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## **Fixing France's broken social model? An assessment of employment and labour market policy under the Sarkozy presidency**

### **Abstract**

Taking as its starting point the programme and campaign of Nicolas Sarkozy in the presidential election of 2007 around the “value of work”, this article reviews and assesses the main reforms undertaken during the period of his presidency. It focuses on the reform of working time regulations through tax exoneration for overtime hours, minimum income benefit (the introduction of the Revenu de solidarité active), moves to reform labour contracts, measures to help combat youth unemployment, and pension reform. The article highlights inconsistencies between the political discourse of structural reform and a practice of incrementalism caused by ideological ambiguities, mismatch between policy design and economic conditions, and the reality of policy-making in a complex and fragmented polity.

### **Keywords**

Employment policy; labour market policy; pension reform; Sarkozy presidency; work and employment

### **Introduction**

Nicolas Sarkozy won the 2007 presidential election on the basis of a campaign which emphasized his desire to break with traditional ways of policy-making in order to enact structural reform, arguing that France's social model had broken down and that new solutions were needed to get France back to work. Accordingly, his campaign stressed the value of hard work and the importance of a strong work ethic, giving the debate a strong normative as well as policy dimension, particularly through condemnation of “welfare dependency” which according to a keynote speech in December 2006 lay

at the heart of France's crisis.<sup>1</sup> The political dimension lay in the attack on the left coalition government's earlier policy (from 1997 to 2002), already significantly moderated, of reducing working hours in order to create employment, as well as on its flagship youth unemployment programme based on direct employer subsidies, and on the earlier defining policy of the first Mitterrand presidency (lowered retirement age). In addition, Sarkozy's 2007 presidential campaign promised to take on those who were widely seen as having prevented structural reform: primarily the main trade union confederations, but also more broadly the public sector workers and other labour market "insiders" represented by the unions.

In his first speech to parliament after the 2007 elections, he defined the value of work as central to his thinking and programme: "I've spoken so much about the value of work because it's absolutely central. France is losing a percentage point of growth a year because overall, however hard we are working, France isn't working hard enough. That's because everything has been done to discourage French people from working. Mass unemployment, lack of employment security, stagnating purchasing power, worsening working conditions, have all destroyed work." Instead, the new president proposed to place work at the heart of his governmental programme, arguing that every new measure should be judged by how it affected work: "Freeing up work. Rewarding work. Improving working conditions. Increasing labour productivity. [...] Breaking with a social model, an economic model, an educational model, that exclude work as a value. We need to start all over again [author's translation]." Under the heading of "Rehabilitating work", his 2007 election manifesto had focused on four main policy priorities: revaluing work through a reform of the 35-hour week, incentivizing work and reducing welfare dependency, creating a new form of social security for those threatened by unemployment (and specifically in this respect, establishing one single form of employment contract) and tackling poor-quality jobs through vocational training.

Five years later, the presidential campaign again focused on the need for solutions to unemployment and other labour market issues (particularly wages). As one of the rapporteurs of the ruling party's

election programme for 2012, employment minister Laurent Wauquiez argued in 2011 that attachment to the value of work was central to the UMP's ideology: "Authority, sense of nation, the significance of work.... Our values have never been so relevant to the current time" (Garat, 2011: author's translation).

However, in a context of rising unemployment and growing fears about the sustainability of France's economy, the incumbent president struggled to demonstrate how five years of office had made a difference. Opinion polls showed French voters' negative views of Sarkozy's record on employment and labour market policy: for example, in May 2011, only 12% gave his presidency a positive assessment on work and employment, and even fewer (6%) on wages and purchasing power, with negative views dominant even amongst his party supporters (TNS Sofres, 2011). To an electorate which in line with previous elections placed employment high at the top of its priorities,<sup>2</sup> failure to a positive view of his record on employment was costly for a president who had campaigned on this very issue five years earlier. The unprecedented mobilization of academic opinion against Sarkozy's policy record presented, throughout the 2012 campaign, a story of broken promises<sup>3</sup> and "failed reforms" (Cahuc and Zylberg, 2009) in the field of economic and social policy.

This article seeks to examine the policy legacy of the Sarkozy years, focusing on his own campaign claims and on the 2007 policy programme and examining how policy was formulated and enacted in practice, with particular reference to working time, policies on unemployment, labour market policy, and pensions reform. In so doing it seeks to contribute to understanding of the policy dynamics of electoral politics and to analysis of the politics of labour market and welfare reform, which has attracted renewed interest at a time of economic crisis (see e.g. Clegg, 2011, 2012; Clegg and Wijnbergen, 2011; Dumont, 2011; Lallement 2011; Palier and Thelen, 2010).

In this literature, the politics of labour market reform in France is often seen as particularly intractable, and yet at the same time it is acknowledged that significant reforms have been enacted in recent years (see e.g. Vail, 2004). Policy debates are intense, although their divisive nature means

that proposals do not always make it onto the statute books, whilst the fragmentation of labour market governance means that initiatives once passed can be implemented in ways that change or subvert their original purpose (see e.g. Milner, 2007).

The Sarkozy presidency has also highlighted ways in which the incumbent's policy style and method can shape policy-making, policy outcomes and assessments of outcomes, in particular the way in which the "hyper-presidentialism" of the Sarkozy years rested on an image of policy activism which may have been at odds with the reality of policy-making in a complex polity (Cole, 2012; Maillard and Surel, 2012). Influential accounts have highlighted contradictions between president Sarkozy's image of an all-powerful, no-holds-barred reformer and a more conciliatory policy-maker held hostage by organized interests using the power of the streets and influence over elected parliamentary representatives (Cahuc and Zylberberg, 2009).

In addition, it is important to note that the electoral dynamics of France in economic crisis weighed heavily on the Sarkozy campaign's strategy in 2012. Much has been made of the president's divisive impact but the importance of the far right electorate (which followed the left-wing electorate in forming an overwhelmingly negative judgement of Sarkozy's policy record) helps to explain the use of the "value of work" ideology as a catch-all populist appeal to those who felt they had most lost out in the economic crisis, creating a confused policy programme around work and employment. Thus, it is argued here, we need to combine understandings of politics and policy in order to assess the record and legacy of the Sarkozy years.

### **Rewarding effort? Wages and working time**

The August 2007 law "in favour of work, employment and purchasing power" was at the time, and continues to be, seen as "the most emblematic" of the Sarkozy presidency (see e.g. Cahuc and Zylberberg, 2009: 149). Contained within it was the exoneration of taxes and social charges on

overtime pay, which responded directly to the 2007 campaign theme of making work pay and indeed was widely presented in the 2012 campaign as one of the administration's key successes.

Despite the president's consistent hostility to the weekly working hours limit to thirty-five hours, the new administration did not seek to repeal the Aubry laws (which were not only widely popular but by then relatively embedded in organisational practice in larger companies) but to make them more flexible by lowering the costs of overtime and allowing company-level collective bargaining to modify the statutory ceiling on overtime hours, which was maintained.<sup>4</sup> Businesses were quick to take up the opportunity to lower labour costs and the UMP claimed that increased overtime hours had allowed some 9.4 million employees to earn an average 500 euros extra per year (Vignaud, 2012).

However, the 2007 reform failed to convince even opponents of the 35-hour week. Economists observed that increased overtime was not necessarily leading to higher overall hours: OECD data show that average working hours, after rising slightly from 2003 to 2007, actually fell from 2007 to 2010 (OECD, 2011). They extrapolated that businesses were shifting documented hours from standard to overtime in order to benefit from tax reductions, whilst employees did not receive higher salaries overall, although higher taxpayers paid less tax (Cahuc and Zylberberg, 2009). Thus, lower-paid workers who were supposed to be the main beneficiaries saw little income increase in practice, whilst the state footed the bill for businesses' tax credits: at least four billion euros per year. A high-level treasury report in 2011 classed the measure as inefficient, citing as a counter-example of efficient policy the 2003 "Fillon" tax credits targeted at low-paid workers (IGF, 2011; on the positive impact of the 2003 measure, see also Groupe des Experts, 2011). In the same year, a parliamentary evaluation committee also noted both the measure's negative impact on public accounts and weak impact on lower wage-earners' purchasing power (Gorges and Mallot, 2011). In other words, although the broad objective of helping to wage-earners' income was valuable in hard

economic times, the measure failed to meet its specific objectives of boosting the income of lower-paid workers and had an adverse effect on public debt.

With the benefit of hindsight, it is difficult to see the presentation in 2012 of tax exoneration for overtime as a flagship policy of the Sarkozy presidency as anything other than a strategic error, particularly given that public opinion and the main political parties were divided on working time.<sup>5</sup> Lowering the cost of overtime appeared to be out of synch with business practice during economic crisis, as businesses sought to reduce working time, and part-time work increased (Amar, Dalibard and Debarre, 2011).

Meanwhile, downward pressure on wages was apparent after 2007. Whereas the previous government between 2003 and 2006 had boosted the minimum wage to try to pull salaries upwards, from 2007 increases in the minimum wage slowed down (Amar, Baudrey and Prost, 2011; Insee, 2012). A slowdown in wage increases after the earlier period of “catch-up”, particularly for lower skilled workers, combined with an increase in part-time work, help to explain why, in the most recent European Working Conditions survey, France stands out as reporting high levels of anxiety about income security (Parent et al, 2012), although wage cuts and job insecurity appear to be mutually related rather than trade-offs. In the mid-2000s, the proportion of low-paid workers stood significantly below that of, say, Germany, but unlike in most other EU countries, the number of low-paid jobs grew during economic crisis, accentuating the trend towards a distinctively polarized employment structure (Hurley and Storrie, 2011).

Despite this trend, France still has high labour costs overall (Insee, 2012) which are not particularly related to the existence or rate of the minimum wage. Rather, they appear to be associated with notably high labour costs in two occupational groups in particular: professionals in the finance sector, and professionals and highly skilled workers in energy production and distribution (Amar, Dalibard and Debarre, 2011). Professionals generally have been less affected than lower occupational groups by working time laws and changes to them, as long hours are expected and

overtime often unpaid; rather, a relatively large part of their income is made up of bonuses and profit-sharing. The tax take broadly defined (particularly social contributions) also continues to account for a significant proportion of pay. Highly-skilled workers in industry are seen as the main beneficiaries among employees of tax exonerations for overtime (Gorges and Mallot, 2011). Policy since 2007 has therefore had little impact on pay and income other than indirectly subsidizing higher pay in some sectors, whilst lower skilled workers have borne the brunt of economic crisis in terms of income as well as job security.

### **Getting France back to work? Unemployment policies and labour market policy**

In his 2007 presidential election manifesto, candidate Nicolas Sarkozy promised a return to full employment (defined at less than 5%) and a solution to the latest wave of job losses in manufacturing. He argued that unemployment would best be combatted by freeing up the labour market (focusing particularly on working time regulation, as discussed above, and on labour contracts: see below) and by modernizing relations between organized employers and trade unions, encouraging them to find collectively bargained solutions. In the context of modernized social dialogue, the European Union policy template of “flexicurity”, that is, bargained trade-offs between labour market flexibility (especially numerical flexibility, or freedom to hire and fire) and security (in a broad sense, encompassing skills and adaptability, rather than statutory protection). The EU’s specific recommendations for France (reform of labour contracts and modernization of welfare provision) were taken up by the incoming president and appeared initially to have a transformative effect on labour market policy and governance (see Clegg, 2011; Milner, forthcoming 2012). However, the political executive’s capacity to steer reform in a way that decisively influenced outcomes proved weak.

Between 2007 and the end of 2009, almost 400,000 jobs were lost in the trading sector, and despite net job creation from 2010 to mid-2011, this left a net loss of 150,000 jobs over the period of the presidency, whilst in the manufacturing sector net job losses were as high as 350,000.



Unemployment rose to 10% by the first quarter of 2012 (just below the EU27 average of 10.1%), and youth unemployment – relatively high at 19.5% when Nicolas Sarkozy came to the presidency, but falling - to 22.6% (just above the EU27 average of 22.4%) in April 2012 (Algan et al, 2011; Eurostat, 2012).

Reform of welfare assistance to the long-term unemployed formed a major plank of the UMP's policy against dependency. According to this logic, the 2007 campaign pledge to cut poverty by a third would be achieved by helping people out of welfare and into work. In 2007, candidate Sarkozy had ruled out extending the minimum income (Revenu Minimum d'Insertion, RMI) to under-25s and argued that it needed instead to be reformed in order to create incentives to move out of dependence on the RMI and into work. In 2008, the government announced a reform of the RMI in order to incentivize work and to help boost the income of those re-entering the labour market on low pay. The RMI and related benefits for long-term unemployed (e.g. the single parent benefit) were replaced by various forms of the Revenu de Solidarité Active (rSa), principally the basic rSa (which guaranteed a minimum level of benefits for long-term unemployed, subject to work preparation assistance by the national employment agency and obligation to consider any job vacancies it put forward), and employment-based rSa (a means-tested benefit combined with low-paid employment) (Cahuc and Zylberberg, 2009). The rSa was extended to under-25s in September 2010.

Official evaluation of the rSa in 2011 found that the measure had a positive but very limited impact on poverty (a decrease of 0.2 percentage points) over the two years of its existence, but little or no impact on activation, that is, helping recipients back into the labour market (Bourguignon, 2011; see also Allègre, 2011). In practice, its effects appeared very similar to the benefits it replaced, including a high level of non-take-up (an estimated 68% of eligible workers for the employment-based rSa), whilst the low level of benefit (in order to incentivize work) kept most recipients of the basic rSa in poverty. In addition, patchy governance exacerbated a problem already identified with the RMI,

namely insufficient resources to help individuals back to work (Bourguignon, 2011). That is to say, basic rSa (disbursed to almost two thirds of recipients) is effectively a passive labour market measure to alleviate the poverty of the long-term unemployed, whilst employment-based rSa had too little impact in terms either of number of people covered or incentivizing effects to make much difference in a depressed labour market. Within the UMP, the debate over welfare dependency was renewed in 2011 as the party adopted a resolution calling for compulsory public service work for benefit recipients.

The failure of president Sarkozy's attempt to reform labour contracts is perhaps more surprising, as a number of academics and the organized employers' lobby had been critical of the complexity of labour law in this area for some years. Instead of taking up the call to replace the existing system of numerous temporary contracts alongside the standard open-ended contract (CDI), the employers' organization Medef (Mouvement des Entreprises de France) decided to push for a more modest reform which added more flexibility to the existing system, by allowing experimentation with project-based employment contract for some types of professional employee and by creating a new no-fault dismissal procedure. In addition, Medef agreed with the leading union confederations on a new fund to help retrain workers threatened by redundancy, taking up proposals put forward by the unions and championed by president Sarkozy around "making employment pathways more secure". Medef's position appears to have been motivated by, on one hand, attachment to a bargaining process which it largely controlled in terms of agenda-setting and, on the other, distrust of the state's intervention. At the same time, it should be acknowledged that this distrust fuelled bargaining "in the shadow of hierarchy" (Clegg, 2012). In this sense, the Sarkozy presidency may have had an enabling effect on processes although not on outcomes.

A third feature of employment policy under Nicolas Sarkozy was the move to align policy with the OECD model of active labour market policy, based on fusion of the unemployment registration and job placement arms of the public employment service, which had long been considered by French

policy-makers but postponed due to the organizational upheaval it entailed (Guézennec, 2011). The creation of Pôle Emploi in 2008, as a “national public institution” (rather than as part of the civil service) subject to private business law and employment regulation, and therefore open to outsourcing of services to private companies, may thus be viewed as “one of the major structural reforms” of the Sarkozy presidency (Alduy, 2011).

Reorganization of the placement service – including renegotiation of the employment contracts of all staff, changes to the content of staff jobs, and physical relocation of services – proved costly and difficult at a time of intensified demand due to economic crisis, and service efficiency suffered in Pôle Emploi’s first few years. A longer term concern has been that reorganization provided a cover for funding cuts. As with the “secure employment pathways” fund for retraining redundant workers, the social partners accused the government of reneging on promised state funding and relying instead on social partner contributions to fund new initiatives.<sup>6</sup> This disagreement highlighted a more fundamental tension between the state and social partners which is institutionalized in the compromise organizational structure of Pôle Emploi; effectively, benefits continue to be managed separately from placements. The main impact of the 2008 reform was therefore to allow partial privatization of placements services, and consequent future cost savings, but not necessarily enhanced outcomes in terms of helping unemployed people back into work.

At the same time, as already noted above in relation to bargaining on secure employment pathways, state intervention in reorganizing employment services within the context of a broader policy discourse of activation has arguably had the effect of shifting the position of social partners – in this case most of the trade union confederations. The 2009 agreement (updated in 2011, and signed by all the major union confederations except the CGT) on unemployment benefit, which saw the minimum period of contribution reduced from six months to four over a longer reference period of 28 months, marked a shift towards a more inclusive logic of distribution since it favours those with weaker labour market attachment (Clegg, 2011).

However, the weakness of job placement activity continues to be viewed as the Achilles heel of French employment policy. Viewed in comparative terms, France spends more than the EU average on active labour market policies as a percentage of GDP, but unlike in earlier periods of economic downturn, expenditure on active labour market policies decreased at the onset of recession, then increased only slightly (to pre-crisis levels at around 1% of GDP) in 2010, whilst spending on passive labour market measures (unemployment and basic income benefits) rose to 1.4% of GDP over the same period (OECD, 2011).

France needs active labour market policies because of its relatively high rates of young people and older long-term unemployed (Clegg, 2011). Active labour market policies aimed at young people in particular are held to have produced beneficial results but their impact varies according to the type of measure: training-intensive measures work best for those closest to the labour market and/or with higher education levels, whilst job experience measures with weaker training components are of most benefit to those with less experience and prior education (Brodaty, 2007), suggesting that France's complex mix of policies may reflect actual needs as well as incremental policy change. Yet comparative data show that the unemployed receive less training in France than in other OECD countries (Quintin et al, 2011).

The Sarkozy administration did not introduce new subsidized employment contracts or overhaul the existing system, but shifted the policy priority away from the use of such contracts in the public sector and towards the private sector, in line with trends elsewhere in Europe (Erhel, 2010). In late 2008, it announced additional funding for the Contrat Initiative Emploi (CIE), a form of subsidized contract in the private trading sector, which proved difficult to implement at a time of employment contraction. Overall, although the president promised to double the number of CIE, subsidized job contracts decreased in volume (360,000 at the height of the crisis in 2009, down from 420,000 in 2006) and were further reduced after 2010 (Jeanneau, 2012). Policy focused principally on work-based training for young labour market entrants, in line with OECD recommendations. April 2009

saw the launch of an “emergency” action plan for youth employment based on increased support (in the form of exonerations on social charges) for work-based (*alternance*) training schemes and apprenticeships (see Scarpetta, Sonnet and Manfredi, 2010: 37), followed in September 2009 by new measures on careers advice and planning in schools. However, the number of work-based training contracts rose only slightly as employment shrank in 2010 in a context of low business confidence (Algan et al, 2011).

Finally, France also followed many other European countries (and particularly the German model, already tried and tested in the early 1990s recession) in supporting short-time working (*le chômage partiel*) during economic crisis. Short-time working is generally seen as a short-term solution for firms experiencing low demand in recession, allowing them to respond quickly to later upturns in demand; it favours job retention but does little or nothing to integrate labour market outsiders. In France, short-time working – funded by the state but paid through payroll - was extended in 2009 from four to six consecutive weeks and the replacement level raised from 50% to 60% then 75% of gross salary. OECD data suggest that it provided a limited source of working-time flexibility for some companies in France, but that relatively low take-up meant very little impact on employment (Hijzen and Venn, 2011), particularly compared with its much more widespread use in Germany.

### **Pension reform and the end of social dialogue**

In 2007, Nicolas Sarkozy pledged to follow up the 2003 pension reform by bringing all the various special regimes into line with each other, defining this measure in his inaugural speech to parliament as “the priority”. The thrust of the 2003 reform had been to align the rules governing access to pensions in the public and private sectors, specifically covering civil servants and hospital and local government employees, which still left the special regimes governing employees in the para-public sector (large energy and transport companies and some police, judicial and military professions). Public sector pensions are funded by contributions from employees and from the state as employer, with any shortfall also made up from state coffers.

The adoption of the 2003 reform was largely attributed to a consensual style of policy-making based on preparation by expert committee with input from all social partners, which helped the major trade union confederations to move towards a cooperative stance channelling and thereby defusing grassroots mobilisation (Vail, 2004). This neutralisation of grassroots union opposition was in turn at least partly due to the then government's ability to portray reform as fair because it placed public employees on the same footing as private-sector workers, thus marginalizing public sector unions as defenders of privilege. Further reform therefore rested on the new administration's ability to maintain consensual relations whilst also decisively steering the social dialogue process, as Sarkozy acknowledged in his 2007 presidential manifesto: "I will base my action on social dialogue, which is sorely lacking in our country" (for further discussion, see Cahuc and Zylberberg, 2009: 10-11).

Pension reform constituted a test of the new president's capacity to act decisively, and he moved quickly in 2007 to set out the broad parameters of harmonization of pension rules across the public and private sectors (Cahuc and Zylberberg, 2009: 15) and put the treasury to work on detailed costings. Reform of six special regimes, including the big rail and public transport and electricity and gas workers' pension regimes, was enacted by decree in 2008, on the basis of a gradual rise in the contribution period (from 37.5 to 41.5 years, by the year 2018) for entitlement to full pension, and price indexation of benefits.

However, the details of changes to contributions and benefits were worked out by agreement within each regime, which allowed trade unions within these highly unionized sectors to try to maximize benefits (for example, by retaining bonuses in final pension calculations) and resist contribution hikes. Special regimes continued to calculate pensions on the basis of final six months' salary rather than averaged salary (over the 25 most favourable years), unlike the basic state pension. Significant differences remained between and within special regimes regarding pensionable age (between fifty and sixty, argued on grounds of occupational working conditions) (Demontés and Leclerc, 2010). Negotiation of detailed changes to pension entitlement on a regime by regime basis also caused

commentators to complain of the “lack of legibility” of the reform overall and even of a deliberate “smoke and mirrors” trick by the executive (see e.g. Algan et al, 2012).

Meanwhile, the 2003 reform had also timetabled a further national-level negotiation on pension reform in 2008. Expert and parliamentary reports in 2010 (Conseil d’Orientation des Retraites, 2010; Demontés and Leclerc, 2010) showed that the series of reforms undertaken since 1993, successively increasing the qualifying contribution period, had led to only limited and short-term cost savings. Since French employees continued to retire at least two years earlier than the EU average, at higher replacement levels, the funding deficit was growing and, short of systemic reform (of a type regularly floated by the Conseil d’Orientation des Retraites), could only be reduced by higher contributions – difficult at a time of rising unemployment – or more significant tightening of entitlement criteria. The government therefore decided to introduce a bill raising the official retirement age from 60 to 62 across all regimes, but with a ten-year phase-in period for the special regimes, with a view to balancing the books by 2018 (Ministère du Travail, 2010).

Overall, the Sarkozy presidency took forward the 2003 reform and launched discussion about the limits of the current system of pay-as-you-go pensions, but left the wider questions about the future of the system unresolved, whilst the funding deficit widened from -5 billion to a projected -6.6 billion euros over the period 2007-2012. In the process, the raising of the official retirement age removed a - perhaps the - major social conquest of the Mitterrand years, without paying full attention to putting in place alternative arrangements for those working in particularly harsh physical conditions or those who started work at a very early age allowed the left to campaign on the theme of social inequalities. Critics on the left pointed out that official discourse on France’s relatively early retirement age hid the impact of earlier reforms since 1993 which had effectively raised the retirement age by lengthening the contribution period. Thus, the impact of raising the retirement bar to 62 was to penalize those who already contributed over a longer period (typically, those with lower educational levels and income) (see e.g. Pech and Jeanneau, 2010).

The government's bill put it on a collision course with the trade unions, which were now remobilized in joint opposition to the raising of the official retirement age despite substantive differences between them, with the CGT and FO demanding a rise in employer contributions to cover the deficit and the CFDT advocating a shift to a points-based contribution system. A sustained period of social unrest marked the second half of the Sarkozy presidency, resulting in over two million days lost to strike action in the civil service alone in 2010, and breaking definitively with the discourse of social dialogue. Opinion polls showed a majority of French people broadly supportive of the trade unions' anti-austerity campaign, whilst the sharp drop in the president's public support was linked explicitly in some surveys to fears around individual loss of pension rights.<sup>7</sup>

## **Conclusion**

Work and employment stand at the heart of deep social tensions (see Lallement, 2010), which have been exacerbated during the economic crisis. Resolving these was never going to be an easy task, and employment and social reform has a long and tumultuous history in France. Nevertheless, this was the task which the incoming president set himself in 2007.

The present overview of the reforms undertaken during the Sarkozy years shows evidence of activity and a degree of achievement on all key areas – support for poor families in the new rSa, job retention through short-time working, support for youth apprenticeships, raising of the retirement age and longer-term phased harmonization of public and private-sector pensions - but also that the reforms failed to meet their own, admittedly over-ambitious, stated objectives of getting France back to work and enacting systemic reform of policies and procedures. That this should be the case during the worst downturn for nearly a century is not entirely surprising. However, a number of key gaps and inconsistencies have been identified, some relating to policy design and implementation, some relating to policy style and method, which help to explain why a majority of French public opinion blamed the incumbent as well as economic conditions for worsening unemployment and public debt.<sup>8</sup>



Inconsistencies between the stated aim to conduct deep, structural reform and the reality of governing were already identified relatively early in the Sarkozy presidency, notably in economists Pierre Cahuc and André Zylberberg's 2009 book, which called for a change of method, arguing that the president had rushed into reform as a tactic to outwit opponents rather than making policy on the basis of clear objectives. To some extent, the deepening of economic crisis forced the president to change his strategy and introduce problem-solving action plans, most notably on youth unemployment and on pensions, as outlined above. However, on both counts the action plans failed either to set out a programme for change or to marshal sufficient (policy or material) resources to tackle the fundamental problems of unemployment and public debt.

Arguably, these gaps could be seen to reflect president's Sarkozy highly personalized style which depended on an image of decisive action – leading to impatience with bureaucrats and organized interests – and a stated desire to do things differently than in the past (see e.g. Rouban, 2011). The inconsistency between image and output became a defining negative feature of the Sarkozy presidency, in which the ambiguities of the UMP's ideology of work also play a part. The "value of work" ideology had the potential to respond to deep social concerns and, at least in theory, to outflank opponents on the left and therefore provide tactical cover for reform (as well as appealing to a traditionalist right-wing electorate). However, in practice policy output failed to satisfy either liberal (see e.g. Algan et al, 2011) or left-wing (see e.g. Berger, 2011) policy advocates. In political terms, the consequences were played out in the 2012 presidential and legislative elections.

In policy terms, it is harder to formulate an overall evaluation of a complex and sometimes contradictory policy evolution which was not just the work of one man or even one set of political actors but the result of political interactions within a fragmented institutional structure and a working culture of – uneven and shifting - tripartism (Freysinet, 2010). Consequently, in all the areas reviewed here, policy incrementalism has ensued and made policy-making more, not less, complex and opaque. The Hollande presidency has inherited a worsened and deteriorating

economic and employment situation , whilst consensus on how to resolve the social security funding gap is as elusive as ever. Nevertheless, the constrained incrementalism of the Sarkozy years has at least had the merit of mitigating the international trend towards rising poverty and inequality, in comparison with other advanced economies.

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## Acknowledgements

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## Notes

1. The speech, made in 8 December 2006 in Charleville-Mézière, in an industrial town in northern France hit by unemployment, explicitly linked “la valeur travail” with an attack on welfare dependency, a theme which was later taken up in the run-up to the 2012 elections by the president and by his (then European affairs) minister Laurent Wauquiez.
2. In the standard Sofres time-series survey, 46% cited employment as their main concern in May 2012 (first response given; 78% of all responses), up from 43% a year earlier, five times more than the next highest response (TNS Sofres 2012). In another survey, conducted between the two rounds of the legislative elections, 32% of voters cited unemployment as their main priority, over twice as many as those citing the next highest priority, public debt (YouGov, 2012).
3. The thinktank Terra Nova, headed by the Socialist Party’s Henri Emmanuelli, produced a list of “broken promises” which was widely reproduced in the press and in blogs: see e.g. Hebert, D. Le quinquennat de Nicolas Sarkozy en 5 chiffres, *Le Nouvel Observateur*, 15 February 2012.
4. In this the Sarkozy administration followed a route already opened by the previous government which had raised the overtime ceiling and allowed the use of accumulated time credits: see Dimitrakopoulos, 2012.



5. A January 2012 poll of employers found them divided over the measure, with 60% in favour (29% strongly in favour) and 40% against. A majority of these employers wanted instead outright repeal of the 35-hour-week law, with 28% against this suggestion. See *Journal des Entreprises/TMO Régions* (2012).
6. A French specificity is that unemployment benefit is managed jointly by the employers and trade unions, and Pôle Emploi (funded two thirds from unemployment benefits, and one third by the state) houses a joint structure which retains social partner management of benefits. This means that reform of the rules governing access to benefits (conditionality) depends on negotiations between employers and trade unions.
7. See, for example, Cevipof's regular *Baromètre de la confiance politique*, which by January 2011 showed only higher-income pensioners retaining confidence in the executive, despite a general bias to the right of older generations.
8. See, for example, the above-cited poll of employers (*Journal des Entreprises/TMO Régions*, 2012) in which only 7% attributed France's problems to economic crisis, 39% to decisions taken by president Sarkozy, and 54% to a mixture of the two.

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