

Council for employment, income and social cohesion

ACCESS TO EMPLOYMENT AND SOCIAL PROTECTION

Economic growth has brought about a considerable decrease in unemployment and an improvement in overall employment. This upturn leaves the least qualified under-employed, which clearly reveals the specific handicaps they encounter when seeking employment ; it also reveals a hard core of poverty and phenomena of exclusion.

In this context, the Council has drawn up its first report, focusing on the question of access to employment and social protection for the least qualified people.

This report is based on the following convictions:

- Economic growth alone will not succeed in absorbing under-employment, in particular that which concerns the least qualified people.
- Access to employment is the principal means of fight against poverty and social integration. However, access to work does not always eradicate poverty.
- In order to uphold growth and fight against the hard core of under-employment and poverty, a number of public policies and the behavior of the social actors marked by the last economic crisis should be modified. In particular it is necessary to re-examine the coherence of all the employment and social protection policies.

Overall, in the current context, this report will attempt to answer three questions.

- How can the employment contents of the economic growth be increased and in particular how can the demand for unskilled work be reinforced ?
- What can be done so that a return to work allows access to more stable and better paying jobs ?
- What can be done to ensure the strengthening of universal social protection, especially for the weakest members of society, but at the same time contribute to the dynamics of employment ? More particularly, how can redistributive justice and an incentive to work be reconciled ?

Taking into account a series of facts concerning the present situation and the assessment of access-to-work policies and social protection implemented in France and by some of our partners, the Council is led to outline actions it finds desirable to take.

Facts

- In France, the large imbalance persists between the companies' supply of unskilled jobs, which tends to be downsized in the long-term, and an overabundance of unskilled labor, despite the progress made in initial training and the important means available for ongoing training. This imbalance means **a particularly low rate of employment for poorly skilled people**, as well as a high rate of unemployment and a low rate of activity for these categories of people.
- **Poverty now affects more working age people than those who are retired.** Among the former, there is not a total exclusion from employment. A large proportion of poor adults holds a job, at least temporarily, each year.
- The low standard of living of the working poor does not only originate from insufficient welfare benefits but also from low income, **related** to "an incomplete work schedule": part-time jobs and alternating periods of unemployment and work.
- **For these workers with "an incomplete work schedule" and earning low wages, the work is hardly lucrative** : the income from their employment does not lead to a standard of living which is that different from if they did not work; it can even be inferior.
- The practice of an incomplete work schedule in poorly skilled or poorly paid jobs rarely leads to a better position. If the job "does not pay" immediately, the risks are that it will remain so in the long term.
- The unemployment benefit reform carried out under funding constraints at the beginning of the 1990's, transformed the RMI (Minimum Income of Integration), which was introduced in 1988, into the lowest rung on the unemployment benefits ladder. This swing has not facilitated a return to work for those not receiving unemployment benefits; moreover, it has challenged the capacity of the social services to help those recipients the most in need.

Current Policies

The reduction of labor costs at around the Smic (index-linked minimum growth wage) level has had a positive effect on the recent inflection of the offer of employment for the poorly qualified.

Evolution of employment by qualification



Source : Employment surveys, Dares estimates.

Significant adjustments are taking place to eliminate the calculation distortions of diverse allowances or taxes, penalizing activity linked income with regards to government benefits, making work not very lucrative, notably concerning tax on dwelling and housing allowance.

A progressive move towards more active complementary policies for employment is taking place.

In unemployment insurance, overseen by trade unions and employers representatives, the possibility of drawing concurrent incomes from work and unemployment benefits (reduced activity regime), the introduction of conversion contracts was the first manifestation.

The new Unedic (national union for industrial and commercial employment) contract marks a highly significant reinforcement in this direction.

Moreover, programs such as “Trace” for young people undergoing social integration problems, or the program “Nouveau départ”, mean a stronger orientation on the part of public service for employment towards personalized aid for the unemployed experiencing the most difficulty.

However, France’s lateness in relation to a number of European countries concerning this more active accompaniment must not be concealed. Neither should the gap which too often exists in actual practice between declared intentions at the creation of new programs and actual implementation be ignored ; this is notably the case for the CES (Contract for Employment and Solidarity) for which the amount of training and job

seeking aid is very often ignored as are the integration contracts planned in the RMI program.

The evaluation of experiences abroad highlights three points :

- The necessity to reinforce the coherence of public policies in favor of access to employment and social protection taking into account an overall improvement of the employment situation.
- The importance of a long-term action as structural policies require time to obtain results.
- The importance of a concerted effort between public authorities, trade unions and management, companies and other actors of the society to facilitate a return to work and quality jobs.

Recommended guidelines

Beyond the beneficial impact of maintaining sustained growth, a particular effort should be made to reabsorb the high rate of underemployment experienced by poorly skilled workers and not simply wait for the older generations to be replaced by generations who initially receive a higher level of training.

The Council deems it necessary to maintain a supportive effort on the behalf of companies for low skilled jobs; in addition, special attention should be paid to the evolution of the costs of low skilled labor, notably in aiming to limit the negative impact that the conditions of changing to a 35-hour work week could have on the Smic. Yet, this is not sufficient.

On the one hand, it is fitting to strengthen efforts for permanent training in companies, aimed mainly at the more fragile workers (workers with unstable contracts, manual laborers with poor initial training) and this depends partly on reconsidering contract policies. Moreover, for all the young people who are graduating or who have left school without a diploma or earned a CAP (vocational education certificate) or a BEPC (professional certificate of secondary school studies), setting up a education credit program could guarantee – along with government benefits – the equivalent of one year of training. It could be linked with a move towards professional integration ; or it could, for each person interested at one point or another in their career, add to the other opportunities made available by the law of 1971.

On the other hand, the actions of accompaniment towards the employment of the least qualified should be reinforced and benefit all those who are looking for

work, whether it be those receiving unemployment benefits under the new return-to-work allocation program or those receiving government assistance : the long-term unemployed who are recipients of a specific solidarity allocation or people on RMI. This should be one of the elements in a thorough re-evaluation of the three indemnity programs in order to better adapt our system to the transformations that the job market is undergoing.

The **development of contract policy** should involve two other fields.

The first concerns **negotiating salary minima** to be included in the industry-sector conventions and company agreements. Governments, in the past, have encouraged labor and management to negotiate these minima. Up to now, they have not had much success.

But companies cannot complain about the exaggerated role they feel that the Smic plays and, at the same time, refuse to re-examine contractual minimums which should normally, combined with a Smic set at a reasonable rate, ensure low paid workers the most adequate and flexible protection.

To this effect, a tripartite conference (public authorities, management, union organizations) could be held in 2002 before the government submits the report to the Parliament on July 1, 2005 outlining planned measures for making the guaranteed monthly salary pointless.

The second point has brought about what is called **the policies of the internal job market** : career opportunities, conversion or adaptation of job positions, targeted actions toward training in order to reach these objectives.

The Council insists that even workers on the bottom of the hierarchical ladder should be offered career opportunities or, at the very least, the means to move on to more stable and interesting jobs.

Rather than excessively penalize part-time or temporary work contracts, it would be preferable to take advantage of the period of economic growth to encourage companies, in terms of contracts, to offer these workers possibilities to improve their status and increase their employability through training.

The coherence of all transfers and social and tax levy should be improved for people with low incomes. : this concerns achieving social justice as much as ensuring motivation to look for work. Several measures have been taken to attain these goals, but a

complete evaluation still needs to be carried out and accompanying actions introduced. Presently, three points should be underlined:

- Measures had been taken so that work income was not penalized with regards to income from government benefits. Many distortions still exist, particularly concerning aid from local administrative sources which, even though less important, should be corrected.

- The employment bonus, recently introduced by the government, contribute to increase income for people earning 1.4 of the Smic. Through the methods chosen, it also emphasizes, for the lower salary brackets, progressivity in redistribution (which also results in levies and transfers under resource constraints)

- In order to truly fight against the working poor phenomena as well as favor access to employment for workers said to be poorly skilled, the redistribution mechanism could be completed in favor of the working poor who little benefit from the employment bonus.

On the one hand, it would be necessary to succeed in a better child-care for families with the most modest means as well as spending linked to holding a job (the system of income tax deductions covering professional expenses excludes these people).

On the other hand, it would be fitting to consider setting up a support system for those in the lower income brackets who do not succeed in finding an activity for long enough to earn sufficient wages to pull them out of poverty. The report aims at justifying the interest of such an approach.

The CERC (Council for employment, income and social cohesion) was founded in April 2000.

The council is composed of people appointed by the Prime Minister and chosen for their competence.

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To complete this report, the Cerc referred to a considerable amount of statistics and economic studies carried out by the Insee, the Forecasts Directorate at the Ministry of Economy, Finance and Industry, the Dares and Drees at the Ministry of Employment and Solidarity, by the services of the ANPE (National Employment Agency) and the Unedic and French embassy services for the information on foreign situations. Several research teams also contributed to this report.

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