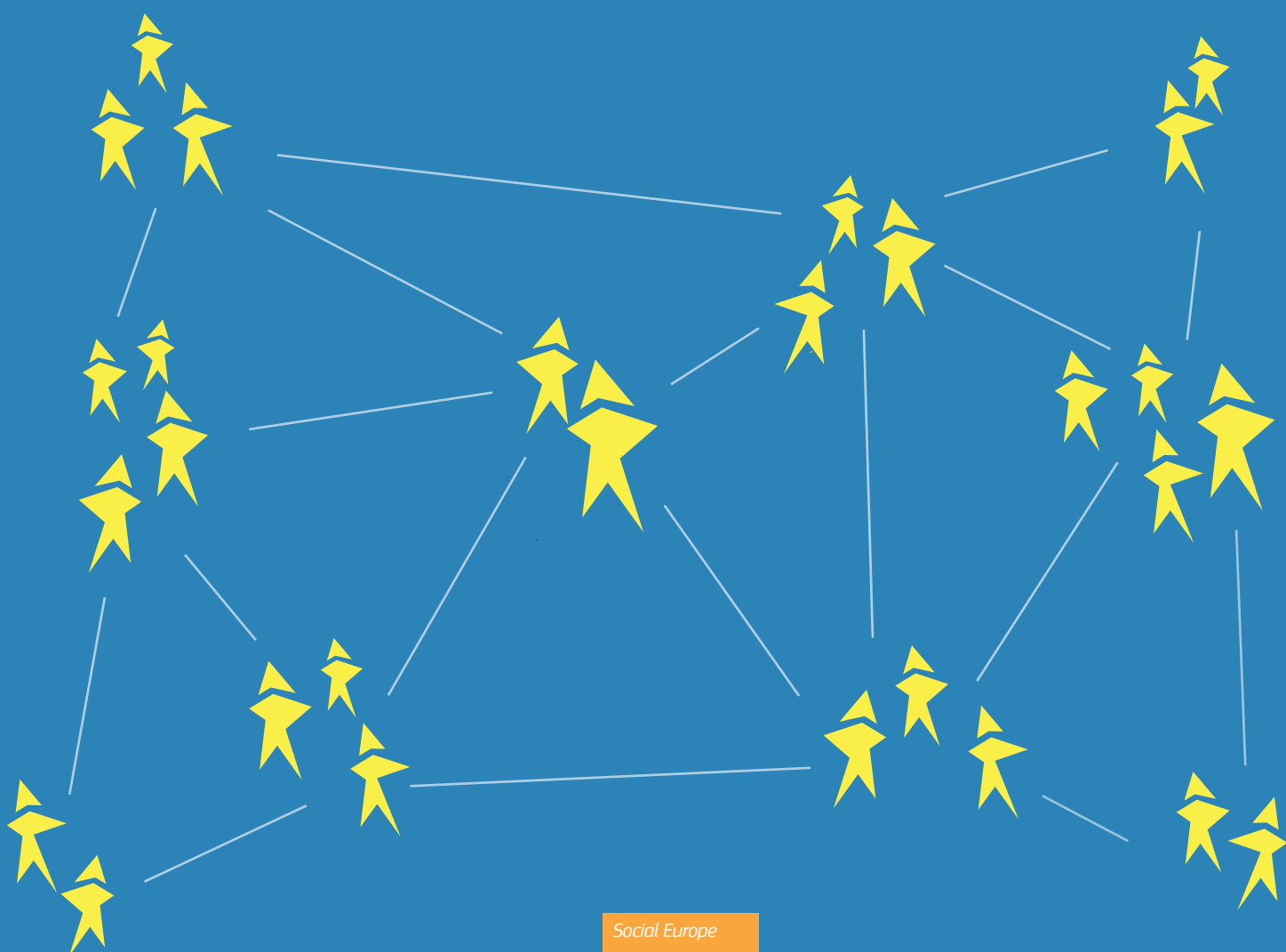




EUROPEAN SOCIAL POLICY NETWORK (ESPN)

# In-work poverty in France

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*Social Europe*

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# Contents

SUMMARY .....	4
1. ANALYSIS OF THE COUNTRY'S POPULATION AT RISK OF IN-WORK POVERTY .....	5
1.1. In-work poverty in France .....	5
1.2. 2012-2017: slight downward trend or stabilisation? .....	6
1.3. Family structure and employment: similar in-work poverty patterns in France and EU .....	6
1.4. Fragile, broad populations .....	7
2. ANALYSIS OF THE POLICIES IN PLACE.....	8
2.1. Labour market regulations that improve the situation of poor workers .....	8
2.1.1. Support for poor workers, from incentives to the activity bonus .....	8
2.1.2. Authorised combining of employment and social benefits.....	10
2.1.3. Regulating part-time work .....	10
2.1.4. Towards limiting short-term contracts and false self-employment.....	10
2.1.5. Guaranteed minimum wage .....	11
2.1.6. Reduction of social contributions for low salaries .....	11
2.2. Redistribution policies also reduce in-work poverty .....	12
2.2.1. Fiscal policies .....	12
2.2.2. Housing policies .....	12
2.2.3. Family policies, benefits and services .....	12
3. POLICY DEBATES, PROPOSALS AND REFORMS ON IN-WORK POVERTY AND RECOMMENDATIONS .....	13
3.1. Debates .....	13
3.2. Future reforms.....	14
3.3. Areas of recommendation.....	14
4. ASSESSING DATA AND INDICATORS.....	15
REFERENCES .....	17

## Summary

The rate of in-work poverty<sup>1</sup> (IWP) in France was two points lower in 2017 than the European Union average (7.4% versus 9.6%). The very slight net fall observed between 2012 and 2017 was accompanied by annual variations, and should rather be viewed as a period of stability – following a long, slow increase over the previous decade.

Although the situation in France is not catastrophic, it nevertheless requires careful attention for the following reasons.

- Although below the European average, the IWP rate in France was well above countries such as the Netherlands (6.1%), Belgium (5.0%) and Finland (2.7%).
- Specific groups of the French population exhibit much higher IWP rates than the French average, i.e. households with low work intensity and dependent children, self-employed people, non-nationals, young people, and single-parent families. These population groups in France are also the poorest in general terms.
- In addition to these specific groups, the fact that close to 2 million people in France are at risk of IWP constitutes a general threat to social cohesion, a situation that is in our view currently underestimated.

The fact that the French IWP rate is below the EU average can be explained by the numerous employment policies that have been implemented since the 1970s and regularly readjusted. The most important of these policies are: a guaranteed minimum wage; multiple regulations of part-time work and short contracts; the possibility of combining social benefits and income from work; and family, fiscal and housing policies. The redistributive effect of these policies fosters a general reduction of income poverty, and consequently of IWP.

The indicators analysed, however, show the limits of these policies, which could be made much more effective. Recent reforms do not totally break away from this approach. They even sometimes amplify them by aiming at longer-term impacts, and, for the moment, by making a priority of career flexibility rather than security. Close in its modalities and criteria of allocation of a social minima like the Rsa activity, the activity bonus introduced in 2016 is likely to have a favourable effect on IWP, as are the current reform of unemployment insurance and the emphasis put on extending childcare facilities for children from deprived families.

However, over and above these technical reforms, political moves to increase purchasing power, in response to the crisis of the so-called *gilets jaunes* (yellow jackets) of the winter of 2018-2019, could have an impact on poverty at work. This crisis could be the symptom of more deep-seated unrest in a society struggling to make everyone included.

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<sup>1</sup> For ease of reading, we will refer to the notion 'at risk of in-work poverty', and to the indicator that measures it, using the generic term of 'in-work poverty' (IWP).

## 1. Analysis of the country's population at risk of in-work poverty

The issue of poor workers was a central feature of literature and social movements throughout the 19th century (Zylberman, Murard, 1976), but almost disappeared in France after the 1950s. Economic growth and the creation of a guaranteed minimum wage seemed to have definitively put an end to in-work poverty (IWP). The theme of poor workers reappeared (Gilles, Legros, 1995; Clerc, 2009) between the mid-1990s and the start of the crisis years, when unemployment became a key factor behind social tension. Although reports and articles (ONPES, 2015 and 2016) have highlighted poor workers in recent years, the indicators available have not entered the public debate, which remains focused on unemployment figures and, incidentally, financial poverty. The social protests that began in France in November, contesting the tax increase on petrol, were part of much broader discontent about purchasing power and low wages, which mostly affects poor workers.

Assessing the risk of IWP is made difficult by the use of criteria that combine data on individual pay levels with household composition, and by the different definitions used by the European Commission, the French statistics bureau INSEE, and the OECD. This report employs the European Union's definition, stated below.

According to the EU agreed definition, a person is at risk of IWP if they are in employment and live in a household that is at risk of poverty. A person is in employment when they worked for more than half of the income reference year. Employed individuals can be waged employees or self-employed. The income reference year is the calendar year prior to the survey. A household is at risk of poverty (or 'income poor') if its equivalised disposable income is below 60% of the national equivalised disposable household median income. The population covered is those aged 18-64.

### 1.1. In-work poverty in France

In 2017, the IWP rate of employed people aged 18 to 64 (employed and self-employed) amounted to 7.4 %, which was 2.2 points below the EU average and 2 points below that in the Eurozone. This ranked France 12<sup>th</sup> in the EU, but its rate was 3 to 4 points higher than those countries with the lowest rate, i.e. Finland, Czech Republic, Denmark and Belgium.

As shown in Table 1 and Graph 1, France ranks better than average for almost all of the criteria examined, including demographic, family situation and employment factors.

**Table 1: In-work at-risk-of-poverty (IWP) rate (%): France and EU compared**

	EU average 2017	France 2017 (%)
Employed	9.6	7.4
Self-employed	23.1	17.4
Female	9.1	7.3
Aged 18-24	12.5	10.6
Temporary contract	16.3	11.5
Part-time work	15.8	13.2
Single person with dependent children	21.4	19.1
Household with dependent children and low work intensity	28.2	22.8

Source: Eurostat website, EU-SILC survey, extracted 12 November 2018.

**Graph 1: In-work at-risk-of-poverty rate (%): France and EU 2012-2017**

Source: Eurostat website, EU-SILC 2019.

The use of another poverty measurement indicator, the material and social deprivation rate (MSD), leads to similar results. The MSD rate of employed persons in France was lower than the EU rate in 2017 (8.0% vs 9.1%). The downward trend was certainly a little weaker in France. However, the evolution of this indicator remains very erratic. We note that the situation of the self-employed was better on this indicator (in 2017, 7.3% vs 12.6%).

### 1.2. 2012-2017: slight downward trend or stabilisation?

The French IWP rate was 8% in 2012, and 7.4% in 2017 – a net 0.6-point fall. But the rate oscillated between successive years, and a longer period of observations will be needed to confirm any downward trend. The IWP rate had previously risen from 5.4% in 2004 to 6.0% in 2008 and 7.6% in 2011, before peaking at 8% in 2012<sup>2</sup> (although it remained below the EU average throughout the period).

The very slight drop in IWP between 2012 and 2017 concerned all family situations and all households. It was more marked for single-person households (-1.9%) than for two-adult households with no dependent children (-1.1%); and for single-parent families (-1.5%) compared with households of at least two adults with dependent children (-0.3%). These falls were irregular and slight compared with Poland, Czech Republic, Ireland, Finland and Sweden.

### 1.3. Family structure and employment: similar in-work poverty patterns in France and EU

In France, as in almost all other EU countries, family situation and limited income from work activity are key factors in the pattern of income poverty.

The IWP rate in France was slightly lower for women than for men in 2017 (7.3% vs 7.5%), although during the five-year period analysed (2012-2017) it fell for both men and women by a similar amount. For all groups aged 18-64, the IWP rate was lower

<sup>2</sup> Eurostat-database – EU-SILC.



than the EU average in 2017. The IWP rate was highest for the youngest (18-24) age group at 10.6% – 1.6 times higher than for the oldest (55-64) at 6.5%.

The IWP rate goes up as the level of education goes down. In 2017 it was 4 times greater among those with the lowest education (14.9%) than among those with the highest education (3.6%), and 2.7 times greater than those with intermediate education (8.4%). Although the EU average rate followed an upward trend over the period examined, in particular for the lowest education level (+3.3%), this trend was less clear for France, where the rate for the intermediate level decreased slightly.

Differences in employment status are significant in France, a situation which under this criterion does not differ greatly from other countries in the European Union. In 2017, the IWP rate was 6.1% for waged employees, and as high as 17.4% for the self-employed. Both figures fell slightly between 2012 and 2017 (by 0.4 points for waged employees and 2.2 points for self-employed people), while the EU averages for these categories rose by 0.5 points for employees and by 1.4 for self-employed. The gap between the two groups even contracted slightly in France. This gap, which was 13.1 points in 2012, went down to 11.3 points in 2017, while for the EU it increased from 14.8 points to 15.7 in 2017.

Whatever the type of work contract, permanent or temporary, the French IWP rate shows two characteristics. The first is that it was slightly below the EU average in 2017, and the second was that it dropped by 0.4 points for those on permanent contracts (to 4.8%) and 2.1 points for those on temporary contracts (to 11.5%) over the period examined, whereas these rates increased for the EU as a whole. In 2017, the disparity in the IWP rate between temporary and permanent contracts amounted to 10.5 points at EU level, and only 6.7 points in France. Although for part-time workers in France the IWP rate was below the EU average, it was much higher than in countries such as Belgium, the Netherlands, Finland and Sweden.

A simultaneous examination of household work intensity and household composition reveals the significant effect of work intensity on IWP. A threefold structural effect is apparent: at both the start and end of the period examined, the IWP rate of those in households with dependent children was higher than that of families without dependent children (except for households with high work intensity); for all household types, the poverty risk rate consistently increased as the level of work intensity fell; and lastly, with the exception of households with low work intensity and dependent children, which were subject to a particularly high increase, the IWP rate for all sub-groups fell between 2012 and 2017.

**Table 2: In-work at-risk-of-poverty rate by work intensity and household type (%)**

	2012	2012	2017	2017
	Household without dependent children	Household with dependent children	Household without dependent children	Household with dependent children
Very high intensity	4.3	5.2	3	4.7
High intensity	10.1	9.9	9.7	8.8
Medium intensity	11.6	27.9	9.7	26.9
Low intensity	29.7	36.4	22.8	50.7

Source: Eurostat website, EU-SILC survey (ilc\_iw03), extracted 12 November 2018.

#### 1.4. Fragile, broad populations

Apart from not being unemployed, the population groups at highest risk of IWP (Table 3) correspond closely to those at risk of poverty in general: they tend to be young, non-nationals, and in families with dependent children. In particular, households with dependent children and a low intensity of work, on temporary or part-time contracts, accumulate most or all of the handicaps leading to IWP.

**Table 3: Groups in France most at risk of IWP**

	France 2017 (%)
IWP rate overall	7.4
Aged 18-24	10.6
Temporary contract work	11.5
Born in an EU28 country (other than France)	11.8
Part-time work	13.2
Foreign national	16.4
Lower secondary education or below	14.9
Self-employed	17.4
Born in non-EU28 country	18.8
Single person with dependent children	19.1
Household without dependent children, low work intensity	22.8
Household with dependent children, medium work intensity	26.9
Household with dependent children, low work intensity	50.7

Source: Eurostat website, EU-SILC survey, extracted 12 November 2018.

Although French debate is strongly focused on the issue of unemployment (which results in the highest risk of poverty), IWP affects twice as many people in absolute terms as the number of jobseekers (Table 4). This is a source of tension in French society, probably illustrated by the so-called *gilets jaunes* (yellow vest) protests that began in November 2018.

**Table 4: Employment status and risk of poverty in France (2016)**

Work status	Number at risk of poverty (thousands)	Poverty rate (%)
Waged employees	1,443	6.4
Self-employed	536	17.5
Total employed	1,979	7.7
Unemployed	1,093	33.8
Retired	1,048	7.4
Children under 18	2,764	19.8

Source INSEE, *Insee-Première*, 11 September 2018.

## 2. Analysis of the policies in place

In the case of France, the distinction between policies that might directly influence IWP and policies that might only have an indirect effect is hard to draw. Even the activity bonus (see below), which is the measure most directly targeted at poor workers, tends to be conceived of as a minimum social benefit aimed at improving the situation of people on low wages. It is worth distinguishing instead between policies to regulate the labour market and social redistributive policies, both of which, although not aimed at IWP, help to reduce it.

### 2.1. Labour market regulations that improve the situation of poor workers

#### 2.1.1. Support for poor workers, from incentives to the activity bonus

The creation of the *revenu minimum d'insertion* (minimum income benefit – RMI) in 1988 launched the principle of an incentive mechanism that allows beneficiaries, for a short period, to combine benefits with paid work. This measure has been extended over the years, in particular by the Act of March 2006<sup>3</sup> relating to the return to work of

<sup>3</sup> Act No 2006-339 of 23 March 2006.

beneficiaries of social minima. On 30 June 2007, nearly 200,000 RMI beneficiaries were benefiting from the measure.

In order to accentuate the work incentive aspect of RMI, an Act of 1 December 2008<sup>4</sup> established the *revenu de solidarité active* (active solidarity income – RSA), integrating the single-parent allowance. The former RMI became *RSA-socle* (basic RSA), and the incentive part, which was higher and paid out from the first euro of earned income, became known as *RSA-activité*. This new benefit was not a success. The very high non-take-up rate (68%)<sup>5</sup> and the low impact of the *prime pour l'emploi* (employment bonus – PPE) led to *RSA-activité* being merged with the PPE in 2015<sup>6</sup> to create the *prime d'activité* (activity bonus).

This new benefit, paid out by the family allowance fund, was an instant success. In December 2017, the bonus was paid to 2.67 million households and covered a total of 5.44 million people, including young people aged 18 to 25. The amount of this differential allowance received by beneficiaries depends on both their earned income and the overall income of their household. Unlike the PPE, which was paid automatically, the activity bonus has to be applied for and justified every three months in an online process. An additional bonus amounting to a maximum €67 is paid out for each household member whose income is more than half of the minimum wage (net monthly minimum wage amount €1,201 as at January 2019).

At the end of December 2017, the average amount of the bonus was €158. At that point, 22.3% of beneficiaries were single-parent families living with at least one child under 25. Half of the beneficiaries lived alone, 19% were couples with children, and 7% were childless couples.

According to an evaluation carried out in 2017 (DGCS, 2017), 70% of beneficiary households featured in the first three deciles of living standards. This report used the 'Ines' micro-simulation model (developed by INSEE and the social ministry research centre DREES) to show that the replacement of the PPE and *RSA-activité* by the activity bonus led to a drop in income poverty of 0.4 points. However, the poorest people, who are often without work, do not receive this bonus, with the result that their income poverty intensity (the gap between their incomes and the median) increased by 0.5 point<sup>7</sup>.

In response to the *gilets jaunes* crisis, a law on urgent economic and social measures was passed and published in the Official Journal of 28 December 2018 (Law No 2018-1213 of 24 December 2018 on economic and social emergency measures). This text includes the details of all the measures announced by the president of the republic in December 2018, including an increase in the activity bonus and the exemption from tax of overtime and end-of-year bonuses paid by companies to their employees. The increase of the generalised social contribution (CSG) was cancelled for pensioners whose income did not exceed €2,000 per month.

The lump sum of the activity bonus was originally expected to increase by €30 in April 2019. To respond to the mobilisation of the *gilets jaunes*, president Macron announced a rise of €100 in the minimum wage in 2019. This increase is in fact mainly due to an anticipated increase of the activity bonus that was to be re-evaluated during the quinquennium. The entire increase desired by the executive thus comes into effect in 2019. This measure was implemented by Decree No 2018-1197 of 21 December 2018. This text provides for an increase of €90 in the maximum amount of the individual activity bonus, now increased to €160.49 (as against €70.49 in 2018). In addition, the maximum income that can benefit from the activity bonus is raised, from 1.2 times the SMIC (*salaire minimum interprofessionnel de croissance* – minimum wage) to 1.5 times.

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<sup>4</sup> Act No 2008-1249 generalising active solidary income (RSA) and reforming insertion policies.

<sup>5</sup> National RSA Evaluation Committee, final report, December 2011.

<sup>6</sup> Act No 2015-994 relating to social dialogue and employment.

<sup>7</sup> DGCS 2017, p.37.

Previously, a single person without children had to earn less than €1,560 net per month to receive the activity bonus: from 5 February 2019, it will be possible to have up to €1,787 of net income. For a single person with a child, the activity bonus will now be available up to a monthly income of €2,490 (against €2,230 previously). Nearly 150,000 single-parent families are expected to receive it.

### **2.1.2. Authorised combining of employment and social benefits**

Until the 1990s, social benefits and earned income were totally separate. This situation gradually changed to allow beneficiaries of social minima, social benefits and even unemployment benefits to receive pay for work. At the end of 2015, 14% of social welfare beneficiaries were in paid work, a quarter on permanent contracts. In addition, 3% of them were self-employed workers. A decree<sup>8</sup> dated 22 December 2014 made it possible for older people receiving solidarity allowance (*allocation de solidarité aux personnes âgées* – ASPA) to combine it with paid work. The new rules also apply to retired people, who can go back to work while maintaining a share of their pension. This measure benefits 12% of new pensioners annually, only a fraction of whom are under the poverty line. Lastly, also in 2015, slightly under one in two jobseekers entitled to benefits worked in a reduced capacity (categories B and C)<sup>9</sup>.

The advantages of this policy are sometimes contested. With the exception of retired people, it was originally devised to create a stepping-stone towards employment, and also provide support for workers at risk of poverty. However, it can act as a subsidy to employers that use and abuse insecure contracts (Gonthier, Vinceneux, 2017). This analysis is backed up by the fact that just over a third of the beneficiaries of these measures work full time, often in personal services as cleaning staff, kitchen aids or waiters for an hourly wage of €8 to €9, which is below the average employed pay of €11.40.

### **2.1.3. Regulating part-time work**

Despite stagnating since 2013, the incidence of part-time work has doubled from 10% of employees in the 1980s to reach 19.2% in 2017. Employment policies have encouraged this development, seeing it as an antidote to rising unemployment. The main groups concerned by this type of work are young people, women, employees with low qualifications, and unskilled and low-skilled workers. One third of part-time work is not by choice.

A policy to limit part-time work featured in the 2013 multi-annual action plan and was adopted by the interprofessional national agreement of 11 January 2013, then established by Act No 2013-504 of 14 June 2013 on job security. In order to limit the number of short, part-time contracts, from 1 January 2014 the law established a minimum of 24 hours a week for part-time work. Dispensations and exceptions<sup>10</sup>, however, reduced the scope of this legislation, coupled with the 2017 reform of the French labour code, which grants employers even more flexibility.

### **2.1.4. Towards limiting short-term contracts and false self-employment**

Although most jobs are on permanent contracts, almost 90% of new recruitment is on the basis of short-term contracts. These (often repeated) contracts are also becoming increasingly shorter. Apart from temporary work, 70% of these contracts last no longer than one month, and result in people alternating between short periods in work and unemployment. The Act of 14 June 2013 increased employer contributions to the unemployment insurance scheme for short-term fixed-term contracts, except for contracts concluded for the performance of a specific and temporary task and seasonal

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<sup>8</sup> No 2014-1713.

<sup>9</sup> Jobseeker exercising a reduced activity of up to 78 hours per month, required to engage in positive job-search activity.

<sup>10</sup> Personal constraints, agreements of professional branches, employees under 26 may justify derogations.

jobs; but the exemption of temporary work and the low level of the tax made it ineffective. As part of the negotiation of a new agreement governing unemployment insurance, trade unions and employer organisations are to examine the possibility of setting up a 'bonus-malus' measure aimed at adjusting social contributions to match the use of short-term contracts. These continuing negotiations may reach a conclusion in the first half of 2019.

For self-employed workers, the growth in the creation of microenterprises<sup>11</sup> is slowing down, while public policy continues to encourage their development by raising the authorised maximum turnover. At the end of 2015, INSEE indicated that 795,000 microenterprises were economically active but only generated earnings of an average of €440 a month from their activity. Legal cases bring regular and increasingly clear reminders of the risks of confusing salaried work with that of a microenterprise<sup>12</sup>.

### 2.1.5. Guaranteed minimum wage

The SMIC was created in France in 1915, extended in 1936, generalised in 1950, and subject to a total overhaul in 1970. The French minimum wage is price-indexed and reviewed annually on 1 January. It applies to 1.65 million employees in the private sector and its indexation determines the pay rises of almost 11 million employees. On 1 January 2019, the net SMIC (after contributions and charges) amounted to €1,201.00 for 151.67 hours of work per month and €7.83 per hour worked. Although the SMIC, supplemented by the activity bonus, limits the risk of IWP, the following three negative aspects diminish this effect (Bargain et al., 2017).

- It is generally accepted in the economic community that a direct link between minimum wages and the level of poverty cannot be proved. However, the correlation between minimum wages and low skill levels means that entire groups of people only access part-time and low-intensity jobs. This is the case for households comprising two people in work, one of whom works part time. The majority of people on the minimum wage are women (55.2%), very often working part time, most frequently in small businesses and sectors employing low-skilled workers (65% of employees in the fast food industry).
- Some sectors are slow to adjust their pay following changes in the minimum wage. Recurrent delays are observed in, for example, the hotel trade and tourism (with 1 million employees), R&D firms, the wholesale trade, the cultural sector and the food trade. Employees in these areas are often manual or unskilled workers, generally women and young people, earning between 1 and 1.05 times the minimum wage (DARES analyses, 2018).
- While it does moderately protect employees from financial poverty, the SMIC constitutes a barrier to entering the labour market for low-skilled workers, young people and jobseekers (Cahuc et al., 2008).

### 2.1.6. Reduction of social contributions for low salaries

From the 1990s, France took a huge political step to reduce obligatory contributions taken from pay, particularly from low salaries. The objective was to encourage the employment of low-skilled workers and thus bring down unemployment and employment costs, while guaranteeing the sustainability of jobs without diminishing pay levels close to the minimum wage.

This policy led to the almost total disappearance of contributions at SMIC level, amounting to an annual cost of around €25 billion to the public finances (Cosape, 2017). In an overview of the impacts of these measures, the Cosape concluded that, "No

<sup>11</sup> A micro-enterprise is a sole proprietorship whose tax and social system is greatly simplified. The micro-enterprise is a simplified scheme that replaced the old self-employment scheme in January 2016.

<sup>12</sup> Explanatory note relating to decision No 1737 of the Social Chamber of the Final Court of Appeal dated 28 November 2018.

*existing studies establish the impact or estimate the cost of the increased number of exemptions from employer social contributions on overall pay distribution and its dynamics ... and we do not possess any studies of the impact on training (initial and continuous), investments (physical and R&D), innovation, the upgrading of the French economy, and potential growth.”<sup>13</sup>*

## **2.2. Redistribution policies also reduce in-work poverty**

### **2.2.1. Fiscal policies**

The amending law on finance for 2014<sup>14</sup> established a flat-rate tax reduction for 3.2 million households whose 2013 reference income tax did not exceed €13,795 (single-person households) or €27,590 (couple households), increased by €3,536 per additional half share of the family assessment figure (*quotient familial*). The taxes of these households are reduced respectively by €350 and €700. In an extension of this policy, two measures directly targeting low incomes featured in the Finance Act of 29 December 2014<sup>15</sup>, and were taken up in the following years. The first got rid of the first tranche of the income tax scale, while the second increased the amount of the tax relief – a measure that reduced the tax bill for households whose taxes did not exceed €1,016 in 2015. In total, 8 million households were concerned. Although the measure did not target poor households in work, but rather all in-work and retired households, it necessarily benefited poor people in work.

### **2.2.2. Housing policies**

While the housing aid policy does not target poor workers, the thresholds and ceilings applied mean that the beneficiaries of housing benefit mainly correspond to poor households in work. The latest figures published by the ministry of social cohesion in 2018 (based on data from 2012) show that over 6 million households receive personal housing benefits, reaching 98% of households in the first three income deciles, which thus largely encompasses poor people in work. The total amount of benefits paid out was €16.7 billion, which is an average payment of €217 per month (€229 in rented accommodation and €150 in owned property). The high increase in benefits continued until the mid-1990s, when access to social housing was extended to the general public, dependent on income. Personal housing benefits have been reduced by €5 in 2017 and their revalorisation – based on the housing rent reference index (INSEE) – exceptionally cancelled for 2018, and limited to 0.3% for 2019 and 2020. Moreover, the calculation has been amended in 2019 to take into account the incomes of the current year – rather than those for the n-2 year.

34% of beneficiaries are in work, equivalent to about 2 million people. The average aid per month for a single person in rented accommodation is €230, and up to €403 for a couple with four children or more. For property owners, it amounts to between €113 and €228.

Housing benefits bring significant financial support to the households that receive them. They represent 13% of the average living standard of the poorest 20% (and even 20% for the poorest 10%), and reduce inequalities by 16% (INSEE, 2018).

### **2.2.3. Family policies, benefits and services**

Between 2012 and 2015, family benefits were readjusted to focus on the poorest families. The 2013 multiannual action plan anticipated a 25% increase in family support allowance, and 50% for the family supplement<sup>16</sup>. A report by the French Court of Auditors (*Cour des Comptes*, 2017) states that a couple with both partners in work and

<sup>13</sup> Cosape 2017, summary, p. 4.

<sup>14</sup> Act 2014-891 August 2014.

<sup>15</sup> Finance Act No 2014-1654 for 2015.

<sup>16</sup> The family supplement is paid under certain conditions to people with at least three dependent children.

three children benefits from a monthly increase in income of up to €270 per month<sup>17</sup>. The extension of an income condition for family benefits was combined with measures aimed at reducing the allowances paid out to households with the highest incomes. Thus, the ceiling for a tax reduction (by half) provided by the family assessment figure dropped from €2,336 to €1,500, and family benefits were divided by from two to four for those on the highest incomes. The richest families thus bore the brunt of tax increases and reduced benefits totalling €3 billion. This redistribution mostly worked to the advantage of single parents and large families.

The availability of childcare has unfortunately not moved in the same direction. The 2013-2017 plan on poverty established a target of creating 55,000 additional childcare places per year for children under 3. In reality, 18,300 places were opened in 2013, 5,900 in 2014, and 3,225 at the time of publication of the report by the Court of Auditors (2017), which described the results as mediocre.

From 2013 to 2017, the number of school places for children aged 2 fell by 3,600, and the number of qualified childminders looking after children in their homes also went down. Although the announced objective of providing places for 10% of poor families was achieved in 2013, it may well have been reached before it was even established.

### **3. Policy debates, proposals and reforms on in-work poverty and recommendations**

#### **3.1. Debates**

Not only are IWP and child poverty similar insofar as they affect similar numbers of people in France (around 2 million), they were also both relegated for a long time to the sidelines of social policy – given the existence of family benefits and a minimum wage, it was thought that financial poverty concerned people who could not, or even would not, work. Although child poverty moved onto the political agenda with the 2013 poverty action plan, and even more so with the 2018 plan, IWP is still not a key issue in France.

In terms of employment, the main focus of public debate is still unemployment, to the extent that the previous French president (François Hollande, 2012-2017) hung his political future on turning around unemployment figures during his term. Up until the presidential elections of May 2017, the minister for social affairs released a monthly commentary on the latest unemployment figures. The rise in young people's unemployment and the considerable scale of long-term unemployment were the subject of numerous press articles that fed into and relayed multiple opinion polls in which unemployment and insecurity always ranked highest among the concerns of French people interviewed.

Since 2010, political debate has frequently centred around a dichotomy between those in work and others who supposedly do not want to work, the latter allegedly preferring to live on *assistanat* (a pejorative form of *assistance*, or welfare, amounting to automatic hand-outs) (ONPES, 2013). Some politicians have fuelled this situation by talking about a 'cancer of automatic hand-outs'. For everyone, from the general public to trusted economists, work, even very part-time and low-quality work, remains preferable to surviving on social welfare<sup>18</sup>. Furthermore, although new forms of part-time and temporary work, including in microenterprises, often correspond to the demands of modern life and enhance freedom, it has taken a long time to identify the limits of this type of employment in terms of incomes and work quality.

Initially, the Americanism "working poor" was used instead of IWP. Some authors have started to use the term *pauvreté laborieuse*<sup>19</sup>, the French equivalent of the 'working poor'. Nonetheless, the issue of IWP is only present by implication in debates on

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<sup>17</sup> Report mentioned, p. 503.

<sup>18</sup> ONPES, 2013.

<sup>19</sup> Damon J., *Pauvreté laborieuse et protection sociale*, Informations sociales, 2007/6, pp. 40-52.

inequalities, low pay and purchasing power. The most recent events in France are a visible and violent manifestation of these debates, with the *gilets jaunes* protests combining these three themes based on a revolt against a tax hike on fuel.

### 3.2. Future reforms

Since May 2017, the elected president and the new majority government have launched numerous reforms, which are either already complete or well under way: a transformation of the labour market through reform of the labour code; tax measures; a reform of vocational training and unemployment insurance; transport policy; health policy; and a policy on enterprise and the business environment. A constitutional revision and pensions reform are scheduled for 2019. The national school and university systems, young people, the social habitat, agriculture and the ecological transition are also subject to numerous measures.

In terms of employment, until now the emphasis has been on flexibility more than on securing career paths. A poverty action plan, in 2018, has been developed along two lines: a strong priority on social investment by combating the financial poverty of young people and children; and a commitment to moving people out of poverty through work. This plan, rather like the previous one in 2013, is not particularly aimed at combating IWP, but it does contain a number of measures that could help to limit or even reduce it.

In the new plan it is noted that not only was the objective in the previous plan of creating childcare places for children under 3 not achieved, but also the childcare places available are now more concentrated in already privileged areas. It thus requests the family allowance funds to organise local family services more closely, and establishes a €1,000 bonus for each new place created in neighbourhoods affected by urban policy. In 2019, direct settlement of the childcare supplement will be established to make it easier for poor people to access childcare. The parenthood-support policy will be reinforced to open access to these services from the fourth month of pregnancy.

Other features of the poverty action plan include: reforming minimum welfare provision by the creation of a universal activity income (whose scope and means remain to be defined): the implementation of a strategy to combat non-take-up of social benefits; an increase in the activity bonus; and the creation of an activity guarantee combining stronger social support and re-entry into employment for 300,000 people per year. The plan also anticipates 100,000 additional employees in the social and solidarity economy (SSE).

### 3.3. Areas of recommendation

The first recommendation is that greater social and statistical visibility should be given to the issue of poor people in work, so as to put this aspect of poverty back on the public policy agenda. This would involve more targeted and more frequent information on the theme, both from data-producing organisations and from associations and public services that receive requests for benefits and services from people in this situation<sup>20</sup>.

During the *gilets jaunes* protests, the media focus on the difficulties experienced by people who, although in work, live below the poverty line echoes past journalistic output (Aubenas, 2011). Improving visibility would involve giving a clearer image of poor people at the 60% median income level without focusing on the unemployed and homeless. Significant work remains to be done to reinforce this visibility, but it is an indispensable measure to make social policy acceptable and to reinforce the legitimacy of social intervention in this area.

The second recommendation involves specific situations for groups of people. This could imply, for instance, the revision of the family allowance policy, to integrate the benefit

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<sup>20</sup> The 2016 report of the National Observatory of Poverty and Social Exclusion on the theme of 'social invisibility: a collective responsibility', underlined the need for a better knowledge of these populations and pointed out the risk of a link between invisibility and increasing populism. We concur with these observations.



with other supporting measures, such as the activity bonus, to better take into account the number of dependent children. However, for families with dependent children, support should also involve significantly improved access to services, and in particular the greater availability of collective childcare.

The third recommendation relates to job security policy, which is currently being drawn up in France. The present system is not dynamic enough for people aged between 18 and 25 or even 30, who alternate between insecure work and unemployment/claiming benefit. For many of these young people, their increasingly frequent use of the self-employed *auto-entrepreneur* status is an unavoidable constraint rather than an expression of freedom.

The fourth recommendation concerns the practices of some sectors (such as the hotel industry, restaurants and bars, retailing, construction, and personal services) that make excessive use of short contracts, increased use of part-time positions, and pay less than the legal minimum. In addition to these private sector activities, low pay and mediocre work conditions exist in the social and healthcare sector, which has seen the rise of a form of domestic service to care for elderly and dependant people in the home. In these sectors, the notion of decent work developed by the International Labour Organization needs to be taken into account.

A fifth recommendation relates to the tools for combating IWP. While admittedly the minimum wage can be viewed as too rigid and its usefulness as debatable, new tools are being created, such as the activity bonus, which could benefit from being redesigned in respect of other social minima and made into a stand-alone tool for combating IWP. The regulation of short contracts in the form of a bonus-malus arrangement should be integrated into the range of possible measures.

The protests currently taking place in France reveal a profound sense of injustice. If having a job is not enough to provide a decent standard of living, then why not remain unemployed and live off social benefits? The debasement of work that does not provide enough to live decently constitutes a risk for social cohesion as a whole and fuels the kind of populism that is currently taking hold in numerous countries and poses a threat in France.

#### **4. Assessing data and indicators**

The notion of IWP is made more complex by the construction of its indicator, which combines two levels of measurement, i.e. individual remuneration for work, and household composition. To get around this difficulty, Ponthieux and Reynaux (2009) suggested using an economic poverty indicator that only considers earned income related to the person who benefits from the resource. This proposal remains open. Additional complexity comes from the different criteria used by France, the OECD and the European Union to define the notion of active work (more restrictive for the EU indicator than for the OECD and France).

The IWP indicator employed by France is accessible on the websites of different data providers, e.g. INSEE, the poverty table produced by the National Observatory of Poverty and Exclusion, and the Observatory of Inequalities. However, it clearly occupies a limited place in public debate. Although the poverty rate has drawn the attention of the media, politicians and trade unions, the issue of IWP is hardly documented (paradoxically so, in the case of trade unions).

The French indicator is published and monitored annually by INSEE and ONPES, yet the European Union indicator is totally overlooked.

The data that we have access to, issued by the EU or French institutions, give no information about aspects that should be rigorously monitored to make it easier to draw up employment policies. In particular, this concerns information on the IWP rate by occupational sector. From one sector to the next, employment management practices and pay can vary significantly and affect IWP in very different ways.

In terms of the fields covered by these data, regrettably no information is available on protected work (such as work done by disabled people in institutions, and social inclusion schemes through work).

Income poverty is spread very unequally over the country, and monitoring by region would be all the more useful in France given that the French regions play a significant role in implementing occupational training policies.

Lastly, a reflection on the risks of a breakdown in social cohesion linked to IWP should lead to the development of more qualitative indicators inspired by tools developed by the OECD to measure wellbeing, such as its better life initiative<sup>21</sup>.

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<sup>21</sup> [www.oecd.org/statistics/Better-Life-Initiative-2017-country-notes-data.xlsx](http://www.oecd.org/statistics/Better-Life-Initiative-2017-country-notes-data.xlsx).

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