and/or to income tax credits. The social-democratic model of activation, as promoted in Sweden in the 1980's or in Denmark in the 1990's, combines relatively generous unemployment compensation or social benefits with job-search support and active labour market programmes (subsidised employment, notably in the public sector). For people enrolled in these programmes, the state plays as an employer of last resort after a period of compensated unemployment. While the liberal activation mainly refers to the individual responsibility of the non-employed, the social-democratic activation reasserts the state's responsibility as regards employment.

Whatever its form, activation as promoted through the European employment strategy first took place in times of economic growth in Europe (1997-2007) but left a significant part of the

working-age population apart from labour markets and social benefits (Cantillon, 2010). The UK's experience, often quoted as a successful example of MIS activation, owes its success against child and lone parent's poverty to the increased level of MIG, not to activation per se. In many EU countries, however, the activation of social benefits and MIG recipients has led to cuts in social benefits. It thus revealed successful in meeting one (often hidden) objective: the cost-containment of public expenditures.

## The French activation model

The French activation model can be considered as being midway (Béraud, Eydoux, 2009) between a liberal and social-democratic one. On the one hand, unemployment and social benefits have reduced when compared to the minimum wage, and economic incentives have developed within unemployment and social benefits in order to provide the non-employed with incentives to work (and to reward the working poor). On the other hand, social benefits are still relatively generous and combine with active labour market programmes. However, the state does not play as an employer of last resort so that many people remain outside active labour market programmes, and sometimes also without social benefits (especially young people below the age of 25). The French activation is thus appealing to the individual responsibility of the non-employed without renouncing to classical (but insufficient) state intervention to support labour market (re)integration.

The French case is illustrative of both the shift in solidarity observed in many EU countries and the disappointing outcomes of the European activation strategy. Activation, even before the recession, did not succeed against poverty and unemployment in times of economic growth. The French reforms of solidarity nevertheless revealed successful in containing the cost of public expenditures.

## 2. The French reforms: from solidarity as a “social debt” to “active solidarity”

**I**n France, minimum income guarantees (MIGs) have been implemented after the Second World War as safety nets completing other social provisions and services (social security, family allowances, housing allowances, etc.) for various categories of poor households. Until the late 1980's, public solidarity towards these households was primarily seen as a “social debt”, a duty of the whole society. Since the early 1990, however, this public solidarity became seen as problematic: MIG recipients could be discouraged to work if they have to choose between their allowance and a low-paid job. Disincentives to work became perceived as new, solidarity-related, social risks. Face to this perceived risk, the activation of solidarity, insisting on individual duties to look for a job, gradually appeared as a solution. It led to several reforms of MISs in the 1990's and 2000's. A look back at the dynamics of two major MISs, the Lone parent allowance API and the Minimum integration income RMI, from their creation (respectively in 1976 and 1988) to their merging into the RSA in 2009, illustrates this activation shift.

### *2.1 Solidarity as a “social debt”: the creation of the API and the RMI*

The creation of both the API and the RMI reflects a conception of solidarity as a social duty towards poor households facing difficulties to bring up their children and/or to find a (decent) job.



## The Lone parent allowance API as a maternal wage (1976)

The Lone parent allowance API has been created in July 1976, at a time when family patterns were changing and new forms of family precariousness were emerging due to births outside marriage, family breaks up or divorces. The term “lone parents” (“*parents isolés*”) refers to poor, precarious mothers (single, divorced, separated, or widows) who do not benefit from (sufficient) family solidarity. By the late 1970’s, most of the parents who were bringing up their child/ren alone were separated, divorced, or even single mothers (not leaving with the father at childbirth). Two MIG formulas have been implemented to fit with the diverse situations of these parents: the “long API” from pregnancy to the third birthday of the child and the “short API” for one year following a family break up or the decease of the other parent.

The API was at first thought as a kind of “maternal wage”, temporarily exempting lone parents (nearly always mothers) from the obligation to work, in order to allow them to care for their child/ren (and play the role they were socially expected to play as mothers). The original amount of the API (1390 francs in 1977) reflected this conception: it was quite generous, a little higher than the net full-time minimum-wage (1380 francs). Policy-makers greatest concern was not that the API could prevent lone parents from returning to employment, but that it could become a substitute for family solidarity and give the other parent incentives to avoid paying the alimony pension (and playing the role socially expected from a breadwinner father). Subsidiarity was thus reasserted by the legislator as a way to uphold the maintenance obligations.

## The Minimum integration income RMI: between social debt and contract (1988)

The Minimum integration income Revenu minimum d’insertion (RMI) is an original MIS reflecting a conception of solidarity that combines a social entitlement with a contract (Rosanvallon, 2003). It has been created in December 1988 at a time when unemployment and precariousness had developed, while unemployment protections had weakened. It was typically dedicated to poor households hit by (long-term) unemployment and not (sufficiently) covered by existing unemployment allowances. The RMI benefited to three main categories of precarious or non-employed households: single men, lone mothers (after the end of the API), and couples with or without children. Its computation was taking into account the household’s composition so that the MIG was higher for a couple than for a single person and even higher for families with children (depending on the number of children).

As mentioned by the legislator, the RMI is a social right arising from a public social debt, a way to comply with the Preamble of the French constitution of 1946, saying that “*every human being who, considering his age, his physical or mental health or the economic situation, has the right to obtain decent living means from the community*”. Unlike the API, the RMI was not intended to exempt its recipients from the obligation to work. Their social and occupational integration was explicitly mentioned as a social duty: “*the social and occupational integration of people experiencing difficulties constitutes a national imperative*” (law n° 88-1088 of 1st December 1988 establishing the RMI).

The RMI was at first a means-tested differential allowance for adults above the age of 25 (and parents below 25), completing the household’s resources up to a MIG depending on its composition. It was 2000 francs for a single person household in 1989, about half of the net minimum wage for a full-time job. When paralleled with the API representing more than the minimum wage in



1977, the RMI was hardly a wage for the non-employed. It rather compared with a half-time job at minimum wage, as if such a job had defined the norm of a decent wage or living income.

The RMI also included an incentive scheme allowing recipients who find a job to temporarily combine their activity income with the MIG, and an “integration contract” aiming to support their social and occupational (re-)integration. Institutionally, the state was responsible (until 2003) for the financing of the RMI paid by local Family funds (*Caisses d’allocations familiales*), while integration contracts were implemented by social workers under the responsibility of territorial authorities (*Départements*). In the 1990’s, these integration contracts were considered a special and promising feature of the French RMI (Paugam, 2003)<sup>2</sup>.

## A contested legitimacy

As soon as it was created, the RMI raised debates as regards the control of recipient’s integration behaviour and the implementation of the integration contract (Eydox and Tuchsirer, 2011). Because there was a need for legitimacy, policy makers asked for an official report on RMI evaluation (Viveret, 1989). In line with this report that promoted a large conception of RMI evaluation<sup>3</sup>, evaluations have been diverse and wide in scope, relying on field work as well as on quantitative studies.

The RMI was soon acknowledged as “*the last link in the chain to fight poverty*” (Villac, 1992): its residual level was not sufficient to immediately lift poor households out of poverty, but allowed part of them to escape poverty. The survey “Exiting RMI” (1998) identified three trajectories of RMI recipients (Lhommeau, Rioux, 2000): labour market integration (mainly for young people), transition (retirement, etc.), and relegation outside the labour market (for those whose immediate needs were not related to employment). The Insee survey (2003) interviewed 5000 MISs (RMI, API, as well as AAH and ASS) recipients in 2001 and showed that one fourth were no more recipients two years later, among whom half had find a job, mostly a subsidized, part-time and low-wage one. Others were still looking for a job and saw their age (especially ASS recipients), educational level (especially RMI recipients), health, mobility or family constraints, as problematic (Belleville-Pla, 2004). Evaluations also showed that local integration policies were uneven: while some *Départements* had been very active, others had only formally implemented the integration contracts or had no local integration strategy at all (Bouchoux et al. 2002).

In spite of high expectations, after a few years of implementation in times of high unemployment, the (re-) integration into employment had remained the Achilles’ heel of the RMI scheme. A new concern began to rise and became widespread in the late 1990’s: were MISs (especially the RMI and the API) discouraging job-search? This concern was obviously based on a misdiagnosis, because only weak disincentive effects have been reported in the literature: the low rate of return to employment was due to other causes and primarily to the insufficient overall demand for labour. For instance, Piketty (1998), reasoning on employment rates, demonstrated that income support recipients’ difficulties to return to employment were not explained by their labour supply behaviour but by the low labour demand for labour. Gurgan and Margolis (2001) showed that without taking the temporary incentive mechanism into account, three on four households with RMI earn more when working – and even more when considering the incentive mechanism in the short run. De Curraize and Périvier (2006) found the diminishing employment rate of lone mothers due mostly to the rise of mass unemployment and only marginally to the disincentive effect of the API.

## 2.2 Active solidarity: back to individual duties

Disregarding the conclusions of RMI and API evaluations that put the influence of economic disincentives into perspective, both academics and policy makers came to assert that monetary disincentives were trapping MIS recipients into poverty. A reform of solidarity in order to “activate” MIS recipients became seen as an opportunity to call upon their individual responsibility and to bring them back to work in a more flexible labour market. The RSA reform can be interpreted as the culmination point of such an approach.

### The “new philosophy” of active solidarity

Academics, and especially mainstream economists, played a role in the diffusion of the idea that solidarity had to be reformed in order to support the labour supply by providing MIS recipients with relevant incentives to work and promoting a (deemed necessary) flexibilization of the French labour market. Mainstream micro-economists and macro-economists ceased to think MIG as a redistributive tool and came to consider it as a neoliberal instrument to (de-)regulate the labour market. They saw the reform of existing MISs as an opportunity to “activate” MIGs recipients and to fuel the labour market with a flexible labour reserve. On the supply-side of the labour market, the reform of MISs was seen as a way to design relevant economic incentives “making (every hour of) work pay” or to eliminate existing disincentives and threshold effects deemed to “trap” MIGs recipients outside the labour market (Anne and L’horty, 2002). On the demand side of the labour market, the extension of MIG to the working poor was seen as a way to allow for a moderation of the minimum wage’s growth (Cahuc, Cette, Zylberberg, 2008), turning the MIG into an employment subsidy for precarious workers who accept poor quality (low-wage, part-time, or temporary) jobs.

Martin Hirsch, the High commissioner for active solidarities, gave a “philosophical” tone to this neoliberal economic approach of solidarity. In an official report (Hirsch, 2005), he had promoted a reform of solidarity to eradicate child poverty through a new MIS named Active solidarity income (RSA). In times of fiscal discipline, this reform was intended to be at constant cost and to redeploy existing MISs’ resources. Four years later, the RSA was implemented and Martin Hirsch sponsored active solidarity as a “philosophy» (Hirsch and Wargon, 2009). This philosophy however relies on a (misleading) syllogism: 1/ employment is the best way to combat poverty, 2/ active solidarity provides with incentives to work, 3/ active solidarity is thus the best way to combat poverty. The premises leading to this conclusion are true if and only if: (a) work really protects against poverty and (b) the re-employment of MIS recipients only depends on their willingness to work that can be stimulated by economic incentives. These conditions are clearly not met in a (partly) deregulated labour market characterized by an insufficient demand for labour.

### The Active solidarity income RSA

The implementation of the RSA has been presented by policy makers as illustrating a paradigm shift, but it rather appears as the culmination reform of a long activation process. After the implementation of the RMI in 1989, several reforms aiming to activate MIS recipients and to support the working poor took place. First, the incentive mechanisms of the RMI, the ASS and the API have been extended in the 1990-2000’s. Second, a tax credit has been created in 2001, the Premium for employment (*Prime pour l’emploi*, PPE) aiming to reward low-wage workers. Third,

the RMI has been reformed in 2003 to reinforce decentralized integration policies and to develop dedicated subsidised employment contracts. In 2007, the new RSA scheme promoted in Martin Hirsch's 2005 report was experimented in 34 French territories (*Départements*). Without waiting for the final results of RSA experimentations (but relying on provisory and apparently promising outcomes), the law of December 2008 generalised the RSA and developed integration policies by making job-search or social integration support systematic for each recipient.

The RSA merges the API and the RMI and aims at making work pay for both MIG recipients and working poor (who were not a target of the RMI and the API). The RSA has two components. The "RSA socle" is a means-tested differential allowance (like the RMI) that completes households' resources up to a MIG depending on the composition of the household. The "RSA activity" is a new incentive and reward scheme dedicated not only to "RSA socle" recipients who find a job but to every eligible working poor. Contrary to the temporary incentive mechanism of the RMI and the API, the "RSA activity" is not limited in time. The RSA formula is as follows:

*RSA = MIG + 62 % of the household's activity income – (other household's resources + housing package)*

Since January 2015, the amount of the RSA for a single person without any activity income is EUR 514, which is significantly less than half the net monthly minimum wage for a full-time job (EUR 1,136). The RSA is not a wage for the non-employed, but rather a low leaving income intended to push its recipients back to the labour market. It is assorted with work incentives and rewards as well as with systematic job-search or social integration support for RSA socle recipients. From an institutional point of view, the state pays for the RSA activity, while the RSA socle is financed at the territorial level by the *Départements* also in charge with the implementation of integration policies for RSA socle recipients. All in all, the RSA reform calls upon both the individual responsibility of RSA socle recipients and the territorial responsibility of *Départements* with limited resources to implement integration policies.

### 3. Dealing with the failure of active solidarity

**T**he RSA, efficiently promoted by academics and policy makers, had raised high expectations. A political use of experimentations' provisional results had led to triumphant declarations in 2008 and 2009 suggesting a spectacular increase in the recipient's rate of return to employment, which was estimated superior by 30% in test zones vs. control zones. The weaknesses of these results were not mentioned, but in absolute terms, the rate of return to employment was only 2.92% in RSA zones vs. 2.25% in RMI zones<sup>4</sup>, making the difference trifling in absolute terms, and smaller than the margin of error.

As shown by the report of the National RSA evaluation committee (Bourguignon, dir., 2011), the outcomes of the RSA turned out to be extremely disappointing in terms of recipient's return to employment. But instead of recognising the failure of a strategy exclusively focused on the labour supply, experts and policy makers have chosen to reassert and refine their commitment to active solidarity.

#### 3.1 Learning from the fiasco

The National RSA evaluation committee described as soon as in 2011 what should be named a fiasco of the RSA but draw rather mild conclusions. A few years later, the RSA is analysed as a failure by many scholars and experts.

## The soft conclusions of the National RSA evaluation committee in 2011

The final report of the National RSA evaluation committee showed that, after two years of implementation, the RSA has had no global impact on the recipient's rate of return to employment – only marginal effects on specific categories of households have been found. RSA recipients who have (or find) a job still had a poor quality job (part-time, short-termed, low-wage jobs). All in all, the RSA has had a very small impact on poverty: the estimated reduction in the share of low-income households was 0.2% in 2010, while the poverty rate had diminished by 0.2 p.p. and the number of poor by 2% (-150 000). Many households who would have qualified for the RSA did not ask for the allowance so that the non-take-up rate was high. Only 1 on 2 eligible households has asked for the RSA: the non-take-up rate of the RSA socle was 36 % (as for the RMI before) but rose up to 68 % for the RSA activity that missed its new target (the working poor).

In spite of these disappointing outcomes, the conclusions of the National RSA evaluation committee remained soft. According to the report, if outcomes "*might seem relatively modest*" this is due to the negative impact of the recession on employment, to the time required to implement the reform integration policies and to observe its impact, and to the high non take-up rate of the RSA activity (400 000 additional persons should have pass the poverty line). The report concluded that with some more time and information towards eligible households, further evaluations should found better efficiency of the RSA. Two years later, it is clear that these soft conclusions have been too optimistic

## Two years later, analysing the failure of the RSA

The failure of the RSA has been explored in a collective book (Eydox and Gomel, dir. 2014) that gathers the work of researchers and experts who have contributed to the assessment of the RSA. According to this book, the failure of the RSA relates to other, more fundamental, reasons than the lack of time and information: it reflects the mis-conception of the RSA and the misunderstandings of active solidarity.

First, the design of the RSA has led to a paradox of rationality. The RSA addresses to recipients' rationality, but its computation is so complex that many eligible households never ask for it. Some of them do not know if they are (or are not) eligible to the RSA, others fear to have overpayment to reimburse in case the amount they would receive turns out to be too high once their activity income is taken into account<sup>5</sup>. The design of the RSA has also led to a gender paradox. The RSA addresses its incentives to work to households, not to individuals; it thus provides couples with ambivalent rewards. Within couples, incentives to work may as well favour a one-earner (male-breadwinner, female homemaker) rather than a dual-earner household. Similarly, social integration and job-search support are dedicated to RSA recipients, so that individuals in couples ceases to qualify for this support as soon as their partner finds a job that pays sufficiently to lift the household out of poverty.

The very "philosophy" of active solidarity also has to be questioned. On the employment front, the fiasco of the RSA reflects a new failure of supply-side policies. Active solidarity relies on the belief that refining incentives to work would be sufficient to push MIG recipients into employment. Before the RSA reform, however, various surveys showed that MIG recipients were already willing to work (Guillemot et al., 2002). They were rather facing other constraints, such as health problems, family responsibilities or a lack of training. First of all, they were suffering from the insufficient employment level in times of high unemployment. While the main problem lies in

the demand side of the labour market and the poor employment opportunities, active solidarity focuses on the supply-side of the market, as if there was instead a manpower shortage. On the poverty front, the RSA experience reveals that poverty cannot be reduced without a significant increase of the MIG level (the RSA socle). In the long run, there has been a widening gap between the level of MIGs (RMI and API) and the monthly full-time minimum wage. As a consequence, the level of MIGs has increased much lower than the median income and the poverty line (which is 60% the median income). In addition, the RSA activity did not significantly increase the income of those returning to work when compared with the incentive mechanisms of the RMI or the API – in some cases, this income has even decreased depending on the household's composition and the nature of the job (full-time or part-time). The case of the working poor who are the new target of the RSA is striking: they do not find the RSA activity attractive, often consider it too complex or stigmatizing, or don't want their social situation to be controlled.

### **3.2 What next?**

After the report of the National RSA evaluation committee, experts and policy makers continued to focus on the activation of solidarity. A reform of the RSA has been decided, providing for the creation of a new Activity premium (Prime d'activité) that will merge and replace the RSA and the PPE in January 2016. The reform largely obeys to a cost containment strategy but did not raise any opposition from the public, suggesting an emerging weariness towards solidarity.

#### The creation of the Activity premium and the abolishment of the Employment premium

The RSA have been designed as complementary to the income tax credit Employment premium (PPE): received RSA activity incomes have to be deducted from the PPE. This complementarity contributes to make the RSA activity less attractive for those households eligible to the PPE, especially as the RSA has to be requested while the PPE is an automatic entitlement.

After the report of the National RSA evaluation committee, the economist François Bourguignon soon suggested removing the PPE in order to make the RSA activity more attractive. His recommendation was at first not followed because it was considered as detrimental to many households: while the PPE is automatically given to eligible households as long as they submit their income tax return, requesting the RSA necessitates completing a complex request form. A Commission aiming to improve the efficiency of the RSA activity was nevertheless instituted. Its recommendations were gathered in an official report (Sirugue, 2013). The report noticed that the PPE and the RSA are redundant and as such costly, and suggested implementing a new "activity premium" that would merge the two. It did not indicate whether the premium should be part of a MIS or rather take the form of a new income tax credit. The nature of the premium however makes a difference since the take-up rate is 100 % for an income tax credit, but much lower for a MIS.

In November 2014, the Amending Finance Law 2014 provided for the abolishment of the PPE, arguing that this tax credit is "not much redistributive" and should be replaced with a "better targeted" measure "providing more incentives to work". Presented as purely "technical", this decision is not neutral and will probably allow for significant recorded public savings. First, transforming an income tax credit into a MIS will generate an important non take up rate so that the share of the transferred resources that will effectively be spent is unpredictable but surely

below 100%. Second, the PPE was part of the refundable tax credits impacted by the reform of the European System of Accounts implemented in September 2014 which provides that refundable tax credits should be fully recorded as public expenditure (not only the sum paid to households but also the foregone tax). All in all this “technical” measure may represent registered savings by millions or even billions Euros.

### An emerging weariness towards public solidarity?

The decision to abolish the PPE did not raise any public debate. One of the reasons could be that the public did not realise yet what has happened. But there might be other reasons.

On the one hand, in times of fiscal discipline, there is no room for an ambitious reform of solidarity that would either institute the state as an employer of last resort or significantly increase MIG levels. Policy makers may thus have found in active solidarity a useful philosophy, allowing them to focus on individual duties to find a job instead of considering public responsibilities in terms of employment creation, and providing them with a comfortable argument to legitimize a cost containment strategy. On the other hand, the fact that public debates focus since years on the activation of the non-employed could have contributed to change the public opinion on MIG recipients. As shown by recent surveys of the Credoc<sup>6</sup>, labour market integration is increasingly seen as an individual duty rather than a public one, and the idea that the unemployed and the poor are responsible for their economic situation is gaining in audience (Bigot et al. 2014).

All in all, the focus on active solidarity and the failure of the RSA to bring MIG recipients back to employment and to lift them out of poverty may have produced a “weariness” of the public as regards public solidarity (Damon, Hachtuel, 2002).

## 4. Concluding remarks

### What can be learnt from the French reforms of solidarity?

First, it illustrates that MISs are embedded in wider social protection models, and often constitute the last safety net for those who are not (or no more) entitled to other (or to sufficient) social protections. Historically, the implementation of MISs cannot always be interpreted as an unambiguous sign of social progress, since MISs may be designed to replace other more efficient protections that have eroded. The RMI was created in 1988 to complete existing social protections and to compensate for the hardening of unemployment compensation rules. Since MIG levels are generally below the poverty line (60% of the median income), other social provisions (unemployment benefits, family or housing allowances, etc.) often play a greater role to alleviate poverty, while public services (healthcare, childcare, social housing, school canteens, etc.) may significantly contribute to combat material deprivation. Today, the RSA still represents a small share of total public expenditures so that it constitutes the last safety net in a wider social protection system.

Strictly speaking, the French experience of activation did not transform the whole social protection model into a liberal one that would combine residual MIG levels with workfare programmes. The RSA is not exclusively dedicated to working households and coexists with wide (social and occupational) integration policies, relatively generous unemployment compensation schemes, active labour market programmes and other social protections. The French experience of activation rather reflects a neo-liberal<sup>7</sup> attempt to provide MIG recipients with incentives to

work that combine with extended social integration and job-search support. The failure of the RSA may thus be interpreted as exemplifying the mirage of such an activation: an (activated) income support scheme cannot, by the mean of economic incentives and integration support, change the behaviour of millions people who are already willing to work and readily accepting even poor quality jobs, but confronted with an insufficient demand for labour. The high non take-up rate of the RSA activity also illustrates the paradoxical introduction of a neoliberal rationality aiming to influence individual behaviours within a complex MIS addressing to households.

In France as in many EU countries, the activation of solidarity succeeded in containing the cost of social expenditures but failed to bring MISs beneficiaries back to employment and to lift them out of poverty. This failure was not due to an unwilling labour supply but to the insufficient (public as well as private) demand for labour. Instead of defining an alternative strategy against poverty, policy makers have reasserted the need for a more efficient activation, thus contributing to fuel an emerging “weariness” towards public solidarity. In times of crisis there is however a need to reassert solidarity as a social debt, to make sure that MIGs adequately complete existing social provisions to provide those who cannot find a job with a decent living income. There is also a need to reassert the State’s responsibilities as regards employment, instead of appealing to the individual responsibilities of millions unemployed persons struggling for a job in a saturated and increasingly deregulated labour market.

## Notes

1. We will here speak about minimum income scheme (MIS) to refer to a scheme including a minimum income guarantee (MIG) and other measures such as incentives to work, job-search support, active labour market programmes, integration support, etc.
2. Their disappointing implementation in many Départements led to mitigate this first appreciation (Paugam, Duvoux, 2008).
3. According to this report, “assessing a policy is to arrive at a formal judgement about its value”, beyond the measure of its net effect.
4. Comité d'évaluation des expérimentations (2009).
5. To have an idea of how complex is the computation of the RSA, readers may have a look on the dedicated website: [https://www.formulaires.modernisation.gouv.fr/gf/cerfa\\_13880.do](https://www.formulaires.modernisation.gouv.fr/gf/cerfa_13880.do).
6. Centre de recherche pour l'étude et l'observation des conditions de vie: Research institute for the study and monitoring of living standards.
7. Following Foucault (2004), we define neoliberalism as a government technique that consists in introducing market mechanisms (such as economic incentives) within public policies so as to influence (rather than control) individual behaviour.

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