

France

An unemployment insurance system ill-adapted to the economic crisis

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Compulsory unemployment insurance was quite late to appear in France. It was the outcome of a long history of indecision over the merits of introducing such a system. At the start of the 20th century, many players on the political scene preferred recourse to public or private welfare schemes. The first of these routes was the one taken by France, on a massive scale. Prior to the creation of Unédic, most unemployment benefit cover came from local unemployment funds set up by municipalities and *départements*. However, given the low territorial density of this network, the cover provided fell far short of applying across the board to all jobless workers. In 1958, an estimated 20% of the unemployed were assisted by unemployment funds. The creation that year of a joint unemployment insurance scheme (with equal representation for the employers' organisations and trade unions) did not call into question the existence of this public welfare scheme, which still endures today, both in its traditional forms (e.g. the solidarity scheme, which pays an allowance to some of the people not covered by insurance schemes) and in more unconventional forms (e.g. the basic guaranteed income [*revenu minimum d'insertion* - RMI], which was initially set up with other objectives in mind). Maybe the composite nature of this benefits system should be seen as the product of persistent doubts surrounding the status of the unemployed: are they really out of work through no fault of their own? This recurring suspicion might explain why, ever since its creation, other than in exceptional circumstances, Unédic has never managed to provide cover for more than one unemployed person in two, whatever the economic and social situation in France.

The unemployment insurance scheme is coming under huge pressure as a result of the economic crisis, which is forcing the prospect of

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unemployment on a growing number of workers, most definitely against their will. A spectacular rise in the numbers of the unemployed was observed during the course of 2009, with the experts forecasting a jobless total around 500,000 by the year end. Given the alarming nature of this economic situation, it is incumbent on Unédic to make an active contribution to the social management of this crisis, so as to mitigate its effects on household incomes. In other words, expectations were greatly raised that the reform of unemployment insurance, the negotiations surrounding which have coincided with the deepening of the crisis, would address the challenges of the day. Now that these reforms have been completed, the verdict on the unemployment insurance scheme is clear: it appears both to be out of step with the economic situation, in view of the crisis, but also structurally out of phase, given the trends in the labour market (Cornilleau, Elbaum, 2009). In many ways, the new unemployment insurance agreement, which was signed on 19 February 2009 and came into force on 1 April this year, is a minimum-level agreement that does not reflect the full extent of the crisis.

A benefits framework already revised a number of times

Since the time of Unédic's creation in 1958, the collectively agreed unemployment insurance scheme, which is jointly managed by the trade union confederations and the employers' organisations, has undergone some profound transformations. From the outset, the objective of this joint social protection scheme, which is separate from the social security system, has been clear: its remit is to ensure that workers who lose their jobs through no fault of their own can enjoy a stable income to assist with their occupational mobility. The creation of Unédic therefore had more to do with efforts to adapt the French economy to meet Common Market imperatives than with merely addressing the need to provide assistance to the unemployed, who in any case were quite few in number in the late 1950s. From the start, the unemployment insurance scheme was intrinsically linked to the public scheme (now known as the 'solidarity scheme') which provides benefits to jobless workers who do not qualify for assistance from Unédic. At the present time, while these two component parts do not form a coherent system, they nevertheless constitute an integral part of the unemployment benefit system. This is a complex system of working relationships involving the government and the social partners in a somewhat uncoordinated benefits system. Some of the blame for the reduction in the level of benefit cover for the

unemployed can undoubtedly be laid at the door of this tripartite arrangement, given that the players concerned have failed to shoulder their responsibilities properly.

As far as the respective positions of unemployment insurance and unemployment assistance are concerned, history shows that various combinations have been tried out. From 1958 to 1979, unemployment insurance was a collectively agreed scheme that supplemented the welfare scheme. In reality, most of the unemployment benefits allocated to job-seekers were channelled via the unemployment insurance scheme. Unemployment benefits continued to be paid via these two separate routes until 1979. Throughout this period, we find a growing number of reports produced by the authorities, all of which call for structural reform of the unemployment benefit system, to bring the two benefit schemes closer into line. For example, the Ortoli report in 1967 recommended merging the two benefit systems, so as to place all employees on an equal footing. Three years later, a working party chaired by Raymond Soubie reached the same conclusion and recommended radical reform by way of a merger between government assistance and the collectively agreed scheme. This recommendation was repeated in 1978 in the Jouvin report (Daniel, Tuchsirer, 1999), which emphasised ‘the institutional complexity of two uncoordinated systems, which have put in place benefits and forms of welfare based on unharmonised rules’.

A brief history of unemployment insurance agreements

Agreement of 31 December 1958: this established the national multi-industry system of special allowances paid to jobless workers in industry and commerce, to supplement the pre-existing government assistance scheme. However, the co-existence of these two schemes led to a complex system of regulation, which gave rise to discrimination among the unemployed.

Agreement of 27 March 1979: this merged government assistance and unemployment insurance benefits into a single scheme, managed by Assurance chômage [the unemployment insurance authority]. One third of the cost of this scheme was financed by the government, with the remaining two thirds coming from contributions from the employers and employees. An early retirement system was also created. ...

...

The rise in unemployment levels and the high cost of the early retirement system introduced led to a major financial crisis. Benefit and contribution levels were reviewed, a loan was taken out and the government granted a subsidy. However, these measures were still not enough to overcome the crisis.

Decree of 24 November 1982: as the social partners could not reach a new agreement, the government amended the benefit and contribution levels by decree. This was the only time in the history of welfare insurance that the social partners failed to reach an agreement.

Agreement of 24 February 1984 on unemployment insurance: the state solidarity scheme became a subsidiary component of Assurance chômage unemployment insurance benefits. Unemployment insurance paid out benefits on the basis of entitlements acquired by the job-seeker. The state solidarity scheme paid a fixed amount and intervened in cases where the job-seeker did not qualify or no longer qualified for unemployment insurance. This dual system is still in existence today.

Agreement of 18 July 1992: in the face of a serious financial crisis, contribution levels were increased, a sliding scale of benefits was introduced, benefit entitlement periods were altered, and the benefit deferment period was increased.

Agreement of 1 January 1993 on unemployment insurance: introduction of the sliding-scale single allowance (Allocation Unique Dégressive - AUD).

Agreement of 1 January 2001 on helping job-seekers back into work and on unemployment benefits: the surpluses generated by the improvement in the labour market allowed for a reduction in contribution levels, the abolition of the sliding-scale scale of unemployment benefits and the creation of the plan providing assistance with returning to work [Plan d'Aide au Retour à l'Emploi - PARE]. This plan committed unemployment insurance to a programme of expenditure activation. Unemployment insurance financed the introduction, via ANPE, of individualised support for job-seekers receiving benefits.

Agreement of 20 December 2002: Faced with a deficit of 3.7 billion euros at the end of 2002, the social partners decided to increase contribution levels and to alter the benefit payment categories (reduction in benefit entitlement periods and changes in affiliation periods), while at the same time reducing the benefit deferment period. The PARE was maintained.

Agreement of 1 January 2004 on helping job-seekers back into work and on unemployment benefits: concluded on 20 December 2002, for the period from 1 January 2004 to 31 December 2005.

Agreement of 18 January 2006 on helping job-seekers back into work and on unemployment benefits: Assurance chômage enhanced and individualised its arrangements for providing support to the unemployed to help them to return to work more quickly. To ensure that its cumulative deficit of almost 14 billion euros at the end of 2005 was rapidly made up, contributions were increased slightly and affiliation categories were adjusted.

Finally, in 1979, this dual system was abolished through a framework law establishing a single system for paying unemployment benefits. Unédic, with financial support from the government – in the form of a subsidy – then began to pay benefits to unemployed workers who could not find a job through no fault of their own; the nature of these benefits depended primarily on workers' personal circumstances with regard to the labour market. These institutional transformations were accompanied, through to the early 1980s, by an ongoing improvement in the social security entitlements of job-seekers. It should be emphasised that during the early stages of unemployment insurance, the principle of occupational solidarity enabled people who had not previously contributed to the scheme – such as young people, former agricultural workers and the French settlers repatriated following Algerian independence – to subscribe to the joint scheme, to help them integrate into the labour market. Consequently, during this period, unemployment benefits were used as a way of helping people to find work and managing mobility within the labour market. However, this unified scheme focusing solely on the status of the job-seeker only lasted for a while.

Financial adjustments on the agenda since the 1980s

Since 1982, on the other hand, we have witnessed a complete overhaul of the benefits policy pursued up to that point. The period of crisis and unemployment that followed, coupled with the dogma of balancing the budget, weighed heavily on the system of paying benefits to the unemployed. Under the cover of a managerial logic endeavouring to guarantee the continuity of the joint scheme, a process of individualising

benefit entitlements became apparent from 1982 onwards. Thus the 1982 decree introduced the so-called benefit categories mechanism. In concrete terms, since that date and through to the present time, the terms under which benefits are paid to unemployed persons no longer depend on the circumstances in which they lost their job but rather on the length of time for which they contributed to the joint scheme before becoming unemployed. This reform redirected Unédic's focus towards an insurance-based logic, via a greater emphasis on the contributory nature of the scheme. Taking this contributory criterion into account accentuated inequalities of treatment among the unemployed, thereby reproducing the labour market dysfunctions that the scheme had previously sought to correct.

Table 1 Benefit categories applicable under the unemployment insurance scheme

	Period of paid employment	Maximum benefit entitlement period
Since 18 January 2006	6 months' employment over the past 22 months	7 months
	12 months' employment over the past 20 months	12 months
	16 months' employment over the past 26 months	23 months
	age 50 and over 27 months' employment over the past 36 months	36 months

Source: Unédic

A further threshold was crossed in 1984 when, under heavy pressure from the employers' organisations, the scheme was split into two. On one side there was unemployment insurance, managed and financed by the social partners, and limited to those employees who had contributed to the scheme for long enough. And on the other, a government-run 'solidarity' scheme financed through taxation and aimed at those not covered by insurance schemes (the long-term unemployed, young people seeking their first job and unemployed people who had only worked for a short while). These reforms were to have painful consequences for the vast majority of the unemployed, who saw their benefit entitlements cut. The succession of reforms embarked upon from 1982 onwards (a sliding-scale allowance declining over the course of time, introduced in 1992, followed by several successive changes tightening the restrictions on access to the scheme and the conditions governing previous contributions within each category) led to a slow deterioration in unemployment insurance: its scope contracted just as the job situation was seriously deteriorating. As for the introduction of a so-called solidarity scheme aimed at people not covered by insurance, it was difficult for this scheme to fulfil its role

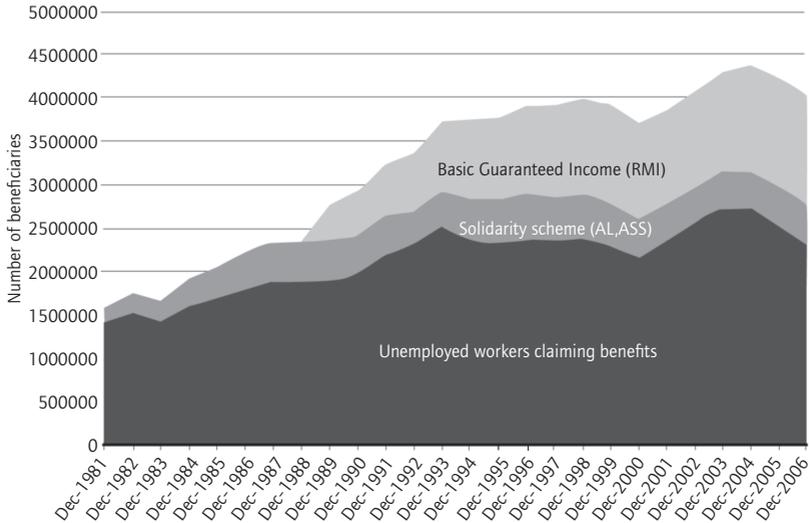
properly from the outset, because the previous employment conditions required to join it were so strict (five of the past ten years spent in work).

The RMI, the latest vehicle for paying benefits

In this context, it is easier to understand the specific position occupied by the basic guaranteed income (RMI), although the original reasons for its introduction in 1988 were unrelated to the operation of the labour market (F. Audier, A-T. Dang, J-L Outin, 1998). The primary objective was to modernise policies for combating poverty by introducing equal entitlements for the entire population nationwide, in contrast to the decentralised workings of the social welfare system. Yet from the mid-1990s onwards, a different interpretation should be placed on the significant rise in the number of claimants receiving the RMI. A link has been established between this rise and the number of unemployed workers not receiving any form of benefits (Bouchoux, Houzel, Outin, 2006). Very long-term unemployment exhausts benefit entitlements, short-term jobs do not give rise to sufficient entitlements, and any tightening of the benefit rules disqualifies many job-seekers from benefit schemes, so the consequence of this change was that some workers who were not covered - or were no longer covered - by the insurance or solidarity schemes qualified for the RMI paid by the *départements*, if their means were below the threshold.

The chart 1 confirms the existence of an ‘overflow effect’ among these three forms of benefit: this effect is primarily linked to the fact that the social partners and the government have sought to maintain the scope and cost of the solidarity and unemployment insurance schemes at a relatively stable level.

Figure 1 Respective changes in the number of unemployed workers claiming benefits, beneficiaries of the solidarity scheme and recipients of RMI since 1981 (Metropolitan France and overseas territories)



Source: CNAF, UNÉDIC

The unemployed qualify for unequal levels of benefits

If we limit ourselves to a purely benefits-related view of the system of social protection against the risk of unemployment, we find in France a system with two heads (the insurance scheme and the solidarity scheme). Paradoxically, this structure, which is heavily influenced by the importance attached to work, has failed to adapt to the employment crisis that first arose in the 1980s. Over a long period of time, fewer than one in two job-seekers have been covered by the insurance scheme, which has therefore failed to achieve the goal initially set for it, i.e. extending protection against the risk of unemployment to all employees.

Table 2 Percentage of unemployed workers receiving benefits (unemployment insurance scheme [RAC], solidarity scheme + RAC)

	RAC (%)	RAC+ solidarity scheme (%)
1985	45.9	59.1
1990	47.7	62.4
1992	52.6	62.7
1994	45.4	56.9
1996	43	55.1
2000	43.8	55.2
2002	53.1	59.4
2003	53.9	63.1
2004	52.5	62.1
2005	48.6	59.3
2007	49.6	59.6

Source: Unédic

If we include the solidarity scheme, which only pays a flat-rate allowance to job-seekers (a maximum of €14.74 per day), nearly 60% of unemployed workers enjoy protection in the form of benefits linked to losing their job. According to Unédic's own analyses, there are two main reasons why unemployed people do not qualify for benefits: either their period of previous employment has not been long enough to qualify for the scheme (this reason applies to 60% of unemployed workers who are not covered); or they have been unemployed for too long and thereby exhausted their entitlements under the insurance scheme without, in the process, qualifying for the solidarity scheme, as their period of former employment is not long enough (applies to 11% of those not covered).

Table 3 Breakdown by age and sex of workers receiving benefits at 31.12.2007 (return-to-work allowance [ARE] + solidarity payment)

	aged under 25	25 to 49	Aged over 50	Men	Women	Total
% receiving benefits (cat 1, 2, 3, 6, 7, 8, active job-search dispensation [DRE])	42.4	54.5	80.2	62.5	56.1	59.1

Source: Unédic

The inevitable conclusion here is that the unemployment benefit system has not responded to the development of new categories of unemployed workers, generated by changes in the labour market (young people, part-time women workers, those employed on fixed-term and temporary contracts, the long-term unemployed). The unemployment insurance scheme, for its part, has continued to be marked by the way in which it came into being, and by the figure of the 'male breadwinner': thus it favours older employees, people who have been made redundant and, more generally, those who have already enjoyed many years of service.

These are the conclusions to be drawn in late 2008, as the unemployment insurance agreement is about to be renegotiated. This renegotiation will take place in a specific institutional context, i.e. that of the merger of the two operational networks represented by ANPE [*Agence nationale pour l'emploi* – the national employment agency] and the Assédic offices responsible for paying unemployment benefits and implementing various measures to promote employment, put in place by the unemployment insurance scheme.

Combining the tasks of paying benefits and job placement: a debatable move

For several years now, the idea of merging Unédic and ANPE has been raised at regular intervals, especially in a number of reports produced by the authorities. This had already prompted the decision, in 2005, to set up a single gateway providing access to the services provided by ANPE, which is responsible for job placement, and by Assédic, responsible for paying unemployment benefits. This merger entered a new phase with the law of 13 February 2008: the law established a new entity as from 1 January 2009: *Pôle Emploi*, which is a merger of the two bodies mentioned above. This step may be viewed in two radically different ways, although both of them probably account to some extent for the decision to amalgamate the two bodies. One factor behind the merger was undoubtedly an attempt to improve the efficiency of the public employment service helping job-seekers to find work. It is noteworthy that France is unique in basing its support mechanisms on the benefit status of unemployed workers. Consequently, until *Pôle Emploi* was created, employment policy was based on three totally separate component parts: unemployed workers receiving benefits under the solidarity scheme [*allocation de solidarité spécifique* - ASS], overseen by

the government departments concerned; those receiving a return-to-work allowance [*allocation d'aide au retour à l'emploi* - ARE], who come under Unédic's activation arrangements; and claimants receiving the RMI (which was renamed 'active solidarity income' [*Revenu de Solidarité Active* - RSA] on 1 June 2009), who come under the integration policies pursued by the departmental councils [*Conseils Généraux*]. This barrier created by variations in workers' status tends to give rise to inequalities of treatment in access to employment services, and consequently one of the major aims of this reform is to cut the umbilical cord between the benefits system and the system of support for the unemployed (Tuchsirer, 2008).

With this goal in mind, assisted contracts linked to employment policy, and likewise job-seeker support mechanisms, should in future both be designed to meet people's identified needs, regardless of their benefit status. To some extent, the merger appears to be moving in this direction, as Unédic appears to be abandoning its policy of activating job-seekers and the many different mechanisms that it previously used to assist its claimants (training programmes, job-search assistance, support via its private operators).

The position adopted by the social partners constitutes a radical turning point. After 2000, as part of their radical social reform project, the employers wanted Unédic to move towards an approach based on activation, by endowing the institution with its own intervention policy aimed at recipients of the return-to-work allowance (ARE). In abandoning this route, *Pôle Emploi* now looks set to enjoy a greater degree of latitude to introduce integration mechanisms designed to match people's own particular circumstances with regard to the labour market. The future will show whether the merger will bring greater universality of services offered, or whether, despite the merger, we shall witness the recreation of systems dedicated to those claiming unemployment insurance benefits.

It is possible to take the view that this merger is less about combining Unédic and ANPE, i.e. the dual functions of paying benefits and placing people in jobs, than about pooling the support networks for unemployed workers who come under the auspices of these two institutions. After all, the social partners continue to be responsible for managing the joint unemployment insurance scheme, so they can still define the rules and parameters governing the payment of benefits to job-seekers,

independently of the reform of the public employment service (SPE). Nevertheless, and this is perhaps the other reason behind the merger, we cannot ignore the authorities' current determination to tighten up the requirements that unemployed workers have to meet in order to remain in the unemployment insurance scheme. This is of course the thrust of the law adopted on 1 August 2008 concerning 'job-seekers' rights and obligations': it seeks to monitor the effectiveness of unemployed workers' efforts to find a job, by obliging them to accept, under certain conditions, any offers of employment put to them by the new merged structure¹. From now on:

- 'a job offer compatible with a person's vocational qualifications and skills, which pays at least 95% of their previous wage or salary, shall be considered reasonable. This rate is reduced to 85% after six months on the unemployment register. After one year, a job offer compatible with the job-seeker's vocational qualifications and skills, which pays at least as much as the replacement income shall be considered reasonable';
- Beyond a period of six months' unemployment, the law now considers a job offer to be reasonable if it involves a commuting time of up to one hour each way on public transport, or a distance of up to 30 kilometres each way.

This incursion by the government into an area over which the social partners might previously have been considered to hold sway is not without risks. What is more, all of the trade unions opposed this law, taking the view that it might contribute to a deterioration in the standards of employment in force in the labour market. However, the scale of the present economic crisis and the substantial increase in the numbers of unemployed people are likely to see this law left in abeyance, given that the immediate priorities of *Pôle Emploi* appear to be focused on the need to pay benefits to the unemployed.

1. Law No. 2008-758 dated 1 August 2008 on job-seekers' rights and obligations.

A benefits agreement that fails to meet present-day requirements

The extremely gloomy economic situation should have prompted the social partners, in association with the government, to revamp the benefits scheme and make it fulfil its rightful role of cushioning the effects of the economic crisis, yet we can see that this has not happened. Although the agreement delivers some positive measures for certain categories of job-seekers, it falls far short of meeting the challenge posed by the current period, i.e. that of providing all unemployed workers with a proper replacement income until they can find work.

Under the law of 13 January 2008 on the creation of *Pôle Emploi*, Unédic is to focus on its initial mission of paying benefits to the unemployed; this will be done by transferring to *Pôle Emploi* all active measures to redeploy *only* those job-seekers who come under the joint scheme. *Pôle Emploi* now enjoys a virtual monopoly over measures to assist the unemployed back into work, an innovation that represents a complete ideological break with the past for the social partners: in the past, by virtue of the principle of activation of passive expenditure, Unédic had constantly expressed the need to take part in the process of designing and steering measures to find jobs for the unemployed workers claiming benefits from it (Tuchszirer, 2008).

Once the principle of activation of passive expenditure had been abandoned, reform of the unemployment insurance scheme was mainly limited to redefining the benefit principles and rules governing replacement income paid to job-seekers. In concrete terms, the new unemployment insurance agreement establishes the ‘single category’ principle and the rule on strict proportionality between benefit entitlement period and period of affiliation to the joint scheme. The characteristics of the single category are as follows:

- the time period for which benefits are paid to job-seekers will be equal to the period of previous employment, with a minimum and maximum threshold;
- the minimum period of employment providing entitlements is now fixed at four months, compared to six months previously;

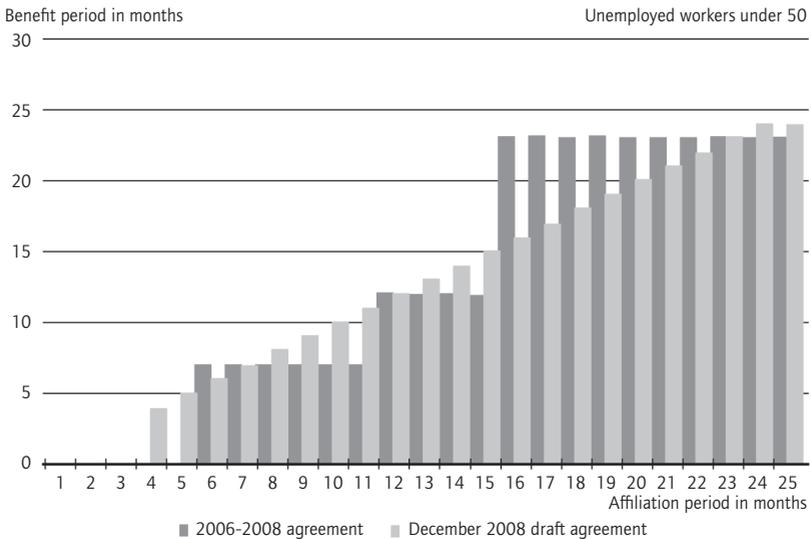
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- the maximum benefit entitlement period is now fixed at 24 months for people aged under 50;
 - the reference period during which employment is required is extended to 28 months;
 - for job-seekers aged over 50, the maximum benefit entitlement period is now 36 months, as is the reference period, provided of course that the job-seekers concerned by this age criterion can demonstrate that they have previously been in employment for an equivalent period of 36 months;
 - the agreement provides for a reduction in contributions paid into the unemployment insurance scheme by employers and employees, provided that the operating income for the previous half-year shows a surplus of 500 million euros. It is also specified that any reduction must not decrease the global contributions level per calendar year by more than 0.5 points.

For the moment it is somewhat difficult to identify what effects this agreement will have on the scope of benefit protection for the unemployed. Clearly, making it easier to join the scheme, by cutting the required period of previous contributions to four months, should enable many young people and casual workers to qualify for unemployment benefits. Likewise, extending the reference period should lengthen the time period for which benefits are payable to some job-seekers. Conversely, however, the effect of the principle of proportionality between the contribution period and the benefit entitlement period will be to reduce the latter for other job-seekers, especially those belonging to the old categories where benefits lasted longer. Simulations carried out by the Ministry of the Economy, Industry and Employment indicate that the new agreement should produce an overall increase of around two points in the cover rate (i.e. the number of unemployed workers receiving benefits as a proportion of the total number of job-seekers qualifying for benefits). The chart 2 gives a clearer indication of the effects of the new agreement, compared to the old one, on unemployed workers' benefit entitlements.

- For job-seekers whose period of previous employment is between 4 and 5 months, there is a positive effect, because they did not qualify for unemployment insurance under the previous agreement.

- For affiliation periods of between 8 and 11 months, the benefit entitlement period will also be revised upwards. The same applies to job-seekers who have accumulated an affiliation period of between 13 and 15 months.
- On the other hand, the agreement reduces by one month the total benefit entitlement period for those with a prior affiliation period of 6 months.
- The single category also drastically reduces the benefit entitlement periods of job-seekers aged under 50 with an affiliation period of between 16 and 23 months, and likewise of job-seekers aged over 50 with an affiliation period of between 27 and 36 months.

Figure 2 Benefit entitlement periods based on affiliation period



Source: Cornilleau, Elbaum (2009)

An agreement with many limitations

In the first instance, the low social legitimacy level of this agreement should be highlighted: it inevitably calls into question the very foundations on which the joint employer/employee agreement is based.

Indeed, only one trade union (the CFDT) of the five represented has approved the agreement. The CGT-FO and the CGT opposed the agreement. Although the CFE-CGC and the CFTC did not assert their right to oppose it, they did not wish to sign it either. At a time when a consensus seems to be emerging on the need to place the representative nature of trade unions on a firmer footing, the fact that this agreement was endorsed by just one trade union tends to minimise its significance, particularly since its final impact on the coverage rate remains highly uncertain.

What is more, far from responding to criticisms of the unemployment insurance scheme and of the benefits system as a whole, this agreement reinforces some of the very trends that needed to be reversed at the outcome of the negotiations.

The first of these trends concerns the individualisation of entitlements, a trend that is undeniably reinforced by the agreement. At the time Unédic was created, and through to the early 1980s, three months of contributions to the unemployment insurance scheme gave rise to an entitlement to benefits lasting up to 36 months. In the past, only the nature of the unemployment risk and the likelihood of remaining unemployed on a more or less long-term basis determined how long entitlements would last. A radical change occurred in 1982, when all references to the nature of the risk were abandoned in connection with paying benefits to the unemployed, in favour of a purely market-based and insurance-based approach. This individualisation of entitlements was introduced in 1982, with the decree establishing the benefit categories scheme. Since that time, benefit entitlements have varied not just on the basis of age and reason for dismissal, but also in line with the previous contributory period. Replacing the four benefit categories with just one, and, above all, seeking from now on to establish a perfect match between the previous contributory period and the benefit entitlement period are measures that reinforce the insurance aspect of Unédic, even if, as we have seen, some job-seekers will now be able to subscribe to the joint scheme. This agreement further amplifies a marked break, in terms of principles, with the doctrine prevailing prior to 1982, which conferred a social dimension on unemployment insurance, and endeavoured to turn it into a tool for enhancing the operation of the labour market, by providing a replacement income that could underwrite the management of employees' occupational mobility by guaranteeing their economic security. By way of illustration, this was the thinking that prompted the

social partners to provide unemployment benefits to young people who had not contributed to the scheme, in order to help them integrate successfully into the labour market. For similar reasons, in 1963, Unédic's managers agreed to provide former agricultural workers with special allowances, to encourage them to redeploy to companies that were covered by the scheme and needed to recruit labour. So, for the first 20 years of the scheme, those running it did not hesitate to waive the contributions mechanism, by paying benefits to people who had not contributed to Unédic, with a view to improving the operation of the labour market and helping people to find jobs. As a result, ever since the time of Unédic's creation, there has always been a close link between the conditions governing payment of benefits to the unemployed and the recipients' involvement in the labour market.

In the case of this agreement, which should be viewed at a more general level in the context of the ANPE/Assédic merger and the transfer to *Pôle Emploi* of the support measures previously managed by Unédic, everything appears to suggest that this link between payment of unemployment benefits and regulation of the labour market has been loosened. Entrusting *Pôle Emploi* with the tasks of providing support to the unemployed and overseeing activation arrangements appears to have enabled the social partners to reinforce the insurance aspect of the scheme, based on with the principle of 'one month's contributions equates to one month's benefits'.

The other trend reinforced by this agreement is that of separating out insurance and solidarity payments, first introduced in 1984. This entailed ending the unified scheme by establishing a distinction between the insurance scheme and the solidarity scheme, thereby completely uncoupling replacement income from wages by paying a minimal allowance. This split resulted in the government and *départements* assuming responsibility, in a logic based on welfare, for workers who had previously been insured under the social security scheme.

Under this agreement, job-seekers who belong to the long-term category of qualification for benefits (between 16 and 23 months), are likely to transfer more rapidly than in the past to the solidarity and welfare schemes, even before they have been unemployed in the very long term. Consequently, we are a long way from the prospect set out by the social partners who, in 2005, at the time of the last unemployment insurance agreement, called for a complete overhaul of the benefits system,

primarily in order to clarify the linkages between the unemployment insurance and unemployment assistance schemes.

In conclusion, we would emphasise a major criticism on which the current crisis is casting new light. Faced with the huge macro-economic risk constituted by unemployment, one of the agreement's main limitations is that it will leave the procyclical nature of the unemployment insurance scheme unchanged. The way in which it is constructed makes this scheme extremely sensitive to the employment situation: benefits are financed by contributions, but the latter fall during a period of unemployment, whereas expenditure on benefits automatically increases when there is a recession. As the newsletter of the French Economic Policy Institute (Cornilleau, Elbaum, 2009) points out, good macro-economic management should allow this regulatory mechanism to run its course, by accepting the resulting succession of deficits and surpluses. However, the desire of the social partners to keep the scheme in its current format, sharing responsibility between them and thus avoiding any interference by the government, has often produced an excessive focus on maintaining the scheme's financial equilibrium. This priority has sometimes led the social partners to adopt procyclical measures entailing a cut in benefit entitlements, even though the economy was passing through a recessionary cycle. This happened in 1992, during a time of recession, when the principle was adopted of reducing unemployment benefits over the course of time. An equally restrictive benefits strategy was adopted by the social partners during the 2002 recession: it caused the job-seekers' coverage rate to fall by more than four points over the next few years. Unfortunately the present agreement scarcely calls Unédic's current financing and management arrangements into question, and this in turn raises questions in the light of the current crisis. More than ever before, there is a need for the unemployment insurance scheme to fully discharge its role as an economic and social stabilising mechanism: in association with the government, a rethink of the benefits system in its entirety is required so as to protect employees who have lost their jobs during the current depression through no fault of their own.

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