



The reform of unemployment insurance in France: a turning point?

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Following the path set by Emmanuel Macron, the French President of the Republic, a new bill entitled “For the freedom to choose one’s professional future” is currently being debated in parliament. It should change the way in which the unemployment insurance scheme works, since it will be mostly based on tax revenue.

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Description

Extended scope for unemployment insurance:

Although all these proposals are still waiting to be transformed into decrees of the “Council of State” (Conseil d’Etat), which will settle some specific aspects, the bill aims to extend unemployment compensation, with the same duration and payment terms as those for employees involuntarily deprived of employment, to cover:

- 1) Employees who resign and meet all the following conditions: a) seniority (which could be set at 5 years, depending on a decree of the Council of State); b) pursuit of professional development involving training or a project to create or take over a business (to be recognised as genuine and serious, such projects must be supported by an advisor and approved by a joint committee); and c) six-monthly checks on the project’s progress (a negative result could lead to being struck off). According to the impact assessment carried out on the bill, between 17,000 and 30,000 people could benefit (on a full-year basis), and the cost would be between €230 and 345 million.
- 2) Self-employed people who have lost their job and meet all the following conditions: a) their work was the object of judicial liquidation or an insolvency procedure; b) workers having the status of “spouse-partner” (conjoint associé)

in case of divorce or dissolution of a civil union contract (“PACS”); and c) seniority (which could be set at 5 years, depending on a decree of the Council of State) in a self-employment activity that generated income. This compensation will be a lump sum and limited in time. The number of beneficiaries per year is estimated to be 29,300, at a cost of €140 million.

Change in the financing of unemployment insurance

Employee social security contributions will be abolished while employer contributions will be kept. To compensate for this loss, which represents €13.6 billion each year, or 38% of revenue, a portion of the “General Social Contribution” (CSG) tax will be allocated to the unemployment insurance scheme. The rule by virtue of which 10% of the revenue of “Unédic” (the French government agency granting unemployment benefits) is allotted to “Pôle Emploi” (job centres) remains unchanged.

Adjustment of employer contributions

In order to encourage employers to take responsibility for their decisions to recruit, train and dismiss at the expense of the unemployment insurance scheme, the bill defines a transition period of almost two years during which the government will be able to adjust employer contributions in line with the number of work contract terminations. Although the details are still the subject

of negotiations, one possibility could be a bonus/penalty system to adjust the employer's contribution depending on the type of work contract.

Adaptation of the rules relating to reduced activities (when an unemployed person finds a part-time job)

An unemployed person who receives unemployment benefit will still be allowed to cumulate a part-time activity and the unemployment benefit, but only if the part-time activity is below 110 hours per month and if the total amount of cumulated salary and benefit does not exceed 70% of the reference salary used for the calculation of the unemployment benefit. This adaptation will reduce the number of beneficiaries.

Change in governance

This change in financing gives the state a stronger role in the governance of the scheme. Thus, the state could have the last word without having to deal with the social partners. Starting from 1 January 2019, unemployment insurance negotiations will be monitored by the government, which will determine the financial course to be taken and the targets to be met. The state's role in decision-making bodies (Unédic's decision bodies) will be strengthened.

Outlook & commentary

This bill may constitute the start of a significant transformation. Although the employment scheme will include categories which were previously excluded, the criteria for granting access could reduce the overall protection, as, in the long term, compensation could take the form of a minimum lump-sum.

This principle is already reflected in the bill on compensation for self-employed workers, since these will not receive an "insurance benefit" but rather a "non-contributory benefit", as pointed out by the Council of State.

This project marks a break from the former social protection system. The Council of State has drawn the government's attention to the totally new financing situation: "there is no salary contribution in the funding of this social protection scheme whose object is almost exclusively to provide a replacement income of a contributory nature". The change in the scheme means a shift towards a Beveridge-style, lump-sum unemployment benefit, closer to the universal safety net systems found in English-speaking countries.

Further reading

Memorandum of Understanding of 22 February 2018:

<https://www.unedic.org/sites/default/files/2018-02/ANI%20re%CC%81forme%20assurance%20cho%CC%82mage%2022%20fe%CC%81vri%202018.pdf>

Bill, "Pour la liberté de choisir son avenir professionnel" [For the freedom to choose one's professional future], impact assessment study and explanatory statement:

http://travail-emploi.gouv.fr/IMG/pdf/projet_de_loi_liberte_de_choisir_son_avenir_professionnel.pdf

Opinion du Conseil d'Etat [Opinion of the Council of State]:

(<http://www.conseil-etat.fr/Decisions-Avis-Publications/Avis/Selection-des-avis-faisant-l-objet-d-une-communication-particuliere/Projet-de-loi-pour-la-liberte-de-choisir-son-avenir-professionnel>)

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