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EMPLOYMENT REVIEW BY COUNTRY

FRANCE

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INTRODUCTION

At the turn of the century, the french situation regarding employment is characterized by two traits : a spectacular bettering since 1997, and the persistence of high-level unemployment. So the main question is how to confirm such a virtuous and recent trend, and to identify and overcome the possible barriers to a way back to full employment.

The debates are quite vivid and even controversial about the causes of the bettering and the desirable reforms to elaborate and implement. The socialist government advocates point out the way back to rapid growth and the positive effects of the « Aubry laws » shortening the weekly working time. Other analyses focus on the french rigidities and even archaisms. But a lot of studies agree on identifying many drawbacks in the functioning of the french social protection system, which is not «employment friendly» and reveals a number of inconsistencies and disincentives.

The brief following report will first give and comment the key figures of the french employment revival, and then present the two main agreed upon contributors to the quick fall of unemployment : growth and macroeconomic framework on one hand, and a partially specific labour market policy on the other hand. Last, it will focus on the main policy debate still ongoing during autumn 2000 : the reform of the unemployment insurance.

I. THE LABOUR MARKET SITUATION

The first fact to acknowledge is the way back to a one-digit unemployment figure, which constitutes in itself an event in France. The nation seemed resigned to persistent mass unemployment, and slowly discovered that it was not a fate. The 10 percent level was crossed down in may 2000.

The official standard (ILO) rate of unemployment was 9.6 % of the workforce in august 2000 (figure given the 30 september), which corresponds to 2.328 millions persons.

From 31 march 1999 to 31 march 2000, the total employment growth was + 488,000, and unemployment decreased – 370,000. Such figures are the best since ten years, and, after a short pause in july 2000, the trend is expected to go on.

Unemployment is decreasing since 1997, and quickly decreasing since mid-1999. The maximum level was around 12.5 %, level attained twice : 1993 and 1996-97.

Underemployment seems stable, except for involuntary part-time jobs, which are expanding. An interesting indicator is the number of persons working more than 78 hours per month but registered as unemployed in the PES, stable around 500,000. There is no accurate figure for discouraged workers (maybe around 300,000). Another indicator is the number of persons

benefitting from unemployment compensation but allowed to stop looking for jobs (« dispensés de recherche d'emploi ») : 286,000 in april 1999, and 328,000 in april 2000.

However the workforce is still growing, as we will see below.

The so-called « structural unemployment » is estimated by research institutions at 7.5 – 8.5 %, (at more than 9 % for the OECD) but these figures remain controversial.

The structure of unemployment is best depicted by considering the Public Employment Service figure of DEFM1 (« Demandeur d'emploi en fin de mois, catégorie 1 ») which registers the unemployed looking for full time and non-contingent job contract.

The total number was in may 2000 : 2.355 millions

Among which :	men	:	1.136 millions	
	women	:	1.219 =	
	less than 25 years	:	0.382 =	
	25 – 49	:	1.636 =	
	more than 50	:	0.378 =	
	long-time unemployed (more than one year)	:	0.839 =	i.e 35.7% of the total (38.2% in may 1999)

The bettering of the situation (- 17 % from may 1999 to may 2000) benefits to every category of unemployed : not only the youth (- 22.3 %) and adult (- 16.6%) categories, but also the older workers (-12.8), and any LTU worker : registered between one year and two years ago (-22.8%), two - three years (-27.1%) or more than three years (-22.6%).

However, as in most countries, unemployment selectively hits groups.

The last available figures as regards age and gender bear on april 2000 and are as follows (the overall ILO unemployment rate was 9,9) :

	Total	Men	Women
15 - 24	17,9	15,9	20,5
25 - 49	9,2	7,5	11,3
50 and more	8,1	7,4	8,1

Table 1. Unemployment rates by age and gender, France, April 2000 (in percentages of the corresponding group in the labour force) Source : DARES

We find here the persistent differences between young and adult workforce. The usual comment as regards the high unemployment rates for young women (and to a lesser extent young men) is that such figures have to be connected to the activity rates, which are exceptionnally low in the french case (see below). So the proportion of unemployed persons into a given age cohort is not so high. Of course, the pros and cons of the policy keeping young workers out of the labour market have to be discussed.

The selective impact of unemployment is also conspicuous for some ethnic minorities, and low-skilled workers.

For young men and women, being children of migrants from Maghreb (Algeria, Morocco) has a straightforward effect on the labour market : it multiplies the unemployment rate by three. The figures date from 1990, but a number of more recent studies confirm the relationship¹. However, the situation is quite different for children of spanish, italian origin : such origins are without any effect on the odds of being recruited.

In march 2000, the unemployment rates were 5.7 for persons with a college level, 6.9 for persons with a high school level (baccalauréat) and 16.2 for persons without any diploma. So the diploma appears as a « protection » against unemployment.

If we consider now more closely the pace of unemployment reduction, it appears that it is fast, but the acceleration is quite recent.

It seems that a new dynamic of unemployment reduction, rather strong, is developing in France, parallel to Germany. If we consider the six months between october 1999 and march 2000, the mean reduction for Europe (15 countries) is – 0.3 %.

It is -1.2 for France, - 0.8 for Germany, – 0.3 for Spain, Belgium, the Netherlands, and – 0.1 for UK and Italy. But of course it should be noted that, in the french case, such a virtuous trend starts from high and persisting levels.

A complementary indication is given by the flows on the labour market.

The inflow into unemployment is growing : 352.400 new registered unemployed during the month of may 2000 (+ 2.7% over the year), and also the outflow : 360.400 departures (+5.1%). So the recent performance is based upon a general rise of the activity and the mobility of workers.

We can now turn to employment.

Here again some very good news appear. France was very often associated to the european sclerosis and rightly criticized for the employment stagnation the nation witnessed. The recent perspectives show a dramatic change : during the best years of the 1945 – 1973 growth, the net employment creations were around 300.000 or 400.000 per year. It seems that the 2000 pace is around 600.000 new jobs, which is exceptional. The contrast is all the more patent with the preceding period : it must be remarked that the employment level remained rather constant during 25 years and fluctuated around 22 millions from 1975 to 1997 !

The total employment is, at the end of the year 1999, as follows :

23.273 millions jobs, among which 20.820 millions salaried (+ 2.3 % over the year) and 2.453 self-employed (still diminishing, - 0.5 %). The main source of employment growth is the service sector (6.4 millions in administration, education, health and social services, + 1.7% ; and 8.905 millions in other (private) services, +3.8%).

The manufacturing sector is also, and it is a recent trend, creating jobs : 4.071 millions, +2.6%).

¹ C. Daumas, *Libération*, 13 june 2000.

The employment rate (% of persons employed compared to the number of persons aged between 15 and 64) is fluctuating around 60 %, which is the mean european level as set by European reports.

The activity rate (comprising persons employed and persons looking for a job) is constant over the period... 1960 to 1999 (INSEE, enquête emploi, various years).

However such stability corresponds to important internal moves : a steady growth of adult women activity rate (women aged 25 – 49, from 60 % in 1975 to 80 % in 1999), opposed to important falls of the activity rates of other categories : the youth and the elderly.

A first french specificity is the strong drop of youth activity rates : from 55 % to 30 % during the same 1975 - 1999 period for young men and from 45 to 25 % for young women. And the second is a rather constant policy of withdrawing older workers, mainly by early retirement schemes : the activity rate for men over 50 years dropped from 50 % in 1975 to 35 % in 1999 (the rate for older women remained stable around 25 %). However the trend is reversing since 1998 with a moderate growth for these categories : the bettering of the labour market situation is attracting newcomers and retaining more (mainly male) older workers.

So the main determinant of the overall workforce size is demography : it brings 160.000 new net yearly arrivals on the labour market for the period 1996-2000. For the period 2000 – 2005, the trend is expected to lessen : around 100.000 new net yearly arrivals². Such a forecast bring other reasons for being optimistic : the needed number of net new jobs for attacking unemployment is diminishing –of course it brings new problems such as financing retirement benefits.

We can now consider the structure of employment.

In march 2000, amongst 20.864 millions salaried workers, 975,000 are working with short-term contracts (« Contrat à durée déterminée »), and 1.2 millions are working in other contingent work situations : interim (550,000), subsidized short-term contracts (460.000) and apprenticeship (285.000). So the meaningful percentage is 11 % of the salaried in non-standard forms of employment.

The following table gives the figures from 1996 to 2000, and shows that the short-term contracts are still growing :

² Cf OFCE, 2000, *L'économie Française 2000*, La Découverte

	March 1996	March 1997	March 1998	March 1999	March 2000
Independent workers	2.932	2.864	2.802	2.770	2.665
Salaried	19.561	19566	19.904	20.153	20.864
<i>Among which</i>					
Interim	273	330	413	447	550
Short-term contracts	790	849	906	892	975
Apprentices	219	234	257	276	285
Short-term subsidized contracts	451	417	405	424	462

Table 2 : Occupied workforce, by employment contracts, France, 1996 – 2000 (thousands)

Source : INSEE, Enquête-Emploi.

A last remark is in order here. The share of part-time work is now important in France, and growing thanks to a huge subsidizing policy established in the middle of the 90s, but recently mitigated. The percentage of part-time jobs was 10 % in 1985, 16.8 in 1997 and more than 17 % in 1999. A lot of debates and controversies arose about the so-called « unvoluntary part-time work », accepted by workers looking for full-time jobs. It seems that such a situation concerns one-third of the part-timers. However, a number of studies showed that an important number of these workers earn very little income and can be considered as « working poor ».

If we summarize the recent employment performance of France, we have first to note the spectacular bettering.

But two facts remain worrying : the first is the persistence of a strongly segmented situation, as indicated by the appearance of the « working poor » and the persistence of short-term work contracts. The second is the difficulties as regards the fight against exclusion. An interesting evolution is the number of people benefitting from the Revenu Minimum d'Insertion (RMI). The last figures (september 2000) are at least optimistic, but only moderately optimistic.

The RMI was created in 1988, and intended to be an unconditional last resort income safety net. The level of the payments are approximatively half of the minimum wage, and modulated with the family situation of the recipients. Since its creation, the RMI witnessed a constant growth of the number of beneficiaries. The trend only reversed in october 1999, and the maximum level of 1,020 million observed then is now changed into 990.000 for august 2000. So the difference is 30.000, which corresponds to 3 percent of the previous total. This 3 % reduction pace (for 9 months) is easily compared with the pace of the long-term unemployment fall :more than 20 % by year as we saw above.

So France is only at the beginning of a real attack of the core exclusion. And the persistence of low-paid and unstable jobs, especially for people attempting to leave unemployment, is indicating that will persist and even develop some rotation unemployment, attracting and rejecting low-skilled and weakly employable persons.

II. MACROECONOMIC CONDITIONS

The main explanation for the recent employment revival is non-inflationary and rather sustained growth. The GDP growth rate was only 2 percent in 1997, but 3,4 percent in 1998, and around 3 percent in 1999, after a short slowing down period. The inflation rates are less than 1 % for 1998 and 1999.

And the trend seems to go on.

A number of favorable elements explain this good macroeconomic environment. Some are exterior to France. It is the case, of course, of the building of the European union and the creation of the Euro zone. To meet the Maastricht criteria was particularly painful in France, and the benefits of the unified monetary union are now spreading, with the stability of trade conditions inside the Euro zone and the help of a relatively weak external value of the Euro. The globally good international climate is also an important contribution, although the importance of exports is now less than before. Of course, the rise and diffusion of the « new economy » must be mentioned, with important consequences on the sectoral content of growth.

However, internal factors are also to be mentioned, and bring substantial contribution to growth. We have first a strong internal demand, associated with a high level profit share into the value-added, and also a (still) persistent wage moderation.

So we can pinpoint the budgetary policy.

The choice of the L. Jospin government since 1997 is to sustain growth with a continuing stimulating budgetary policy. It seems that France reached a virtuous circle. The deficit of the budget is gradually reduced : set with a special effort at 3% of GDP for 1997 (the Maastricht criterium), it was at 2.7 % in 1998, 2.2 in 1999 and the target is 1.8 for 2000.

The room for manoeuvre given by growth is quickly widening at the beginning of summer 2000, and finance minister L. Fabius decided (13 July) to partially use it for reducing the state debt : ten billions euros during the year 2000.

The growth forecasts for 2000 are very good : between 3 and 4 %.

For the moment the wages are not rising, and there is no sign of a particular trend towards wage differentiation. But wage inequality (as measured for example by interdecile ratio) is rather strong in France, and the high levels of casual and part-time work (cf supra) lead to increasing income inequality and to a growing group of so-called « working poor ».

Elements of continuity exist for taxation policy : the government kept the same direction as the preceding one and endeavoured to reequilibrate the weight between labour (overtaxed) and capital, by limiting Social Security contributions for low wages.

But a rupture is now engaged : following the German example of the seven years plan of 87 billions DM tax reduction announced in July 2000, the French government is planning a general reduction of taxes : 120 billions French francs for five years – which is less. Another difference is that the German plan is clearly focussed on business taxation, while the announced French cuts are more evenly distributed³.

Some concerns appeared about the business environment (rules for creating new firms, profit taxation, controls), but did not (yet) end in spectacular reforms.

III. LABOUR MARKET POLICY

The main other explanation for the French employment performances is an active and quite specific labour market policy. Here two elements can be distinguished. First, we have to consider the persisting efforts of the Public Employment Service, offering, as in many European nations, a wide array of services, subsidies... But the period under review is strongly affected by the two « Aubry laws » (from the name of the employment and social affairs minister Martine Aubry) implementing a general reduction of the weekly working time : the two « 35 hours laws ».

III.1. Labour market policy

The French labour market policy is quite developed and mainly focussing on youth and exclusion.

³ The choices of the finance minister L. Fabius were hotly debated.

At the end of 1999, 2.4 millions persons were benefitting from « active » measures (stock). During the 1999 year, 1.9 millions entered some « active » measure (flow). The bulk of the stock is wage subsidies (1 million), dual training for the unemployed (0.5 million), and non-profit jobs (0.5).

During 1998, was enacted a law against social exclusion, and the targets are more and more the less favoured persons, for example : dropouts and people benefitting from the minimum income, RMI).

Amongst the main recent initiatives, we may note the « Emplois jeunes ». These jobs for young workers were enacted by M. Aubry in 1997. The main idea was to finance jobs in the non-profit sector and the public sector (mainly municipalities) for a rather long period : five years. Two important characteristics are to be noted : such jobs must have a training component, and they are rather well paid : at least the minimum wage, which is in France at a rather significant level (approximately 7000 francs/month at the end of June 2000). The total number of these jobs was set at 350.000. The important effect of this programme is of course to give more opportunities to the young workers : they can leave the subsidized job at any time, so they do accumulate a good work experience and benefit from a stabilized multi-annual prospect. However the cost for the state is very important, because the state gives a subsidy equal to the minimum wage, the subsidized non-profit organization or public agency paying only a top-up contribution.

Other important efforts are tailor-made counseling and follow-up programmes for the long-term unemployed and for fighting the most excluded persons.

All in all, the french efforts in labour market policy are substantial : around 3 or 4 % of GDP, with a strong tendency to increase « active » payments, which reach a little less than half of the relevant budget. A persistent problem remains : the absence of real connexion between the « active » and the « passive » components, a problem which we consider below.

The overall results of these efforts is however much less than the effect of growth : when all the substitution and deadweight elements are taken into account, the global net effect against unemployment of the flow in and out « active » measures is estimated as 70.000 or 80.000 jobs created for 1999. This figure can be compared to the net effect of growth, estimated around 300.000 jobs.

III.2. The two « Aubry laws »

The main initiative under discussion is the shortening of the workweek, achieved through the two « Aubry » laws of 1998 and 2000. The way chosen remains controversial. In the terms of the french debates, the government chose the collective way of shortening the working time, and limited the development of other ways such as part-time, called an « individualistic » way of shortening working time. We mentioned above the end of a previous policy giving considerable help to employers creating part-time jobs.

The process was concluding a decade of various attempts : the development of part-time was initiated by a socialist government, pursued by the conservative governments of M. Balladur and M. Juppé. A previous law (« Loi Robien », 1996) allowed, on a voluntary basis, a heavily subsidized reduction of weekly working time.

The first « Aubry law » was enacted in June 1998. Established for firms over 20 salaried, it gave important subsidies to firms if they choose to adopt immediately the 35 hours week, and set the obligation for all to adopt the 35 hours after the 1st February 2000.

The second one was enacted during Spring 2000. It set the same subsidies and obligation for firms with less than 20 workers. The deadline for a general enforcement of the new 35 hours norm is the beginning of 2002. It gave also detailed instructions regarding technical and transitory rules, such as the treatment of the minimum wage (SMIC) because it is an hourly wage and the government wants to maintain more or less the overall purchasing power of a normal full-time wage. So a complementary differential credit is established for a transitory period, and it generates the temporary coexistence of two minimum wages.

Another important trait is that the laws allow some flexibility and foster negotiation in a wide number of domains : work organization, overtime, variation of schedules over the year, various compensations....

The official target of the government was (as set in 1997) to create 700,000 jobs.

The employers union (MEDEF, Mouvement des Entreprises de France) was frontly hostile to the law, deemed as bureaucratic, costly, dirigist and the contrary of the needed flexibility. The relationships between the MEDEF and the government became to be openly conflictual, and since two years the MEDEF threatens to stop any participation to « paritarisme », ie the co-management of social protection institutions together with labour unions and the state (see below).

Some studies are now available on the immediate effects of the first Aubry law⁴. The main results are as follows.

At the beginning of year 2000, 4.2 millions salaried were working 35 hours a week (the total number of salaried jobs in France is 20 millions). The last official figures about the job created are 74,000 jobs created in 1998-99, and 165,000 expected for 2000. But it is widely believed, even in official circles, that the figure of 700,000 jobs will not be obtained, and that finally 400,000 to 500,000 jobs can be gained by the two laws, over five years.

The main reason is that firms adopted three different strategies.

One third « play the game » and reduce working time by ten percent. Other reduce only 5 percent, because they exclude « pause time » from the computed data. A last group stays at 39 hours and pays overtime.

⁴ *Travail et Emploi*, April and July 2000.

Among the immediate consequences we can identify at least four very different evolutions :

- the workers are rather satisfied ; the laws contributed to open a debate on the leisure time and on the equilibrium between private and working life ; but it seems also that, in a number of cases, the firms seized the opportunity to put more pressure on workers and strenghten the work intensity ;
- important opportunities for reorganizing work were seized by anticipating firms, and it triggered an innovative process ;
- however important coordination problems appear with individualized schedules ;
- and the last consequence was the persistence of wage moderation in a period of expansion : wage rises were delayed (but with the ongoing growth, things may quickly change).

Of course it is too early to establish the final balance. Some effects are still expected and/or unclear, as regards the case of small firms and executive workers. But an emerging consensus is appearing. The two « Aubry laws » do create jobs, but less than expected : the global estimation for 1999 is as follow : around 100.000 jobs. They stimulated local (at firm level) negotiation, while leading to an open conflict at the top level. And, being quite complicated, they revealed the adaptation capacity of french firms and french unions.

IV. TOWARDS A MORE EMPLOYMENT-FRIENDLY SOCIAL PROTECTION ?

Many observers underlined that the french employment performances were indeed remarkable, but also costly, and could maybe arrive at some limits, for example at an inflationary barrier. Futher betterings of the labour market could foster wage rises and then limit job creations. And is the right workforce available at the right moment ?

We consider now the need for reforms in the french ways of managing the labour market. We could of course discuss more in depth the question of taxes, as evoked above. Another field of proposals is workers' savings and retirement schemes.

But two different domains currently under scrutiny deserve a more special attention. The first is the french schooling and training system, and the second is the connexion between the labour market and the social protection system. In both cases, some reforms are engaged, but whithout a real consensus about the direction to keep.

We will give only sketchy indications about training, and we will focus on unemployment insurance because a hot controversy developed regarding its reform during the year 2000 –and remains still unconcluded-.

IV.1. Training

Often analyzed, the french training system is characterized by high level and standards, but also by strong and persisting inequalities. Without getting into details, the schooling system opens three main channels after a general education, in principle given to everybody until the age of 16 : a small and moderately growing apprenticeship system ; a general way leading to the universities, and leaving aside, at each level, a big number of students unable to follow the cursus ; and a highly selective channel of « grandes écoles » leading the best students to high-level professional diplomas.

Education and training are following a progressive evolution towards an extension of professional « dual » devices, combining classroom training and work experience. The evolution affects of course the expansion of the apprenticeship system, but also the « grandes écoles » channel, and ultimately the universities, either develop diploma in connexion with business chambers, or foster the acquisition of work experience.

On the other side of continuing education, the 1971 « loi Delors » sets for the firms the obligation of spending a percentage of wage bills in official training and re-training of the employees. In 1995 firms spent 3.3 % of their wage bill in training expenditures.

However such practices develop only slowly, and the main characteristics of the french system remain :

- i) a well organized and elitist general education system...
- ii) leading to a segmented world and to little productive knowledge for the bulk of workers.
- iii) important opportunities and duties given to firms for training their employees...
- iv) leading to a reinforcing of the preceding tendencies. Some critical evaluations of the « Loi Delors » showed that firm only train the most skilled. So they introduced the idea that, managed in this way, continuous training is not at all combining efficiency and equity. But no attempt has been done to curb this tendency.

So in every segment of the system, the tension remains between the selective efforts of producing high quality and adaptable workforce and the egalitarian efforts of giving everybody a first or a « second chance ».

IV.2. Unemployment insurance

The french social security system was built, as in Germany, on the employment relationship. Rights were given to regular salaried (male) workers and extended to their families. The feminization of the workforce, the growth of casual labour and and the mutations of the family during the nineties made such a model increasingly inadequate. So for each risk, state-paid complements were introduced, and a minimum income (Revenu Minimum d'Insertion, RMI) was set in 1988. But the evolution was incremental, and posed problems of coherence and incentives, for the workers and for the social partners.

It is particularly true of unemployment benefits.

The present state of the affairs is a three-tiers institution :

- the classical unemployment insurance, benefitting to previously stable workers and managed in a very restrictive way by the social partners,
- the unemployment assistance (« solidarité »), state-managed, restrictive too, and benefitting to some categories of unemployed (not all)
- and the ... RMI, helping some categories of unemployed over 25 years and without other rights.

The main consequence of the situation is that only 50% of the unemployed qualify for some unemployment benefit.

In addition of being unduly restrictive, the system generates some unemployment traps and poverty traps because it is connected to other rights and benefits (eg housing benefits). For example some people previously benefitting from RMI may end with lower income if they choose to perform low-paid jobs and loose their rights to housing benefit. And there exists a set of strong incentives in favour of half-time work, allowing some firms to generalize such jobs to reluctant/unwilling workers. Most of the « working poor » are persons working part-time.

Two reforms perspectives are currently under discussion.

The first, classically elaborated in a number of administrative reports, is a progressive reform of the system, expanding rights (setting them proportional to the number of hours worked) to every category of workers, limiting disincentives and proposing new mobility arrangements such as job rotation schemes. Some ideas were put forth in a recent report of the Commissariat Général du Plan (« Belorgey report »)⁵.

The second, under hot and continuing debate during the summer 2000, is a radical and controversial proposal presented by the MEDEF and two employed unions, the CFDT (Confédération Française Démocratique du Travail) and the CFTC (Confédération Française des Travailleurs Chrétiens).

Under the general name « Refondation », the MEDEF attempted since the beginning of 2000 to negotiate directly with unions about reforming the whole social protection system. It began by unemployment benefits, and obtained the agreement of the two cited unions (but the important unions CGT, Confédération Générale du Travail, FO, Force Ouvrière, and CGC, Confédération Générale des Cadres, did not signed) the last 14 june, for creating, instead of the old unemployment benefit, a new institution named « PARE » or Plan d'Aide au Retour à l'Emploi. A switch from passive protection to active security ?

The spirit of the PARE is twofold. The benefits are extended to some categories of persons having more limited work periods, and remain constant over the time (actually they decline every six months) ; but it introduces for every unemployed some « competency balances » and the obligation of accepting work offers within some (not very well) specified range. So there are better rights and more pressure on individual adaptation. The place given (or left) to

⁵ Commissariat Général du Plan, *Minima sociaux, revenus d'activité, précarité*, Rapport du groupe présidé par Jean-Michel Belorgey, may 2000.

the Public Employment Service and to the state is not precised, and it may lead to important obstacles on the way of a national implementation of the agreement.

During the autumn 2000 it was only possible to speculate about the final outcome of such a complicated and controversial reform process⁶. Some observations can be made on the current project, which seems to have fair chances to keep most of its current characteristics.

Among the positive traits of the proposal, two are of utmost importance :

- It seems that it is the first time that french social partners undertake a reform negociation without any state impulsion. If the initiative of the MEDEF reaches an agreement with the state and the other non-signing unions, it could become the beginning of a new era in the french « Paritarisme » history, an era which could lessen the state domination on the U.I. system and enhance more decentralized actions.
- The connexion between « active » and « passive » components of Unemployment Insurance is made highly visible. This evolution could confirm the long-lasting efforts of the french policymakers at « activating » the labour market policy.

However, two limits threaten the whole process :

- During autumn 2000, a new round of negociations is taking place, more on implementation issues. The negociations develop in a context of union division, state rigidity, overstatements and overbids. The union division still appears as one key obstacle to a new management of U.I.
- An explicit aim of the employers' union is to immediately cut down the UI budget. We noted above the low coverage of the existing french U.I. Even in a context of rapid decrease of unemployment, with so many uncovered needs, such a position may generate new tensions. « Activation », when properly implemented, could bring important savings to the U.I. system : in the very short term, efforts to cut down the U.I. expenditures may result in aggravated pressures put on the unemployed.

⁶ This text was written before the 20 November 00.

CONCLUSION

The main reasons for the turnaround are the virtuous effects of the new growth fostered by the creation of the Euro zone, and a moderately but persistent stimulating macropolicy, combined with a quite active labour market policy.

We may note two paradoxes :

- There is a quick decline of the long-term unemployed group, but (at the moment) a very slow decline of the number of minimum income, RMI « clients ». So a number of institutions and researchers point out that the new growth is leaving aside the less favoured.
- The Aubry laws had some unexpected effects : favouring social dialogue at the level of firms and blocking it at the central level. They seem to reveal the adaptation capacity of many french firms, implementing imaginative work arrangements ; and never the climate of industrial relations was so bad than today.

The reasons of such paradoxes may be that despite strong efforts towards active and targeted labour market policy, and towards more autonomy given to the social partners, France is still under the influence of past choices which included an elitist bias and the strong presence of state intervention. But there is an emerging consensus on the idea that social protection and economic progress are quite compatible, if negotiated solutions are looked for.

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