



What changes has the Yellow Jacket movement triggered in French social protection and tax systems?

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Since mid-November 2018, thousands of people wearing yellow jackets have continued to demonstrate in French cities every Saturday to demand political responses to three main issues: purchasing power, tax or fiscal justice and more direct democracy. A first set of measures implemented in January 2019 impacts the fiscal and social protection system.

Description

Since mid-November 2018, thousands of people sporting the yellow jackets normally worn for traffic accidents and emergencies have been demonstrating every Saturday in French cities and on roundabouts. Ranging from a peak of almost 300,000 people to a low of 30,000, participants come out onto the streets each week to express their strong feelings of injustice and to demand political responses. This relatively unpredictable movement, with no official representatives or clear leaders, focuses on three main issues: purchasing power, tax or fiscal justice and more direct democracy.

A first government response was formulated on 14 November 2018 followed by a Presidential address on 27 November presenting a set of measures, supplemented by a new plan on 4 December. The first solution formulated by the Prime Minister was a six-month postponement of the carbon tax increase seen as a burden on household budgets, particularly for those who depend on their car to go to work. President Macron then announced that this tax would be postponed for the whole of 2019, with a provisional impact of €3.9 billion on the 2019 state budget. However, he refused to go back on the decisions he took at the very beginning of his mandate, i.e. withdrawal of the wealth tax (*Impôt sur les grandes fortunes* [ISF]), definition of a flat-rate tax on capital income and dividends (a maximum tax limited to 30%) and abolition of the “exit tax” (a mechanism

set up by President Sarkozy in 2011 to tax the transfer of fiscal domicile out of France and limit tax evasion). According to the economic “trickle-down” hypothesis, these measures, whose cost is estimated around €8 billion, would stimulate business investment in the short term and benefit society at large in the longer term.

The President also announced a €100 increase in the minimum wage from 1 January 2019, by means of a reform of the activity bonus (*Prime d'activité*), without any supplementary cost to employers. This immediate increase was previously planned to be progressively implemented over the next 3 years. Before the reform, 2.8 million households received this activity bonus. It will now be given to an additional one million. Since January, the family benefit funds (*Caisses d'allocations familiales*) have had to face a dramatic increase in activity bonus requests (six times more than at the same period a year before), which puts a strain on administrative processes and the professionals involved.

Three other proposals featured in the President's address: a tax exemption for overtime, an incentive for employers to deliver a tax-exempted end-of-year bonus, and the promise to reimburse the increase in the generalised social contribution (*Cotisation Sociale généralisée* [CSG]) to all pensioners receiving a pension of less than €2,000 per month. Other measures have been implemented to enhance the purchasing

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power of the lower middle class (e.g. a doubling of the conversion premium for the replacement of an old vehicle with a newer one; an upgrade of the rate per kilometre sometimes paid by employers; and tax aid to replace boilers). The provisional cost of these measures is €8 to 10 billion.

With regard to furthering direct democracy and the use of referenda, the President and his government have initiated an extensive debate all over the country (*Le grand débat national*) to collect suggestions on a list of sensitive issues: public services, ecological transition, citizenship taxes and democracy. At the same time, the government is presenting a security guidance act (*Loi d'orientation et de programmation pour la sécurité*, referred to as the "Loi Castaner") to clamp down strongly on ultra-violence during Yellow Jacket demonstrations.

Outlook & commentary

The Yellow Jacket movement has generated considerable public debate all over the country. Political parties, the media and social scientists continue to comment extensively on this new movement, which is compared to older and more recent ones ("Jacquerie" during the 1789 Revolution; "Poujadisme" in the 1950s; and also the current 5-star movement in Italy and Indignados movement in Spain). These comments can be highly controversial, and social scientists have started to analyse the movement empirically. One of the first attempts concerns the political position(s) of the "yellow jackets", which often reflect those of very different political parties (from extreme right to extreme left) (CEPREMAP, 2019). Sociologists and political scientists are also

developing empirical studies with a focus on crucial issues such as social stratification, the impression of poverty (Duvoux et al., 2019), and territorial inequalities. One main issue concerns the feelings of downgrading (*déclassement*) experienced by the lower middle class. A change seems to be taking place: while in the recent past, these social groups tended to compare themselves to the more disadvantaged and blame them for their dependency on welfare, nowadays they are more likely to look upwards and complain about increased inequalities, and in particular unacceptable tax injustice (the increased taxes on the low-middle class accompanied by an €8 billion tax gift to the very well-off was extremely badly perceived). Other features can also be identified, such as an over-representation in this movement of low-level employees and tertiary workers, women and single parents. Some insist on geographical inequalities and over-representation of blue-collar workers in small rural cities: the demonstrations on roundabouts across the country featured some rural and working-class departments (*départements*) without major cities. These peripheral areas are home to many blue-collar workers, but to few (if any) of the managers of their small or medium-size enterprises, as they prefer to live in bigger cities (Bruneau et al., 2018).

To date, the first political responses to the yellow jackets' demands do not seem to have put a stop to the movement. We can expect further developments to follow the implementation of the housing allowance reform, which will negatively impact around 1.2 million people.

Further reading

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