



France

Minimum Income Schemes

From crisis to another,
The French experience of means-
tested benefits

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Executive Summary

1 – Up to the middle of 2009, French households classified as poor or having very low incomes were able to claim one of the eleven benefits that were introduced progressively from the 1950s until 1988, when the *Revenu Minimum d'Insertion* (RMI – guaranteed minimum income) was introduced.

2 – The benefits were designed initially to make good deficiencies in the social insurance systems but were subsequently used to provide resources for groups of people who had to face specific problems. This was the case, for example, for the *Allocation de Parent Isolé* (API – single parent allowance) with the increasing number of single parent families.

3 – The most recent benefits, such as the *Allocation de Solidarité Spécifique* (ASS – Special Solidarity Allowance) and, in particular the RMI, were introduced for a different purpose. They were intended to provide basic resources for people of working age who were unable to find work.

4 – These 9 benefits, which are paid to 3.5 million households, are very incoherent, as they were set up in an ad hoc manner. The sums involved are fairly low and, although they reduce the severity of poverty, they have little effect in preventing the spread of poverty. Furthermore, their diversity and the different ways in which they are implemented, make them difficult to understand.

5 – These benefits are very often associated with complementary allowances or forms of assistance: easier access or automatic rights to other allowances such as housing allowances or other forms of assistance provided by local authorities. Although the many different ways in which these benefits are implemented brings recipients up towards the poverty lines, they also contribute to reduce the transparency of the system.

6 – Many criticisms have been levelled at the social benefit system since the early 2000s. In addition to previous criticisms on the lack of transparency and complexity of the system, there has been criticism of the associated potential or real risk of disincentive to find work.

7 – These criticisms go beyond the mechanics of the system and are part of a much wider consideration of the changes in the aims of social protection policies. This phase reached its peak during the last presidential elections when the ideological affirmation of the valuable role of work helped to underpin significant questioning of the benefits and in particular the RMI.

8 – This development led to the adoption, in December 2008, of a law that significantly remodels the most recent minimum income benefit and the accompanying systems. This report is, therefore, being published in an interim period as the new minimum income scheme, the *Revenu de Solidarité Active* (RSA – Active Solidarity Income) created by this law has not yet been applied even though its architecture has now been clearly defined.

9 – The RSA will replace the API and RMI generalising and extending the incentive system already set up under the RMI but, above all, it significantly reorients this minimum income benefit towards assistance in finding work.

10 – Although the assessments prior to the introduction of the RSA indicate that the system will be effective in enabling recipients to return to work, the effects on job security and the effects of

hand-outs may weaken or even overload a measure that has not changed the benefit system as radically as its promoters initially intended.

11 – Whereas the RSA was intended to be a strong means of encouraging the return to work, the financial crisis followed by the economic and industrial crisis that is developing risk relegating the RSA to the more traditional function of more recent benefits, namely cushioning society in a period of crisis with an increase in the number of job seekers. The present crisis is strengthening in a period when the reforms undertaken are not yet able to show their effects, as the case, for example; of the restructuring of the public employment service, or risk being counter-cyclic as could be the case in the short term for the RSA.

1. Means-tested benefits

1.1 Means-tested benefits in France

1.1.1 An overview of the means-tested benefits.

France currently has eleven, non-contributive, benefits, paid according to a means test to provide a minimum income for certain groups of the population. With the exception of the *Allocation Supplémentaire Vieillesse* (Minimum Income for the Elderly) which is reserved for people of 65 and over (60 years if unable to work) who have no, or very limited, old age insurance, all the other benefits can be paid to those of working age.

These benefits are listed below.

- ***Allocation Supplémentaire d'Invalidité (ASI – supplementary invalidity allowance)*** paid to people under 60. This is also referred to as a minimum invalidity allowance and is paid in addition to an invalidity or old age insurance allowance to persons suffering from an invalidity reducing their capacity to work by at least two thirds. The sums paid under the terms of this means-tested benefit may be recovered on the death of the recipient if the net proceeds of his estate exceed €39,000. The maximum sum paid is €648.43 for a single person and €1135.78 for a couple. 101,000 people receive this allowance.
- ***Allocation aux Adultes Handicapés (AAH – allowance for disabled adults)*** guarantees a minimum income for handicapped persons to enable them to cope with everyday living expenses. This is an additional allowance paid to those with a permanent incapacity rate of at least 80% (or between 50 and 79% for a reduced allowance). This level of incapacity is assessed by a commission for the rights and autonomy of disabled persons. The disabled person must be over 20 (or 16 if they are independent). The income ceiling for single persons is €7,831.20 per year and €15,662.40 for persons living as a couple. This ceiling is increased by €3,915.60 for each dependent child. In 2009, it is estimated that 824,400 people will be receiving AAH, the average allowance being €587.
- ***Allocation de Parent Isolé (API - single parent allowance)*** is paid to single parents who are bringing up one or more children on their own. It is an additional allowance, the sum being the difference between a fixed sum based on the number of dependent children and the average income of the recipient over the previous three months. There is a distinction between long term API, available for single parents who are, on their own, bringing up one or more children under three years old (80%) and short-term API intended for parents who are separated, widowed or divorced and are, on their own, bringing up one or more children regardless of age (20%). As at 1 September 2008, the allowance for a single person with one child was €755.72 per month. As from 1 June 2009, the API will be included within the *Revenu de Solidarité Active*. In 2008, 205,000 single parents claimed API.
- ***Allocation Veuvage (AV – widowhood allowance)*** is a temporary allowance to the surviving spouse of a deceased person covered by the social security system. This minimum allowance will be discontinued on 1 January 2011, when survivors' pensions will be generalised. The claimant's income must not exceed €2,098.27 per quarter. The allowance is paid for up to two

years. The sum is €559.54 per month. The number of recipients at the end of 2008 stood at 5,400.

- **Allocation de Solidarité Spécifique (ASS – special solidarity allowance)** is paid to those who are unemployed and who are no longer eligible for unemployment benefit, return to work allowance or end of training allowances. Claimants must have been in salaried employment for 5 years during the 10 years preceding the termination of the work contract. Claimants must be fit to work and be looking for a job. Persons aged at least 56.5 years in 2009, 58 years in 2010 and at least 60 years in 2011 are not required to be looking for jobs. From 2012 all claimants must be looking for a job. Single persons must have a monthly income of less than €1,047 and couples a monthly income of less than €1,645.60. The ASS is valid for 6 months and is renewable. The allowance is €14.96 per day. The full rate is paid when the beneficiary's income is less than €598.40 per month for a single person and €1,196.80 per month for a couple. In 2008, 350,000 people continued to receive ASS as a residual benefit.
- **Allocation Temporaire d'Attente and Allocation d'Insertion (ATA and AI – Temporary Delay Allowance and Integration allowance).** The *Allocation Temporaire d'Attente* is an allowance paid to asylum seekers while their request for asylum is being processed. This allowance is paid to claimants if they are not already being accommodated in a refugee camp. Claimants must not have income exceeding that of the *Revenu Minimum d'Insertion*. The application for the ATA must be made to the employment services. The allowance of €316.20 per month is paid monthly until the request for asylum has been granted or refused. This allowance replaced the Integration allowance in November 2006. It is also paid to ex-prisoners who register as job seekers. It is estimated that there were around 22,000 recipients in 2007. The *Allocation d'Insertion* continues to be paid to recipients as a residual measure.
- **The Allocation Équivalent Retraite (AER – Pension Equivalent Allowance)** was discontinued with effect from 1 January 2009 although it will continue to be paid to job seekers who received this allowance, so long as they remain eligible. This allowance was paid to job seekers who had worked for a sufficiently long period before the age of 60 to qualify for a retirement pension. To qualify for the full AER rate, income had to be less than €559.36 per month for a single person and €1,227.58 for a couple. This additional allowance was paid to 50,000 people in 2009.
- **The Revenu Minimum d'Insertion (RMI – minimum income benefit)** which is to be replaced by the *Revenu de Solidarité Active* with effect from 1 June 2009 is available to all those living in France, under the age of 25, whose income is less than the RMI, i.e. €454.63 for a single person without children, €681.95 for a single person with one child or for a couple without children, €818 for a single person with two children or a couple with one child. Claimants must sign a job seeker's contract. The allowance is paid for three months and then extended for three monthly periods up to one year depending on the terms of the job seeker's contract. The RMI is paid by the family allowance services and managed by the *Conseil Général* (departmental council). As at 31 December 2008, 1.12 million people received RMI.
- **Revenu de Solidarité (RSO – Solidarity Income)** is paid in overseas departments to those receiving RMI who are over 50 years old and have been part of the system for at least two years. Recipients of the *Revenu de Solidarité* undertake to leave the job market definitively. This is to some extent a pre-retirement allowance. This differential allowance is paid to single people with an income not exceeding €825.44 or couple with an income not exceeding €1,297.12. RSO is paid to 12,000 people.

**Table 1: Number of people receiving means tested benefits
Whole of France (including overseas departments)**

	1999	2003	2007
<i>Revenu Minimum d'Insertion</i>	1,145,023	1,144,217	1,172,113
<i>Allocation de parent isolé</i>	168,164	188,857	205,380
<i>Allocation adultes handicapés</i>	693,828	766,435	813,150
<i>Allocation supplémentaire d'invalidité</i>	100,231	111,200	101,029
<i>Allocation de solidarité spécifique</i>	491,092	373,115	347,888
<i>Allocation d'insertion and allocation temporaire d'attente</i>	27,038	47,614	22,021
<i>Allocation veuvage</i>	19,754	12,515	5,399
<i>Allocation équivalent retraite</i>	0	27,121	68,534
<i>Revenu de solidarité</i>	0	8,479	12,033
<i>Total means tested benefits for those of working age</i>	2,645,150	2,645,680	2,747,547
<i>Allocations vieillesse (Minimum Income for Elderly)</i>	807,831	668,036	586,733
<i>Total means tested benefits</i>	3,452,981	3,313,716	3,334,280

Source: DREES March 2009

Table 2: Proportion of French population receiving means-tested benefits¹

Year	1999	2003	2007
Population	60,348,255	62,041,798	63,572,640
Number of people of working age receiving means tested benefits	2,645,150	2,645,580	2,747,547
Percentage	4.38%	4.26 %	4.32%

Sources Insee, Drees

1.1.2 Means tested benefits: the result of the French social protection system

In the years following the Second World War, people and households in difficulty could claim two sources of additional income: social assistance and social security. Social assistance which dated back to the mid 19th century replaced the traditional charities of bygone times. It was based on the principle of communal solidarity and required that each commune must provide for the needs of the poor in its area and organise ad hoc welfare provisions in kind and in cash through social aid services. The social security system was based on experiments during the pre-war years and was an insurance system covering risks related to age, illness and family. This insurance was financed by deductions from salaries. It was intended to be universal but groups such as farmers, tradesmen and self-employed and the state itself, organised their own forms of insurance.

Means tested benefits were introduced because there was no general coverage and allowances were linked strictly to salaries received. The pension system set up could only operate fully when the rights acquired by the employees became sufficiently high to allow a reasonable pension. A whole group of people, too old to be included in the working population, were therefore unable to benefit from the social security system. Ad hoc forms of social aid, for example allowances for food or heating, even at their limits, could not cope with this crisis which was without doubt the cause of the major poverty after the war. The first means-tested benefits, for elderly people without income, was a response to this crisis. The introduction in 1956 of the minimum income for the elderly and then in 1957 of the minimum invalidity allowance plugged these gaps in the social insurance system that could not be covered by traditional forms of assistance. As was often the case in later years, this minimum income allowance was considered to be temporary. To finance this minimum income allowance, the government at the time set up the *Fond National de Solidarité*, a national solidarity fund financed by the vehicle licence duty, a tax on automobiles, that was discontinued in 2001.

The first turning point was the introduction in 1975 of the *Allocation aux Adultes Handicapés* (AAH). It did not depend on having made contributions as was the case for the minimum income for the elderly but was intended to ensure normal living conditions for adults who had only marginal access to work. It was intended to replace traditional forms of assistance by a means to guarantee a long-term income.

A second step occurred in 1976 with the introduction of the *Allocation de Parent Isolé* (API). Again, this means tested benefit filled a gap left in the social insurance system which provided allowances from the

¹ It would have been preferable to base the figures on the working population rather than the population as a whole but the concept of working population can vary from one European country to another.

second child onwards but did not cover single parents in financial difficulty. The 1970s saw an increase in the divorce rate, marital instability and problems of single parent families. Again, traditional social assistance systems were unable to cope with this demand. A means-tested benefit was introduced to allow young women to bring up children on their own by providing allowances without contributions for a limited, but sufficiently long period (3 years). *The Allocation Veuvage* introduced in 1980 was aimed at a similar goal for widows.

The third step in the introduction of means-tested benefits was the introduction of the *Allocation de Solidarité Spécifique* (ASS) in 1984 followed by the *Allocation Équivalent-Retraite* (AER) in 2002. These benefits were based on the same model as before. Although the social security system was extended to cover the risk of unemployment, the significant increase in unemployment after the first oil crisis followed by the industrial restructuring in the early 1980s led to the introduction of a new means-tested benefit, the *Allocation de Solidarité Spécifique* that was available after unemployment benefit ceased.

The introduction of the *Revenu Minimum d'Insertion* in December 1988 and its adoption in 1992 were the final stage of introducing means-tested benefits. Given the increase in unemployment and the limits in unemployment insurance as well as the *Allocation de Solidarité Spécifique*, local authorities have for some time been experimenting with *Compléments Locaux de Ressources* (CLR – local income supplements). In a political context of a socialist President seeking re-election, the idea took shape of a very broad, long-term allowance that would no longer be linked directly to previous work. The *Revenu Minimum d'Insertion* was therefore adopted unanimously by members of parliament as a general response, although it was only attributed to those between 25 and 60 years old and, above all, provided significant support.

With the exception of measures that could be described as adjustments such as the introduction of the *Allocation Équivalent-Retraite* and the *Revenu de Solidarité* in overseas departments, no new means-tested benefits were introduced after the RMI. The main legislation from the late 2000s and the following ten years tackled poverty in a different way. The law against exclusion of July 1998 put the accent on access by persons in difficulty to all the social benefits available to them. The social cohesion plan and social cohesion law of 2005, although targeted in a different way, nevertheless followed the same approach of access to rights rather than the creation of additional benefits.

At the end of this period from 1956 to 1992, the means-tested benefit system in France was highly fragmented, a situation that gave rise to real disparities. Over the years this led to the creation of many different classifications of potential recipients rather than to proposals for a universal type of means-tested benefit that could have been adapted to suit the situations of the various groups of people.

These means-tested benefits are extremely varied. The allowances paid vary and are about two thirds the net minimum wage, for benefits where recipients are not expected to find employment (as for the *Allocation Équivalent Retraite*), whereas the allowances granted to people who are considered able to find work are usually less than half the net minimum wage. The income ceiling that allows people to claim benefit also varies considerably from one type of benefit to another. The composition of a family unit can vary considerably from one benefit to another. The income ceiling for five of the allowances depends on whether there is a spouse but does not take account of the number of children, for example the ASS. For other benefits, such as the RMI and API, the ceiling depends on the number of children.

Means-tested benefits are sometimes divided into three groups - allowances for the elderly (minimum income for the elderly introduced in 1956 and *Allocation Veuvage* introduced in 1980), allowances for the handicapped (*Allocation d'Invalidité* introduced in 1957 and *Allocation aux Adultes Handicapés* introduced in 1975) and social integration allowances with the RMI, *Allocation de Parent Isolé* and

*Allocation de Solidarité Spécifique*² - which does not improve the transparency of all the distribution mechanisms.

Apart from the lack of transparency this means-tested benefit system has come under severe criticism since the start of the 2000s. This can be summarised as follows.

- There are considerable inequalities in the way recipients are treated under the various benefits, not just inequalities in benefits but also in inequalities in support. Those receiving the ASS are supported by the public employment services, those receiving the RMI are supported by the *Conseils Généraux* (County Councils) and sign a job seeker's contract, whereas there is no system for supporting those receiving API.
- The means-tested benefits give rise to unfairness for those on low salaries. The 2005 Mercier report emphasised that if a person receiving RMI took a part-time job at minimum wage his income would fall by €7 whereas it would increase by €195 if he took a full-time job. This report also showed that if the spouse in a couple with two children returned to work this would give a net increase of €19 for part-time work and €7 for full-time work.
- The most serious criticism is that these means-tested benefits will make people dependent on the system in the long-term. For example, the Mercier report showed that those receiving ASS had been out of work for more than two years and that 30% of those claiming RMI had received this allowance for at least 5 years, 3% having received RMI since it was introduced. The means-tested benefits, in particular the social integration benefits, were criticised on the grounds that they became "poverty traps". This reflects the view expressed by some economists of the problems of benefits.
- The complexity of a system managed by very different bodies, drawing on a variety of funds, has also been heavily criticised.

These criticisms are twofold. Firstly, they are aimed at how the means-tested benefits are set up, their organisation and structure, from a practical point of view. Secondly, they are inspired by a market oriented ideology that questions the usefulness of hand-outs and extols the virtue of earning a living.

The comments frequently heard about the failure of the RMI should be seen in context. The continuing increase in the number of recipients is very closely linked to the unemployment in France. Less of a bridge towards employment, the RMI has above all been the means of helping people unable to find work and a consequence of restrictions introduced mainly in 1992 and 1996, to compensate for unemployment. The fact that only about 50% of job seeker's contracts were signed is explained by the vast disparity within the group of recipients, some of whom, often younger and employable, use the RMI as a period of waiting before starting a job and others, in poor health, have recourse to the RMI as a final safety net, without hope of finding a job. In both cases, neither party feels that it is useful to sign a job seeker's contract.

Those who introduced the RMI had the idea that a new social action system could be set up to create a bridge between the world of employment and the world of people in difficulty. This theme is also found in the field of social economy and among those in favour of social integration policies. This would have assumed that everyone had the same ideal of convergence, which was not the case. The failure of the RMI is rather the failure of this ideal of a policy able to bring together two different worlds. As Bertrand FRAGONARD, President of the *Chambre à la Cour des Comptes*, former interministerial representative

² This classification is used in the 2005 MERCIER- de RAINCOURT report.

of the RMI³ commented recently, “*This situation also gives rise to a strong political criticism of the iniquity of a system that allows recipients of the RMI to have a standard of living close to people who are in work. What this fear and this criticism reveal is not the high standard of living of the RMI but the inadequacy of the earnings of low income workers with which it is compared;*”

From the early 2000s these criticisms led to the acceptance of the need to reform means-tested benefits. Most of the proposed reforms emphasised the need for personalised assistance open to all recipients of social integration benefits. This entailed reviving the use of the job seeker’s contracts introduced for the RMI and aimed at 100% of contracts being signed. There was also the idea that the personalised monitoring of recipients should continue, including during the return to employment. Moreover, various reports and recommendations emphasised the need to reaffirm more strongly the existence of counter measures for finding jobs, preventing fraud and abuse. Finally, proposed reforms stressed the importance of reducing the disincentives intrinsic in means-tested benefits.

The introduction of the *Revenu de Solidarité Active* under the law of 2008 is an attempt to reply to these criticisms. It is a far-reaching revision of the system of means-tested benefits hitherto in force.

1.2 The effectiveness of means-tested benefits in the fight against poverty

Does the income provided by the means-tested benefits allow recipients to rise out of poverty? The answer to this question is no. However, this is perhaps not the right question to be asked as it assumes that the main aim of means-tested benefits is to raise recipients out of poverty. This is not the case. Means-tested benefits provide an income that prevents ad hoc, albeit regular, recourse to social assistance measures. They allow recipients to survive but not to rise above the poverty line. The following table shows that the allowances paid under the means-tested benefits, mainly the social integration benefits, are between two thirds and three quarters of the lower poverty line (50% of median income) and between half and two thirds of the upper poverty line (60% of median income). When the RMI was introduced, the allowance was fixed so that the sum paid to recipients was well below the minimum wage.

³ Preface to *RMI, l'état des lieux (RMI, the current situation) 1988-2008*, op cit.

Table 3: Means-tested benefits, poverty lines and minimum wage

	1 adult	2 adults	Amount per child
<i>Revenu Minimum d'Insertion</i>	454.63	681.95	137
<i>Allocation de parent isolé</i>	583.80	—————	194.60
<i>Allocation adultes handicapés</i>	666.96		
<i>Allocation supplémentaire d'invalidité</i>	372.95	745.91	
<i>Allocation de solidarité spécifique</i>	463.76		
<i>Allocation d'insertion and allocation temporaire d'attente</i>	326.74		
<i>Allocation veuvage</i>	559.54		
<i>Allocation équivalent retraite</i>	982		
<i>Revenu de solidarité</i>	471.01		
50% median income (Insee 2006)	733	1100	367
60% median income (Insee 2006)	880	1320	440
Minimum wage (gross monthly 2008)	1321		

Source: Insee March 2009

The means-tested benefits were already far from the poverty lines or median and mean incomes at the time they were introduced but the situation has deteriorated with time. The benefits, and more generally, the social services are inflation-linked. The various governments have not always taken this into consideration and the purchase power of family allowances dropped by 1.9% between 1984 and 1994 and by 4% since 1994. Although RMI increased rather faster than inflation up to 2001, it has since flattened out. However, using the retail price index disguises the fact that benefits have fallen seriously behind the increases in the poverty lines and median incomes. During the past ten years, the purchase power of the average wage increased by 14%. The RMI was worth 34.9% of the median income in 1990 and in 2007 it is only 30%, a relative drop of nearly 14%.

The means-tested benefits certainly do not enable recipients to rise above the poverty line but they reduce the severity of poverty and prevent it spreading. The extension of poverty could apply if one considers that a person receiving a benefit shares this allowance with another person, child, spouse or partner. Given that 2.7 million people of working age receive minimum income support, the number of persons affected by the means-tested benefits can be estimated at around 5 million. The INES micro-simulation model developed by DREES and INSEE can be used to estimate the standard of living of the households concerned excluding RMI. RMI has only a limited effect on the poverty level of recipients. They were already below the poverty line and remain so with the RMI. However, for those receiving RMI for a full year, the poverty gap is reduced by half, from 60.1% to 29.0%.⁴

⁴ Pouget J., Mirouse B., Le niveau de vie des bénéficiaires du RMI, in RMI, l'état des lieux (The standard of living of the recipients of RMI, in RMI, the current situation), op.cit., p 120-132.

Recipients are not spread evenly throughout France. For the over 20s, there is a higher proportion of recipients in overseas departments, reaching 21% in Guyana, 25% in Guadeloupe and Martinique and 29% in La Réunion. In mainland France, the highest proportions are found in the regions with the highest poverty rates, the Mediterranean basin and the north of France.

The RMI is the main means-tested benefit and is claimed by 43% of the working age population receiving benefits in mainland France and up to 64% in overseas departments.⁵ Since its introduction, the geographical distribution of recipients of RMI matches that of unemployment. The DREES showed that in mainland France, the linear correlation coefficient between unemployment rate and those receiving RMI in a population of working age was 0.91. The API follows a similar pattern of geographical distribution owing to the limited period of the allowance and the difficulties experienced by recipients in finding work. Again, the geographical distribution of the API is very similar to that for unemployment with higher levels in the north of France and round the Mediterranean. The distribution of recipients of the *Allocation de Solidarité Spécifique* is also very similar to that of unemployment although there are stronger links with long-term unemployment and the number of people over 50 who are out of work. In general, there is a marked similarity in the distribution of unemployment and the RMI, ASS and API, the three benefits for people of working age.

Whereas the API concerns almost exclusively young women expecting or having one, two or three children and the ASS applies rather to older men, the RMI is paid to a much wider range of recipients in terms of sex, age and family circumstances. It is paid almost equally to men and women although there women are slightly in the majority, which is also the case for the poor population. There is considerable diversity in age: 22% of recipients are under 30, 30% are between 30 and 39, 26% between 40 and 49 and 22% are over 50. Although RMI is claimed by all types of household, single people without children and single parents are strongly overrepresented. The level of education is lower than in the working population and 34% have no qualifications against only 20% in the general population over 20.

One group of the population is not covered by any of these benefits, young adults under 25 years of age. In 1988 when the *Revenu Minimum d'Insertion* was introduced, the legislators did not wish to include them in this benefit which was considered to be set up as a temporary measure and contracts and specific measures were set up for them in terms of career and job placement (local missions, offices providing advice, job placement, careers, etc).

This brief analysis of the population shows why poverty and means-tested benefits do not overlap exactly. Firstly, the means-tested benefits create a subset of the whole of the poor population based on the criteria required to claim. Just under 5% of recipients of means-tested benefits are under 25 and 29% are over 60 whereas 25% of people living in poor households are under 25 and only 10% are over 55.⁶ Only one third of poor households are covered by the means-tested benefits. The RMI is the most common as it is paid to one out of every four poor households. Consequently, the number of recipients of means-tested benefits is not a very satisfactory indicator of the state of poverty in France.

If an additional argument were required against considering the poor population to be the same as the population receiving means-tested benefits, there are, intentionally or not, a certain number of poor persons do not claim these allowances. No precise recent figures are available for those not claiming

⁵ Adjé B., Nauze-Fichet E., Raynaud Ph., *la répartition géographique des allocataires des minima sociaux en 2005*, Paris, Drees, *Études et résultats* (the geographical distribution of recipients of means-tested benefits in 2005, Paris, DREES, Studies and results), n° 528, October 2006.

⁶ Source ONPES.

benefits⁷. Whereas the question of fraud has been widely discussed in parliament and the media, little is known about the failure to claim despite studies that have been carried out, including that by ODENOR⁸

17% of people questioned in an ONPES survey said that they had decided against or abandoned claiming for a benefit managed by an official organisation in recent months. This did not apply directly to means-tested benefits but it confirms other studies on failures to claim benefits. It should be noted that studies showing that young recipients of the RMI sometimes delay claiming this benefit although they would be eligible from the age of 25 onwards.

1.3 Means-tested benefits for people of working age and the return to work

The idea often mentioned in French debates whereby all policy should aim to put recipients of means-tested benefits to work as a priority should, even if it does reflect current French and European thinking, probably be viewed with extreme caution so as to avoid any future disillusionment.

First of all, the RMI, and working age means-tested benefits in general, are very closely linked to employment and unemployment. From its introduction in 1988, legislators raised the risk of the RMI acting as a disincentive to work, although it is often forgotten that it was initially introduced as a response to the growth in unemployment in the 1983-1984 period. First of all, the RMI, and this is also true of the other means-tested benefits, was set at a relatively low level. An incentive scheme was put in place which permitted the allowance to be combined for a limited period (initially for three months then later six months), with income from employment. A similar mechanism was subsequently applied to 6 other means-tested benefits, including the AAH, the API and the ASS.

The 1998 law against exclusion extended this incentive scheme to the API and ASS and permitted a recipient taking up employment to combine income from the employment with the full allowance for the first six months, reducing it to 50% of the average income from employment during the subsequent three quarters. Moreover, in certain cases, an extension of the incentive may be granted if the total working hours for the four previous quarters are less than 750 hours and if permitted by the recipient's integration path into the labour market. The incentive scheme applicable to the AAH is quite different as it permits the permanent combining of income from employment with the allowance.

It would be incorrect to think that there are no links between means-tested benefits and the labour market, particularly the two means-tested benefits relating to those sections of the population of working age and not suffering from any disability. In fact, compensation for unemployment is assured by means of three different mechanisms⁹. Firstly, an insurance scheme managed on an equal basis by the social partners with benefits being paid to unemployed persons registered with the jobs section of the Public Employment Service who have not voluntarily left their jobs without just cause and who have worked for a certain minimum period of time over the course of a set reference period. The return to work allowance paid within this context was 1068 euros on the 31 March 2008 for an average reference salary of 1837 euros, i.e. a replacement ratio of 58.1%. One quarter of recipients receive less than 791 euros per month with the upper quarter receiving more than 1128 euros per month. Unemployment benefit is paid to 1.666 million jobseekers at an estimated annual cost of 20 billion euros.

⁷ In a recent call for tenders relating to the general theme of links between rights and poverty, the Onpes engaged in a programme of research into the phenomenon of failure to claim.

⁸ Research panel on failure to claim rights or access services, www.odenore.msh-alpes.fr

⁹ This analysis continues the work of Gérard CORNILLEAU and Mireille ELBAUM, *Indemnisation du chômage, une occasion manquée face à la crise* (Unemployment benefit, a missed opportunity amidst the crisis), note from OFCE (French Observatory of Economic Conditions), n° 307, February 2009.

Unemployment assistance is reserved for jobseekers who are not eligible for unemployment benefit. In March 2008, the *Allocation de Solidarité Spécifique* was paid to 316,000 people. The amount of the payment in 2009 is 455 euros per month. The ASS is complemented by an *allocation de préretraite* (early-retirement allowance) and an *Allocation Temporaire d'Attente*. This benefit, which is ordinarily grouped with the means-tested benefits is heavily reliant on the insurance scheme and is restricted to jobseekers who have exhausted their entitlement to unemployment benefit and who can provide proof, at the time of the breach of their employment contract, of at least five years of paid work within the previous ten years. It is, moreover, means-tested (1047 euros for a single person and 1646 euros for a couple).

This set of restrictive conditions for claiming unemployment benefit and the *Allocation de Solidarité Spécifique* acts to exclude those jobseekers or unemployed persons for whom the *Revenu Minimum d'Insertion* was the third pillar of unemployment compensation.

Mireille ELBAUM and Gérard CORNILLEAU have shown that having the unemployment benefit scheme managed by the social partners resulted in a toughening of the compensation scheme when unemployment increased during periods of recession and, because of this, more unemployed persons stopped receiving unemployment benefit a lot more quickly and found themselves back on means-tested benefits. As a result we are witnessing a “benefit migration” phenomenon. When the economic climate deteriorates, the numbers of unemployed increase as a result of the worsened economic situation; the compensation position of the unemployed becomes more difficult as a result of changes in the methods of compensation, resulting in a type of reverse flexicurity! This situation results in a portion of unemployed persons not eligible for benefits being “dumped” onto the RMI and increased difficulty for those jobseekers in receipt of the RMI in finding work.

Conversely, in periods of resumed economic growth, with the pressure on the unemployed from the insurance scheme being reduced and those recipients of the RMI who are closest to the labour market finding work, the numbers of recipients fall. The fluctuations observed since the introduction of the RMI, which closely mirror evolutions in the labour market and the economic climate, do not point to the willingness or not of recipients to take up employment, but instead the need to carry out a macroeconomic analysis of the links between the economic climate, the state of the labour market and the methods of compensating those without work.

The phenomenon is intensified because during periods of economic growth and jobs recovery any growth in the numbers claiming the RMI is slowed, which was the case in 1997-2000 and again in 2005-2008. Recipients of means-tested benefits do not exist in a world of their own, unconnected to the world of employment.

Although the majority of those in receipt of the API do not work, more often than not as a result of restrictions related to childcare, the situation of ASS and RSI recipients is different. Firstly, approximately 15% of such recipients take advantage of the incentive schemes and combine a job with their allowances. The results of different studies show that one third of those in receipt of the RMI and ASS cease claiming such benefits after between one and two years. Out of 100 RMI recipients at the end of 2004, 14 were in employment, 53 unemployed and 32 were out of the labour force. Eighteen months later, 28 were in employment, 42 unemployed and 30 were out of the labour force. Claiming RMI doubled the employment rate within a year and a half. Finding work is, moreover, the primary reason for ceasing to claim. The majority of those still claiming means-tested benefits after eighteen months are seeking employment. A lack of education was the main reason given by those surveyed in the DRESS (Directorate for Research, Studies, Assessment, and Statistics) study to explain their difficulty in finding employment. In addition, the abandonment by a minority of people of any attempt to

find employment can often be explained by family reasons and health problems¹⁰. The main results of this study can be organised along four axis/lines/axes:¹¹

- Age and health both have a significant influence on whether recipients remain on the RMI. This produces a type of “skimming” phenomenon whereby the youngest and healthiest remain on RMI for a shorter time and enter employment more frequently;
- Finding work results in a real increase in household income;
- Access to work is seen as something desirable and not as a source of restrictions;
- Those in receipt of the RMI do not perceive themselves to be stigmatised as outcasts or dropouts.

1.4 Supports and entitlements associated with means-tested benefits.

The idea of supporting minimum income benefits with specific services dates back to the beginning of the eighties. Although recipients of older allowances such as the minimum old-age income support have always been able to avail of the services of social services and the assistance in kind provided by local authorities, and even though recipients of the allowance for disabled adults could access related support services for disabled persons and, finally, although single parents benefited from the services of *Conseils Généraux*-appointed (Departmental councils) social workers or support from professionals under the policy for the protection of mothers and children, such services were provided under a common law framework.

The introduction of the *Revenu Minimum d'Insertion* was the beginning of the development of a double form of support. The first form of support is collective but particularly applies to recipients of means-tested benefits and within this category more specifically to recipients of the *Revenu Minimum d'Insertion*. The second form of support is individual and is specific to the *Revenu Minimum d'Insertion*.

Since the RMI was introduced in 1988, collective support has been organised around three pillars: access to housing, access to healthcare and access to employment. As regards access to housing, in 1990 legislation known as the *Loi Besson* (Besson Law) was introduced with effect from 31 May 1990. For the first time, but not the last, the legislator would claim that “The nation owed a duty of solidarity to guarantee the right to housing”. From 1977 onwards, after direct involvement in construction policy, the State abandoned this direct form of building subsidy, replacing it with supports geared towards providing financial assistance to people in the housing market. This policy deprives the State of the opportunity to intervene more directly to house vulnerable or low income populations amongst which are included recipients of means-tested benefits. The 1990 *Loi Besson* obliges State representatives in the *départements* to create programmes at departmental level to house the very poor. These programmes involve adapting public housing policy to the needs of those on low incomes within specific territorial areas. Mobilising local players to increase provision of housing, providing credit to those most in difficulty using the *Fonds de Solidarité Logement* (FSL - Housing Solidarity Fund) have been the main actions taken since 1990, which have been consolidated by the 1998 law against exclusion and the Social Cohesion Law of 2005 and reaffirmed by the law of 5 March 2007 providing for a statutory right to housing.

¹⁰ PLA A., *sortie des minima sociaux et accès à l'emploi* (Coming off means-tested benefits and access to employment), Paris, Drees, Study and results, n° 567, April 2007.

¹¹ BONCHOUX J., HOUZEL Y., OUTIN J-L., *Modélisation du RMI et trajectoires des allocataires. Une analyse empirique des liens RMI-marché du travail à partir des données individuelles* (RMI modeling and career path of recipients. An empirical analysis of the RMI-employment market relationship using individual data), Paris, Working Paper of the Sorbonne Centre for Economics, 2008.90.

In addition to these global measures, it should be remembered that those in receipt of means-tested benefits are also entitled, under this benefit scheme, to the full housing allowance. In many cases, the payment of this allowance pushes families to the limit, indeed slightly over the poverty line. Finally, recipients of RMI are automatically exempt from paying the *Taxe Locale d'Habitation* (local residence tax).

In matters of health, multiple studies relating to recipients of RMI show that they generally suffer from poor health. One recipient out of every six reports having health problems that prevent him or her from taking up employment¹². Under the law establishing the RMI recipients are subscribed to a personal medical insurance scheme under the social health assistance scheme. Contributions are paid by the *départements* as integration credits. These measures only provide moderate assistance to those on low incomes in accessing healthcare. The associations are going to play an important role in supporting access to healthcare including developing reception and healthcare services and creating regional health prevention programmes under the 1998 law against exclusion. The real turning point in access to healthcare came with the law of 27 July 1999 that created basic universal health cover which provides access to health insurance for all persons living in France for more than three months and who are not otherwise entitled to health insurance. Supplementary universal health insurance covers anything not already covered by the compulsory healthcare insurance schemes. Recipients of RMI have an automatic entitlement to both forms of universal health cover.

It is in the area of employment support that recipients of RMI enjoy the largest and most specific range of subsidised contracts:

- **Job seeker's contract – minimum employment income.** This contract is offered to recipients of means-tested benefits (RMI-API-ASS). It is for a minimum period of 20 hours work, for a maximum of 18 months, paid at the minimum hourly wage. The employee must have a tutor and receive training and guidance. The employer receives the amount of the RMI and is exempted from paying any social security contributions.
- **Return-to-work contract**, very similar to the above, used in the non-commercial sector. It is a fixed-term contract with a minimum duration of 6 months concluded for 2 years and paid at the minimum hourly wage with an unpaid training period. With this contract the employer is also paid the amount of the RMI and exempted from paying any social security contributions.

In addition to the above contracts, specifically aimed at recipients of means-tested benefits, there are also contracts for persons in difficulty and the long term unemployed in particular.

- **Contrat Initiative Emploi (Employment initiative contract).** This is a contract for employment in the commercial sector usually of fixed term but sometimes of indefinite duration which can run for up to 5 years for those over 50. The employee is paid the national minimum wage and receives training and tutoring. The employer receives a recruitment subsidy corresponding to 47 % of the minimum hourly wage.
- **Contrat d'Accompagnement dans l'Emploi (Employment support contract).** This is a non-commercial sector contract for a minimum fixed term of 6 months, with at least 20 hours work per week, paid at the minimum hourly wage and incorporates training. The employer receives an exemption from paying social security contributions. This type of contract replaces the *Contrats Emplois Solidarité* (Employment Solidarity Contract) and *Contrats Emplois Consolidés* (Consolidated Employment Contract), which are frequently used by recipients of RMI.

To the above contracts should also be added the *Contrats jeunes en entreprise* (Youth in Work Contracts), aimed at young people between the ages of 16 and 25, and the *Contrats d'insertion dans la vie sociale* (Social Life Integration Contracts) in the non-commercial sector as well as professional training contracts and apprenticeship contracts.

This scheme is going to be greatly revised with the introduction of a single contract, which will be described in the final section of this paper.

Although the system of means-tested benefits did not provide for the support of recipients, the law creating the RMI established, at the same time as the RMI itself, an obligation on the part of the recipient to commit to a pathway of integration into the labour market. This can be compared more or less to the concept of inclusion. However, it places a greater emphasis on the development of a reciprocal relationship between the individual beneficiary and the company undertaking to assist this integration.

As far as service and support is concerned, the RMI was very original in that it involved the signing of an integration's contract by the State and the recipient. The RMI did not therefore provide just an allowance; it also facilitated access to an integration service. This service provided assistance with finding employment but also in other areas such as access to healthcare, access to housing and training. This commitment meant that each year the *départements* were obliged to devote a sum equal to 17% of the amount paid by the State as allowances the previous year. The *départements* were then obliged to present integration plans for the *département*, summarising all measures proposed for RMI recipients. These actions not only mobilised the *département's* social services but led to the development of numerous community based networks in each of the important areas of social integration: professional, educational, health and cultural.

Apart from the payment of a financial benefit, the RMI is also a contractual provision. The recipient undertakes to participate in certain acts while the community undertakes to put in place the resources to enable the recipient to complete his or her project in addition to paying the financial benefit. The actions instigated as part of the pathway to integration might include:

- Provision of support services aimed at developing social independence;
- Referral to public employment service;
- Activities or internships to improve professional skills;
- Subsidised employment;
- Assistance with a business creation project;
- Assistance with access to housing or healthcare.

Where the beneficiary fails to fulfil the contract, the President of the Departmental Council may decide to suspend payment of the allowance.

The law of 18 December 2003 decentralising the RMI and creating a minimum employment income reaffirmed both of these aspects (financial benefit and integration measures) and entrusted organisation of the integration measures to the *départements*. These integration measures provide that the recipient must sign an integration's contract within three months of the allowance being paid. In fact, studies conducted since the RMI was introduced have shown that the signing of contracts was only relevant for about half of recipients.

As part of the pathway to integration the recipient is assigned an advisor who provides support and assistance. A recent study carried out on this measure showed that three quarters of recipients had received such support. These studies show that support is particularly offered to single parent families, those with health problems, recipients who are graduates and those between 30 and 49 years of age. Support is geared more towards social integration rather than professional integration. Younger people, those who are more employable, tend to use the RMI more as a temporary measure, or while between jobs. Four recipients out of ten have already signed at least one job seeker's contract and two thirds of recipients are aware of the contract and have a positive view of it. Similarly, 4 recipients out of 10 have already participated in integration activities and $\frac{3}{4}$ of recipients avail of integration measures to look for employment.¹³

The fact of having received professional support has an impact on whether or not the recipient will cease to claim the RMI and return to work. However, the net effect of this support remains difficult to measure, since the finding work is dependent on the personal characteristics of the recipients.

As well as the above specific measures, various additions have been made to these benefits over the years. Thus, recipients of means-tested benefits also enjoy a range of tax benefits. First of all, their income level places them within the category of non-taxable households. All recipients are exempt from paying the *remboursement de la dette sociale* (CRDS - social debt repayment tax) as well as the *contribution sociale généralisée* (CSG - general welfare contribution) except for those in receipt of the integration allowance and the ASS. Certain means-tested benefits do not need to be declared for tax purposes. Exemption from the television licence fee was extended to recipients of RMI but does not apply to those in receipt of ASS or API.

As far as the building up of entitlements for old age benefit is concerned, only periods spent in receipt of those means-tested benefits linked to employment – ASS, AER and the *Assurance Supplémentaire Invalidité* (ASI - supplementary disability allowance) – are taken into account when assessing any entitlement to old age benefit. This means that upon reaching the age of retirement recipients of the RMI are automatically entitled to means-tested old-age benefit.

Recipients of means-tested benefits and in particular those benefits paid to persons who are fit for work have received a Christmas "bonus" for a number of years. This bonus was introduced in the wake of the unemployed protests of December 1997. A *fonds d'urgence sociale* (social emergency fund) was created and is tasked with paying supplementary financial allowances to unemployed persons in serious difficulty. A once-off allowance was repeated in the form of a thirteenth month's payment. The Christmas bonus replaced this initial allowance. As part of the recent revival plan, a similar measure was introduced, granting a *prime de solidarité active* (active solidarity bonus) of 200 euros to recipients of the RMI, API or experimental RSA.

Other forms of assistance are also offered to recipients of certain means-tested benefits. Those in receipt of the RMI, AAH and the ASS receive a social discount on telephone line rental, connection to the electricity network and a price discount on the first hundred kilowatt hours of electricity used each month.

Although recipients of the AAH were also able to access other forms of assistance, none were extended to the same extent as the RMI. In particular, they were never extended to recipients of the API or the ASS whose social conditions are very similar to those claiming the RMI.

¹³ PLA A., *l'accompagnement des allocataires du RMI dans leur parcours d'insertion* (Supporting RMI recipients along the path to integration), Paris, Drees, Study and Results, n° 599, September 2007.

Finally, other optional measures have been implemented by the local authorities. At a *département* level these forms of assistance relate mainly to disabled persons and the elderly. In the *communes*, the range of assistance offered is much broader and can include allowances to offset the costs of transport, child minding, rent, telephone, and support for drop-in centres; food assistance provided by the local centres for social action and associations such as food banks, the *Resto du cœur* (soup kitchens) and the networks of social food shops. Finally, the *communes* have developed numerous services for which recipients of means-tested benefits, such as jobseekers or the elderly, enjoy discounted entry fees for sports, cultural or leisure facilities.

Studies conducted into these payments¹⁴ indicate that local forms of assistance have an appreciable impact on the income of recipients of means-tested benefits, who, thanks to these measures, can see their income increase by as much as 25%. These payments seem, on the whole, to benefit households with children, in particular, by providing assistance starting with the first child; national family benefits are only paid starting with the third child and favour those families with three children or more. Finally, these forms of assistance are closely connected with local policies and for this reason vary greatly according to the territory.

1.5 The Active Solidarity Income

Just as the RMI formed part of the election manifesto of the socialist candidate for the presidency, the *Revenu de Solidarité Active* too has its origins, twenty years later, in a commitment made during the presidential election campaign. This commitment is in keeping with an approach that seeks to reemphasise the value of work, revitalise the struggle against poverty and remedy the numerous insufficiencies highlighted from the early 2000s onwards in the system of means-tested benefits, particularly the RMI.

Adoption of the Law of 1 December 2008 providing for the introduction of the RSA with effect from the 1st June 2009 was also accompanied by reform of subsidised contracts. The RSA was in fact only one of around fifteen other proposals in a report initially devoted to combating child poverty. The other themes, abandoned over the course of the debates, were part of a multidimensional approach to combating poverty. This measure, which is preceded by an important experimentation phase, differs from the RMI, which received unanimous support in 1988, in that it gives rise to a number of technical and political questions.

The RSA is an attempt to remedy a situation regularly highlighted in the different reports on the *Revenu Minimum d'Insertion*. When a recipient returns to work, the different forms of assistance linked to the means-tested benefit are withdrawn such supplementary universal health cover, exemption from payment of certain taxes including the *taxe d'habitation* and social tariffs for numerous local forms of assistance. As a result of this, returning to work, especially if it is poorly paid, can result in a drop in income. Furthermore, if the job is located far away from where the recipient lives and involves expenditure on transport or the minding of children and, where there is no community crèche, the claimant must entrust his or her children to a childminder, returning to work can result in a significant decline in living conditions. The RSA attempts to rectify this state of affairs by generalising and extending those measures already set up under the RMI but increased by law n° 2006-339 of 23 March 2006 on the return to work and the rights and obligations of the recipients of means-tested benefits. This law puts in place various mechanisms aimed at encouraging a return to work: possibility of retaining the

¹⁴ Valérie Létard report, p 38.

full amount of the means-tested benefit along with the salary during a period of three months¹⁵; payment of a 1000 euros return to work bonus; establishment of an identical bonus for recipients of the API, RMI and ASS of 150 to 220 euros payable for 9 months; finally, priority access to crèche places for children not yet in school and under 6 years of age for recipients of the RMI, API and the ASS who return to work.

1.5.1 The RSA: basic principles.

The introduction of the RSA, which is part of a general extension of the incentive measures already applicable to means-tested benefits, goes further than this and accomplishes three key objectives:

- Guarantee recipients a reasonable means of subsistence;
- Improve the situation of the working poor. The RSA guarantees everyone over 25 the right to a minimum income and a real increase in his or her resources when income from employment rises;
- Simplify the system of means-tested benefits.

The RSA is aimed at recipients of the *Revenu Minimum d'Insertion*, the *Allocation de Parent Isolé* and at persons already working but on low incomes. It therefore brings together in a single provision support for persons formerly in receipt of some of the means-tested benefits and the working poor. However, the RSA has not been extended to recipients of the *Allocation de Solidarité Spécifique* or to those who receive the *Allocation aux Adultes Handicapés*.

Nationals of member states of the European Union or the European Economic Area who satisfy the conditions required for obtaining a right of residence can avail of this support. They must have lived in France for three months directly prior to their application. The creation of the *Revenu de Solidarité Active* resulted in the abolition of the incentive measures for the RMI and the API. However, these incentive measures are retained for the ASS and the AAH. The RSA also replaces the *primes forfaitaires d'intéressement* (fixed incentive bonuses) and the *prime de retour à l'emploi* (return to work bonus).

Recipients of the RSA are entitled to assistance. This assistance involves the provision of professional and social guidance according to the needs of the recipient and organised by a single advisor. For those currently in receipt of the RMI, this support will simply be a continuation of the already existing forms of integration. However, for current recipients of the API, this support will constitute an entirely new procedure. For those already working when claiming the RSA, this assistance will be provided at the place of employment, in cooperation with the employer. The support provided should aim to guarantee career development and should be voluntary.

There are two categories of recipients of the RSA with different obligations:

- Those whose households have an income higher than the Minimum Guaranteed Income or who receive an income of over €500 per month from their work, have no obligation to seek assistance. However, they are entitled to benefit from assistance if they so wish.

¹⁵ This scheme is known as an "incentive": it can be defined as the right to combine the RMI for a limited period of one year with income from work. In the case of the RMI, recipients can retain the full amount of the RMI for the first three months and part of it for the following 9 months with different terms according to whether or not the job involves more or less than 78 hours of work per month.

- Those whose households have an income below the Minimum Guaranteed Income and that receive less than €500 per month from their work (which corresponds roughly to the limits of the RMI and API) are, however, required to register as job seekers, to take the steps required to set up a business or take the action required to improve social or professional integration. To fulfil this obligation, account is taken of particular constraints, in particular looking after children, that face some recipients of the RSA (single persons who have one or more dependent children or who are pregnant).

Recipients of the RSA who are subject to the above obligations are referred by the President of the Conseil Général, either, as a matter of priority, to the public employment service, or, if they come up against particular problems that prevent them from starting to look for a job (accommodation, health, etc), to a service responsible for social integration. In both cases, a counsellor is appointed to draw up and monitor the individual job-seeking plan or the job seeker's contract, as appropriate.

Recipients not in receipt of any income from employment are entitled to a *Revenu Minimum Garanti* (RMG – Guaranteed Minimum Income) the basic amount of which varies according to the composition of the household and the number of dependent children. The amount of this RMG is equal to the current RMI. Since the *Allocation de Parent Isolé* is currently greater than the RMI, the principle remains the same and the RSA is increased under the same conditions for single persons with dependent children and single pregnant women.

If the recipient already has or returns to work the RSA allows him or her to combine, for an unlimited period of time, a *revenu de solidarité* with a portion of any income obtained from employment.

The final income guaranteed to the recipient is calculated by adding:

- A portion equal to 62% of his or her income from employment.
- The *Revenu Minimum Garanti*, the amount of which varies according to the composition of the family unit.

Therefore, the total income of the recipient concerned rises because he or she receives in addition to his or her salary, an RSA allowance equal to the minimum income to which he is entitled, reduced by an amount representing 32% of this salary.

If a recipient entitled to an RSA basic minimum income of 448 euros and with no other source of income takes up employment paying 600 euros net, his or her guaranteed income would then be:

$$(\text{€}600 \times 62 \%) + \text{€}448 = \text{€}820$$

There is no time limit on claiming the RSA. It is reduced in proportion to any rise in employment income with the benefit being stopped when household income reaches 1.4 times the minimum wage for a single person, 1.64 times the minimum wage for a single parent with a young child, and between 1.7 and 1.8 times the minimum wage for a couple with one to three children.

An order of 16 April 2009 has just set the basic rate of RSA at €454.63 for a single person. This is increased by 50% for two people and a further 30% for each additional dependent person.

The RSA (earned income supplement) is a benefit that supplements the incomes of the lowest-paid workers. It is likely to concern some 3.5 million people. For those not working, its amount will be equivalent to that of the RMI or the API as they currently stand. If they find a job or return to work, the

income supplement paid will vary on the basis of their earned income and the composition of their household. It will range from 280 euros for a couple with one child with one parent working to 20 euros for a single person working full-time. The benefit decreases more slowly than the earned income increases. Hence, if an individual earns 100 euros more from paid work, his/her benefits will only be reduced by 38 euros. For a single person, the RSA is paid up to an amount of approximately 1100 euros per month. Beyond this, the individual is still eligible for the PPE (back-to-work allowance).

Following the above principle, a family and financial situation allows access to income support, to which rights and benefits in kind or in cash are attached. The RSA is a substitute for an allowance determined on the basis of earned income and family composition. Additional benefits, such as CMU (free medical care) or exemption from local housing taxes, will also be determined on the basis of household income, with no reference to working status.

1.5.2 Social integration policy reform

The introduction of the RSA is being accompanied by social integration policy reform. This consists of two components: the first concerns the introduction of a single social integration contract, while the second concerns governance of regional and local social integration schemes.

Initially scheduled to come into force at the same time as introduction of the RSA, contract reform has now been delayed until 1 January 2010 to give the various players involved the time to make the transition. The main measure is the introduction of a single social integration contract in place of multiple forms of subsidised contracts. This will lead, in particular, to the deletion of the *contrat d'avenir* (CA or future contract) and the *contrat insertion-revenu minimum d'activité* (social integration-minimum income for employed people contract). In the future, there will only be one type of contract covered by two different names. The *contrat initiative emploi* (job initiative contract) will be used in the market sector and the *contrat d'accompagnement dans l'emploi* (employment support contract) will concern the non-market sector. The two names nonetheless designate the same contract and each employer will only be concerned by one type of contract depending on its legal status.

This single contract consists of a tripartite agreement between the employer, the beneficiary and the *département* or public employment services on behalf of the State. This agreement stipulates the conditions for occupational guidance and support for unemployed people. Following this agreement, an employment contract will be signed between the employer and the beneficiary. This contract will give the employer the right to financial assistance in compensation for training and support initiatives implemented by the employer.

In addition, an "objectives and means contract" will be signed between the State and the *département* determining the objectives of the contract and the methods of financing these contracts.

Although all the decrees implementing this system are not yet available, the first elements demonstrate a greater flexibility in the system, with a strong focus on access to employment.

With respect to governance of social integration policy, the law of 1 December once more confirms the responsibility of the *départements* and a broadening of the scope of responsibilities of *département*-level elected officials in the area of social and occupational integration. Integration committees, such as local integration committees and *département*-level integration councils, are scrapped and the only obligation on *département*-level partners will be the signing of a regional integration pact designed to implement the *département*-level integration programme adopted by the *département*-level elected officials.

1.5.3 RSA (earned income supplement) and social welfare policy

The RSA could be seen as a political response to the questions raised by American economists concerning the “poverty trap” and “disincentive effect” concepts¹⁶. These concepts have been strongly disputed, including in academic circles, since they are based on a rationality of players that the latter are often far from possessing and on the assumption of the existence of a pool of jobs accessible to income support recipients, assumptions that are not acceptable in certain regions and in times of job market tensions. Furthermore, this hypothesis assumes that RMI (minimum income) beneficiaries do not seek work, something that studies on the RMI have never convincingly demonstrated. While voluntary unemployment does exist, it is nonetheless only marginal¹⁷.

While the most recent texts always make reference to the need to eradicate poverty and a soon-to-be-issued decree highlights the indicators necessary to monitor this objective, debates concerning the RSA appear to have abandoned the objective of taking the sum of earned income and RSA income above the poverty threshold. Although the first drafts of the RSA referred to the notion of the working poor, in the final version of the RSA test results show that, for a single person working quarter-time, the total income guaranteed will be below the poverty threshold.

Among the numerous examples illustrating the financial contribution of the RSA, the case of Mrs. Nobody is presented on several websites. This example clearly demonstrates the positive impact of the allowance on its beneficiaries:

Mrs. Nobody lives alone. She is unemployed and receives the RMI. Her income is therefore 450 euros per month. Mrs. Nobody finds a part-time job (half time). If she takes the job, she will lose her RMI and therefore earn 500 euros per month, i.e. 50% of the minimum wage. In the case of the RSA, for the same job Mrs. Nobody will benefit from maintenance of her RMI allowance, i.e. 450 euros, to which will be added 62% of her salary, i.e. 310 euros, making a total of 760 euros.

This is an interesting example since it demonstrates both the improvement in Mrs. Nobody’s situation (it is easier to live on 760 euros than 450, although it will probably be necessary to deduct from this sum a few additional clothing and transport costs), but it also shows that with this sum, Mrs. Nobody is still below the poverty threshold. By taking her part-time job, she has just joined the ranks of the poor worker.

A second debate concerns the impact of the RSA on employment. Prior to its introduction, the RSA has been extensively tested and the results have demonstrated a particularly significant effect of this measure on the return to employment. It is known that the researchers having worked on these trials and the elected officials concerned would have liked the testing and assessment process to be conducted over a longer period of time in order to stabilise the results. A recent study by DREES (French Department for Research, Studies, Evaluation and Statistics), the results of which were contested by the French High Commissioner for Active Solidarities against Poverty, indicated that access to jobs was made easier by the RSA mainly for those populations without too many obstacles making a return to employment difficult, such as a lack of qualifications or childcare problems. It is understood that this result – although only partial – does not fit with the authorities’ expectations, but previous studies on the RMI led to similar conclusions.

¹⁶ To follow the penetration of these concepts in the academic literature and then their introduction into political debate, see the article by Pierre STROBEL, “*les chômeurs sont-ils responsables de leur sort ?*”, Lien social et politique, Autumn 2001, pp 163-173.

¹⁷ On this theme, see Jean GADREY, “*revenu de solidarité active : les ambiguïtés*”, Droit social, n° 12, December 2007, p 1228-1235.

With respect to the limitations identified concerning this measure, several criticisms have been made. The first is that the focus on poor people liable to be able to find a job risks leaving out the beneficiaries of other income support benefits for whom a return to the workplace is impossible, due to age or disability. In addition, among all the current recipients of income support, some find themselves in a difficult situation due to their age – over 50 in a job market reluctant to include this type of population – or for health reasons.

The second risk identified by analysts of this measure resides in the encouragement as a result of the RSA to extend low-quality jobs, i.e. very low-paid jobs with very short working hours. The existence of the RSA is not likely to encourage employers to improve the hours and pay for these jobs, since the holders of the post have their income supplemented by income from the state. The same criticism might be made of the RSA as for exonerations from employer social contributions, i.e. that it helps perpetuate “low-quality job traps” in the name of the fight against “unemployment traps”.¹⁸

An analysis by the OFCE (French Economic Policy Institute) pointed out a perverse effect of this measure, i.e. the disincentivisation to work of women in couples in insecure, part-time, poorly-paid jobs. This criticism was also made of the *prime pour l'emploi* (back-to-work allowance)¹⁹ which is now known not to help reduce poverty and to have a very weak incentive effect.

Will the current economic crisis have an impact on the introduction of the RSA? We may assume that it will. Since the labour market operates according to a queue model, it is likely that the current influx of jobseekers contacting public employment services, in addition to having already significantly disrupted services in the process of being constructed, is likely to operate on the basis of a creaming phenomenon, already clearly identified over the 2001-2005 period, and RSA beneficiaries are not necessarily the best placed in this mechanism. There is consequently a risk that RSA beneficiaries may not easily find jobs and therefore lose the benefit of the income supplement linked to the RSA. So, in spite of payment of an April solidarity allowance and the fact that income support benefits are price-indexed, the discrepancy with the average wage is likely to be accentuated and the shortfall with the poverty threshold increase.

¹⁸ On this theme, read ULRICH V. and ZILBERMAN S., “*de plus en plus d'emplois à temps partiel*”, *Dares, premières informations, premières synthèses*, n° 39-3, September 2016.

¹⁹ See ALLEGRE G., 26 July 2007, <http://www.ofce.science-po.fr/pointdevue/points-22.htm>, cited by J. Gadrey, see note above.

2. Bibliography and main documentary sources

Abundant literature is available on the subject of income support in French. This mainly concerns income support for integration and, more specifically, the RMI (minimum income for adults), the introduction of which gave rise to numerous evaluation studies in the period 1988-1995. Following a period marked by a decrease in the number of studies focusing on this topic, numerous parliamentary reports have been questioning the role of income support in the social welfare system since 2000. The debates and publications prior to the emergence of the RSA (earned income supplement) have accelerated in the last two years, often in the form of articles or discussions on specialised websites. In this far from exhaustive bibliography, we have only indicated the main texts published as part of this reflection process.

Several websites regularly produce information concerning the recipients of income support. The main ones used in this report are indicated in the list below.

2.1 Non-exhaustive bibliography on income support

Dossier *Minima sociaux, le temps de la réforme* Problèmes économiques, La Documentation Française, n° 2961, décembre 2008.

Belorgey J-M., Fouquet A., *Minimas sociaux, revenus d'activités, précarité*, Paris, Commissariat général du Plan, mai 2000, 253 p.

Clerc D., *La France des travailleurs pauvres*, Paris, Grasset, 2008, 221 p.

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Duvoux N., *L'injonction à l'autonomie, l'expérience vécue des politiques d'insertion*, thèse pour le doctorat en sociologie, Paris, École des hautes études en sciences sociales, juin 2008, 496 p.

Guillemard A-M. (sous la direction de), *Où va la protection sociale ?* Paris, Puf, 2008

Hirsch M., *Au possible, nous sommes tenus, la nouvelle équation sociale*, Rapport de la commission Familles, vulnérabilité, pauvreté, avril 2005.

Join-Lambert M-T., *Chômage : mesure d'urgence et minima sociaux*, Rapport au Premier ministre Paris, La Documentation française, 1998.

Lelièvre M., Nauze-Fichet E., (sous la direction de), *RMI, l'état des lieux, 1988-2008*, Paris, La découverte, 2008, 285 p.

Létard V., *rapport d'information fait au nom de la commission des affaires sociales sur les minima sociaux*, Sénat, n°334, 11 mai 2005, 97 p.

Mercier M., de Raincourt H., *Plus de droits et plus de devoirs pour les bénéficiaires des minima sociaux d'insertion*, rapport présenté au Premier ministre, décembre 2005.

Sellier B., *La lutte contre la pauvreté et l'exclusion, une responsabilité à partager*, Paris, les rapports du Sénat, n° 445, 2007-2008, Tome 1 et 2.

Vanlerenberghe P., *RMI, le pari de l'insertion*, rapport de la commission nationale d'évaluation du RMI, Paris, La Documentation française, 1992.

2.2 Websites and information sources

Insee Première

Insee conjoncture

Institut national de la statistique et des études économiques: www.insee.fr

Initial information, initial summary reports

Direction de l'animation, de la recherche, des études et de la statistique (DARES) Ministère du Travail, des relations sociales, de la Famille, de la Solidarité et de la ville www.travail-solidarite.gouv.fr

Studies and results

Direction de la recherche, des études, de l'évaluation et des statistiques
Ministère de la Santé et des sports www.sante-sports.gouv.fr

Key information

Caisse nationale des allocations familiales www.cnaf.fr

OFCE newsletter

Centre de recherche en économie de Sciences Po www.ofce.sciences-po.fr

Newsletter, reports and studies by the ONPES

Observatoire national de la pauvreté et de l'exclusion sociale www.travail-solidarite.gouv.fr/web/observatoire-national--pauvrete-exclusion-sociale/