

In the field of social protection, 1999 was characterised in France by the creation of universal sickness cover (CMU) providing everyone, including the most disadvantaged, with access to health care. The social debate on pensions continued, focussing primarily on the reduction of the working week to 35 hours and the complexity of the system implemented by two specific laws.

## 1. Financing

During 1999, the government decided to continue its reform of employers' social security contributions by linking the new reduction in charges on low and medium salaries to the negotiated reduction in working hours under the terms of the *Law of 13 June 1998 on orientation and encouragement in relation to the reduction of working hours* lowering the length of the legal working week to 35 hours with effect from 1 January 2000 for businesses with more than 20 employees, and with effect from 1 January 2002 for other businesses, supplemented by the *Law of 19 January 2000 on the negotiated reduction in working hours*.

The system put in place by the second "35-hour law" includes both the reduction of charges on low salaries which has been in existence since 1995 but increasing it from 1.3% to 1.8% for businesses reducing working hours and "continuity" structural aid (FRF 4,000 per employee per annum) decided under the terms of the first "35-hour law". The reduction is thus degressive, varying from FRF 21,500 per annum per employee for a wage level equal to the minimum wage (SMIC) to FRF 4,000 per annum per employee for a salary higher than 1.8 times the SMIC.

This reform of employer's social security contributions is financed through a special fund created by the *Law on the financing of social security for 2000* (29 December 1999). The object of the *fund to finance the reform of employers' contributions*, a public administrative establishment, will be to ensure the continuity of the permanent system for the reduction of employer's contributions. In the long term it is expected to refund some FRF 100 to 110 thousand million to social security funds through reductions in social charges. It will be funded by a fraction of the tax

on tobacco, a fraction of the duty on the consumption of alcohol, by a new contribution based on the profits of businesses with a turnover of more than FRF 50 million, by the tax on polluting activities – the scope of which has been broadened to include washing powders, fertilisers and other agricultural products – and by a contribution from the State.

In addition, in terms of non-salaried workers, the *Law on the financing of social security for 2000* (29 December 1999) has also harmonised and reduced the bases for the calculation of contributions payable by individuals forming companies subject to self-employed schemes, the schemes to which the vast majority of these company founders belong. With effect from 1 July 2000, all contributions will be calculated on a single one-off basis (FRF 38,370 for the first year and FRF 57,555 for the second) and the amount of contributions to be paid reduced for two years (by 30% in the first year and 15% in the second year).

The social scheme of benefits paid upon the severance of a contract of employment or the end of a company directorship initiated by the employer or company is based on the applicable tax regime. This means that the taxable part of the benefit paid becomes subject, under certain conditions, to social security contributions (the social security contribution, *Contribution Sociale Généralisée*) and the contribution for the repayment of the social debt (*Contribution pour le Remboursement de la Dette Sociale*).

Finally, the reduction of 30% on employers' social security contributions applicable since 1992 to part time contracts resulting in a number of different offers of reduced part-time work is abolished for those recruited with effect from 1 February 2001 by businesses with more than 20 employees and with effect from 1 January 2003 for the rest. This reduction cannot be cumulated with the assistance introduced in the second "35-hours law".

## 2. Sickness

The *Law of 27 July 1999 on the creation of universal sickness cover (CMU)* constitutes an important social advance in France. Created against the

backdrop of the fight against social exclusion, it is designed to abolish the obstacles and difficulties previously encountered by numerous individuals in accessing care. Created for all residents of Metropolitan France and overseas departments, it is designed to guarantee health care for all through a sickness insurance scheme and, for those on lower incomes, the right to additional protection and advance exemption from costs. The two sections of the law come into effect on 1 January 2000.

- 1) A universal entitlement to basic sickness cover on the criteria of residence and which is immediate and permanent and may be free or otherwise depending on the means of the beneficiary. All stable and regular residents in France will automatically become members of the general sickness insurance scheme if they do not already hold an entitlement under another basic scheme, notably linked to a professional activity. The CMU is therefore a substitute scheme which will operate in parallel with the existing professional schemes. The law governs membership, the provision of immediate care and above all continuity of cover. No organisation may stop paying benefits unless it is first established that the insured person is covered by sickness cover under another basic scheme. Basic cover is free for those with tax revenues under FRF 3,500 per month in 2000. After this they will have to pay a contribution of 8% of their earnings above this threshold.

The CMU results in the abolition on 1 January 2000 of the *personal sickness and maternity insurance* scheme introduced in 1978.

This first aspect of the CM law affects 700,000 people including 150,000, or 0.25% of the population, who do not currently enjoy sickness cover.

- 2) An entitlement to supplementary sickness cover free of charge with exemption from advance costs based on a means test. Any disadvantaged person can now enjoy supplementary cover for health care, hospital expenses and appropriate refunds for dental and optical prostheses and certain other medical products including hearing aids. These services are delivered free at the point

of service on a "third party pays" basis. They may be paid for by sickness insurance funds or private insurance companies depending on the beneficiary's preference.

People with means below a variable ceiling determined annually in accordance with household composition receive supplementary cover free of charge (in 2000: FRF 3,500 for a single person, FRF 5,250 for a couple, FRF 6,300 for a family of three, FRF 7,350 for a family of four and FRF 1,400 for each additional individual). Supplementary cover is financed by a special fund financed by state grants and a contribution deducted from the "health care" turnover of private insurance companies.

The scheme affects some six million people, that is approximately 10% of the resident population, at an estimated cost of FRF 9,000 million in the first year.

This scheme results in the abolition of the contribution paid to medical assistance at department level which until now made up the basic sickness cover of approximately one third of the population. The state-funded medical assistance scheme is maintained, however, in particular for those people who do not fulfil the condition of stable and regular residence on French territory.

### 3. Eligibility

Under the terms of the *Law of 15 November 1999 on the civil solidarity pact (PACS)*, a person related to an insured person by a civil solidarity pact is taken into consideration in the allocation of certain social benefits in the same way as the spouse or common-law partner. This person becomes eligible in respect of the insured person for reimbursement of health care as long as they are not him/ herself insured and on condition that they are an actual, total and permanent dependent of the insured person. They are also entitled to the capital death allowance under the general scheme under the conditions stipulated for a surviving spouse. The provisions applicable to common-law partners are also extended to persons related by a civil solidarity pact (PACS) in respect of family benefits, various benefits for disabled adults and accommodation benefits and the minimum integration income.

#### 4. Old Age

Although no concrete measures were taken in 1999, the issue of pension reform remained open and continued to be considered. Several studies were carried out at the government's request. Amongst these, the report prepared by Mr. Charpin, Commissioner for the General Plan, highlights the severe financial difficulty in which the various French pension schemes will find themselves between 2005 and 2010 due to demographic developments. The report also advocates possible routes for reform including, in particular, the extension of the period of contributions. These studies have been followed by a renewed phase of consultation with the various social partners. The first concrete decisions are expected in the first few months of 2000. These decisions should be measured and should aim, principally, to consolidate the payment schemes. The Reserve Fund for Old age Pensions for Salaried Workers, Craftsmen and Traders (FRRAYSAC) set up in 1999 and initially given FRF 2,000 million should have reached FRF 20,000 million during 2000.

Against this backdrop, the creation of legislation on pension funds, raised regularly since the non-application of the *Law of 25 March 1997 on pension savings schemes* but highly controversial, appears to have disappeared from the agenda in the short term as has the possible reform of salary savings schemes.

Moreover, the widow's pension under the general scheme for surviving spouses with or having had children has been changed significantly. It now includes the possibility of cumulating the widow's benefit with earnings from work for a limited period of one year. The benefit is now paid to those under 50 years of age for two instead of three years, but it no longer decreases in line with the year of payment. The maximum amount of the benefit is FRF 3,144 in 1999. Those over 50 years of age upon widowhood continue to receive the benefit until the age of 55. The means testing of the beneficiary below the annual minimum is now carried out on a twice-yearly basis.

#### 5. Employment Injuries and Occupational Diseases

The early retirement scheme for workers affected by asbestos came into effect in 1999. It entitles

persons suffering from occupational diseases linked to the inhalation of asbestos dust to give up work between the ages of 50 and 60 at an age determined in accordance with their length of work in businesses having manufactured asbestos materials, a list of which is determined by decree. This scheme is financed by a specific fund, *the Asbestos Workers Early Retirement Fund (FCAATA)*, financed by a contribution from the state and a payment from the employment accidents branch of the general scheme. The *Law on financing social security for 2000* (29 December 1999) supplemented the terms of access to the scheme and extended it to include new categories of worker, notably those working for flocking and heat insulation companies and in the construction and naval repair sectors.

Measures designed to improve the conditions of recognition of and compensation for employment injuries and occupational diseases were also implemented during the first half of 1999. They are designed to speed up the procedure for the recognition of occupational diseases by abolishing, in particular, the proceedings by which insurance funds can dispute the occupational nature of an injury or disease, and to make official the invalidity scale for occupational diseases so that victims are aware of it and can use it against the funds. Employment injury allowances for victims with an incapacity rate of over 50% are henceforth paid on a monthly basis.

#### 6. Family Benefits

The right to receive family benefits irrespective of means was re-established in 1999. However, this measure was coupled with a fiscal reform of the applicable family quotient reducing the ceiling of this advantage from FRF 16,380 to FRF 11,000 per half share. 'With effect from the start of the 1999 school year, the allowance at the start of the school year (ARS) was extended to all those with one dependant child who fulfil the applicable means and age conditions. In 1999 this allowance was FRF 1,600.

Finally, with effect from 1 January 2000, the *Law on financing social security for 2000* (29 December 1999) raised the age limit up to which dependant children are entitled to supplementary family benefit and/ or are taken into account in calculating the family accommodation allowance from 20 to 21. ■