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The politics of unemployment policy in an age of austerity: France in comparative perspective

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Abstract The diversity of European responses to unemployment has increased since 2008. On the basis of an analysis of French labour market and employment policies since 2008, with a particular focus on the policy output under the Hollande presidency since 2012, this article argues that France has maintained a distinctive mix of labour market policies. Although in some respects France's pattern of labour market segmentation aligns it with what has been defined as a classic Mediterranean model, the Eurozone crisis has led to greater divergence between France and other countries in the Mediterranean cluster. Rather, France is one of several outliers in the continental economies that are undergoing distinctive dualizing processes of transition. Thus although the distinction between liberal market and coordinated market economies remains valid, there is evidence of converging pressures and trends (such as, at a very general level, deregulation and a search for bargained 'flexicurity') while at the same time multiple patterns of domestic change are at work.

Keywords: unemployment; labour market policy; active labour market policies; Varieties of Capitalism; adjustment regimes

Introduction

As the European Commission (EC) recognized in its 2012 report on employment in its member states, 'Europe has been struggling to find appropriate policy responses to mitigate the various adverse effects of the crisis and restore a credible path to sustained recovery' (EC, 2012, p. 16). The difficulties faced by the European Union (EU) in attempting to recover from the post-2008 'Great Recession' are not new: the recession of the 1990s also saw concerns about the elasticity of labour, that is, its capacity not just to adapt to the conditions of economic downturn but also to respond to an eventual upturn. The solutions largely consisted of supply-side measures, first to increase the supply of labour by encouraging older and female workers to remain within the labour market, and second to facilitate the integration of those farthest from the labour market (young unskilled entrants and the long-term unemployed) by targeted measures such as retraining and help with job search. Strongly promoted by the EU, this 'activation' agenda was pursued by member states to varying degrees, in various forms, and had mixed results (see, for example, Bonoli et al, 2000; Armingeon, 2007; Kluve et al, 2007; van Vliet and Koster, 2011). Even before 2008, the efficacy of the EU's approach was open to question (Blanchard, 2006).

In the post-2008 context, however, renewed concerns about unemployment are intensified by the specific conditions of the financial crisis within the Eurozone, and reflected in new geographies of inequality within the EU. A growing divergence between southern and northern member states threatens the economic capability of the EU overall and severely strains the weak mechanisms of cohesion and solidarity. Moreover the post-2008 crisis has strongly constrained, albeit to different degrees across member states, the ability of states to devote resources to traditional welfare ('passive' benefits) as well as 'active' benefits, further widening disparities between states.

Given the uneven impact of the continuing crisis, it is perhaps unsurprising that there has been little sign of a coordinated response within the EU. Instead, the outcome to date has been increased diversity both in policy and outcomes, reflecting countries' different positions within the world economy and the impact of asymmetric shocks. Divergence between member states has also been accompanied by greater social polarization within states (Eurofound, 2011, 2013; EC, 2012). The gap between economic and political integration in the context of Economic and Monetary Union, together with variety of economic positions (asymmetric shocks) and uncertainty about wider economic conditions, help to explain why there has been little evidence of a coordinated labour market policy but rather fragmented, ad hoc responses (Eurofound, 2012). But in fact heterogeneity of outcomes and responses has been growing in the EU for some time (Blanchard, 2006). Diversity in policy and outcomes is also explained by domestic political opportunities and constraints. Labour market policy is not simply a technical adjustment to demand (even if it were possible to predict future demand accurately) but also a response to a complex set of political trade-offs, depending on the relative power resources of the actors involved (see, for example, Schmid et al, 1996; Martin and Swank, 2004; Emmenegger, 2009; Bonoli, 2010; Palier and Thelen, 2010).

The diversity of policies makes it difficult to establish clear typologies of policy approach across European states. On the basis of policy outputs reported by member states to the EU in the context of the European Employment Strategy, a comparison of 10 countries in the period between 2005 and 2009 found a wide variety of measures both in terms of number and type (Copeland and ter Haar, 2013) and no evidence of clustering around conventional welfare state classifications (Esping-Andersen, 1990). The continued relevance of welfare state typologies has been questioned by research which shows a high degree of dynamism in domestic social and employment policy (Arts and Gelissen, 2002; Kammer et al, 2012). It might be expected therefore that the post-crisis 2008 has increased the pace of change and the variety of policy responses.

However, the Varieties of Capitalism (VoC) perspective sees the pace and type of policy output as being determined by the institutional configurations embedded in national production regimes. Linking the speed of employment adjustment and the conventional classification of states according to the degree of employment protection,[1] Lallement (2011, 2013) identified three distinct types of employment adjustment to the post-2008 crisis, which he analysed with reference to the VoC literature (Hall and Soskice, 2001). The VoC approach sees difference between labour market outcomes as originating in business structures and strategy but also being strongly influenced by public policy choices, that is, characteristics of the state and its relationship with economic and social actors. The first type of employment adjustment, typified by the United Kingdom and Ireland, relies on a high degree of wage flexibility and numerical flexibility, in line with the Liberal Market Economy (LME) model. The outcome of this type of adjustment is likely to be a higher volume of redundancies and downward pressure on wages. The second type of adjustment, corresponding to the 'Coordinated Market Economy' (CME) ideal type, involved a greater role for the state in enabling firms to make adjustments, whether by lowering the cost of numerical flexibility (as in the Danish case) or supporting the costs of internal flexibility (as in the use of subsidized short-time working in Germany). The third type of employment adjustment that followed by France and Spain (along with Portugal), was characterized by a high degree of labour market segregation, resulting in strong polarization between protected labour market 'insiders' and a 'precariat' of temporary and part-time workers (Castel, 2003); in other words, the most vulnerable sections of the labour market bore the brunt of adjustment, and young people struggle to enter durable employment. This type of adjustment was seen to be characteristic of as 'Mediterranean' Economies (MEs). In short, the three types of adjustment identified by Lallement (2011) corresponded to strategies relying predominantly on labour market segmentation (ME), working time (CME) and unemployment/underemployment (LME).

Pre-crisis comparative work on adjustment regimes had already highlighted a strong distinction between market-led regimes (typically, the United Kingdom) which relied on wages as the main channel of workforce adjustment to economic change, and other regimes where labour market policies played a stronger role (Gazier, 2008). Among the latter, administered regimes such as France and Belgium had used early retirement measures and redundancy protection as the dominant types of public policy response, while negotiated regimes such as Germany and Sweden focused on collective bargaining to adjust wage levels to market conditions. This analysis draws attention to the mode of adjustment (market, state, social partners) as well as the type of public policy response, and to the relationship between the role played by labour market policies and the wider adjustment strategy.

The identification of distinct adjustment regimes raises a number of questions. The first set of questions relates to the categorization of France as a ME. The situation of those Eurozone countries that have received assistance from the EU's financial stabilization mechanisms and applied drastic austerity reform programmes sets them apart from other member states, and on any indicator the gap between Spain (cited by Lallement, 2013, as the ideal-typical ME) and France has widened since 2008. This in turn raises a wider set of questions about the degree of differentiation within the broad cluster of continental economies. If France does not easily fit the Mediterranean cluster, does it look more like a CME?

It is relatively straightforward to identify a liberalization trajectory of LMEs; Nordic countries also tend to cluster around labour market indicators, displaying relatively low levels of unemployment, high rates of employment and high levels of expenditure on active labour market policy. However, continental European economies do not form an identifiably distinctive set of policies and outcomes.

Increased variation since 2008 reflects different experiences of the economic crisis but also the way in which the liberalization trends operational since the early 1990s have encountered existing institutions and practices (Arts and Gelissen, 2002; Thelen, 2014). The literature on 'pathways to dualization' (Palier and Thelen, 2010; Emmenegger et al, 2012) shows that labour market segmentation in continental European welfare states is the outcome of political choices which are institutionally path-dependent, but also that its consequence in the form of high unemployment and persistent labour market exclusion may open up the space for new trade-offs between the protection of labour market 'insiders' and support for labour market 'outsiders'. The case of France has been singled out as particularly interesting in this respect, as rising unemployment and welfare costs have reconfigured power relations between state, employers and trade unions, resulting in attempts to find bargained solutions to labour market segmentation (Clegg, 2011; Clegg and van Wijnbergen, 2011).

The final set of questions is normative in the sense that they link the performance of regimes to economic and social outcomes, which may be seen as more or less efficient and more or less socially acceptable. Segmented labour markets trap labour market outsiders in underemployment and relative poverty, thereby increasing job polarization and income inequality. The Mediterranean variant exacerbates this problem because such countries tend to have weak state capacity to effect either cushioning social transfers or active policies to help the unemployed and low-skilled into work (Lallement, 2013). In other words, they combine high unemployment and high inequality. The liberalization trajectories of continental CMEs also tend towards dualization, that is, increased segmentation and inequality, although their overall employment outcomes may be improved by 'social investment' strategies that enhance employability (Thelen, 2014). The EU' s policy approach has been to encourage this type of dualization through negotiated flexibility for core workers and some increased security for part-time and temporary employees; however, particularly in the absence of universal 'floors' as minimum wage or social security rights, and/or significant investment in training and retraining, this type of 'flexibility at the margins' (Fudge, 2013) is likely to erode working conditions of core workers without necessarily improving the career prospects of low-skilled labour market entrants. LMEs tend to combine high levels of inequality with underemployment but also under-average rates of unemployment and greater elasticity of employment.
This article analyses French labour market policy since 2008 and particularly since the change of political administration in May 2012, within a broader comparative perspective and in relation to the models of capitalism outlined above, represented by the United Kingdom (LME) and Germany (CME). This analysis provides a discussion of the drivers of domestic policy choices and therefore offers a wider reflection on the persistence of policy divergence and the usefulness of conventional explanations for it such as the VoC approach. The question of why states adopt particular types of labour market policy has so far not been fully explained, partly because of difficulties of defining the types of policy, and partly because the relationship between partisan politics, electoral constituencies, public opinion and policy outcomes is difficult to measure (see, for example, Huo et al, 2008; Bonoli, 2011).

To summarize, then, the existing literature confirms the broad validity of VoC classifications and corresponding adjustment regimes since 2008. However, internal variation within the categories appears to have increased since 2008, not just for those countries such as Belgium, France and the Netherlands, which have for some time confounded attempts to fit them neatly into regime classifications (Arts and Gelissen, 2002). In line with the 'pathways to dualization' literature, it is contended here that continental welfare states are undergoing change in response to liberalization pressures but that the process and shape of such change are strongly determined by existing institutions: for example, steering the regime towards the reinforcement of insider politics by intensifying labour market segmentation, or seeking new ways to combine insider and outsider policies. The pre-existing degree of market coordination is thus likely to determine the extent of change, but newer processes of institutional change may occur in less coordinated economies. As in the French case, it may further be hypothesized that a shift away from state-centred coordination (Schmidt, 2003) would see the state itself involved in shaping the process and outcomes of change. All this suggests that the distinctiveness of national adjustment strategies has increased since 2008, although of course these strategies may themselves reflect processes of transition.

France's Unemployment Problem in Comparative European Perspective

France occupies a central place within the economic and political geography of the Eurozone. More highly internationalized than the southern European states, it has avoided the severe shocks affecting the southern zone but the competitiveness of its businesses in global markets has weakened and so far France has not been able to take advantage of upturns in the wider European economy. Like other countries in the Mediterranean group identified by Lallement, its traditional policy response of support for industry – whether direct or by underwriting the costs of restructuring – has been constrained by austerity (Hancké, 2002; Amable, 2003). This position is seen in France's rising unemployment rate. As we see below, on many indicators France stands close to the European average; but the EU average is skewed by the growing disparity between states; when compared with the large states which are its main economic partners such as Germany and the United Kingdom, France's position looks much more fragile.

As noted above, the rise in unemployment has been most dramatic on the southern periphery. If Spain, Portugal and Greece are excluded, the unemployment rate in the Eurozone falls by around 3 percentage points on average. This is still over a point higher than the OECD average of 8 per cent (OECD, 2013a) but lower than the peak of 10.7 per cent in the early 1990s. To a large extent, then, the EU's unemployment problem relates above all to the southern Eurozone countries. Nevertheless, even if Spain, Portugal and Greece are excluded, a substantial minority of countries have unemployment rates higher than 10 per cent: within the Eurozone France, Ireland, Italy, Slovenia and Slovakia, and outside the Eurozone Bulgaria, Hungary, Latvia, Lithuania, Poland and Romania (OECD, 2013a, and see **Figure 1**).

Two features of unemployment in Europe are particularly problematic. First, long-term unemployment is higher than in other regions of the developed world (Blanchard, 2004; OECD, 2012a, b), and it has risen since 2008. In 2012 it stood at 4.6 per cent on average for the EU27, up from 2.6 per cent in 2008 (Eurostat, 2013a, b). Southern and eastern European countries have higher rates. France has a lower than average rate of long-term unemployment but at 4.1 per cent in 2012 it is higher than that in other continental European economies such as Germany and the Netherlands, as well as the Scandinavian countries and the United Kingdom (Eurostat, 2013a, b; and see Delautre, 2012).

Second, youth unemployment has risen sharply since 2008. Again, a high degree of diversity is observed between member states, to the extent that authors have recently referred to 'youth unemployment regimes' (Cinalli and Giugni, 2013) that correspond roughly to the 'worlds of welfare' typology (Esping-Andersen, 1990; Bonoli, 2007). France is conventionally classified as a continental-corporatist state; however, it exhibits some features that make it difficult to fit the ideal type exactly. Continental-corporatist regimes are normally associated with a corporatist or economic protection model of labour market policy, which couples exclusion of outsiders with high protection of insiders. France stands out from other European countries in pursuing insider policies to integrate young people into the labour market, which are not traded off against the loss of rights for protected employees (Cinalli and Giugni, 2013). Nevertheless, like Sweden, which also combines high protection of insiders with inclusive policies for young people, labour market regulation is becoming more flexible which pushes it closer to the 'flexicurity' model associated with countries like Denmark or the Netherlands. The findings of the comparative study reported by Cinalli and Giugni (2013) support the idea that continental-corporatist countries are forging distinctive reform paths characterized by different extents and patterns of dualization.

Figure 2 gives some comparative illustration of the diversity of trends since 2000. The EU average[2] rate of youth unemployment rose markedly after 2008. The youth unemployment rate now stands over 6 percentage points higher than the OECD average (double the gap in 2000), at 23.8 per cent for the EU28 in December 2013, and continues to rise. Moreover, the gap between the youth unemployment rate and the overall unemployment rate (the former already twice as high as the latter before 2008) has widened since 2008. Similar patterns can be seen for several countries that performed better than average in 2000, such as Sweden and the United Kingdom, the former now standing slightly above and the latter now slightly below the EU15 average. Only a small number of countries have maintained relatively low levels of youth unemployment: Austria, Germany and the Netherlands (and outside the EU, Norway and Switzerland). Those countries where youth unemployment has soared are the southern states (Italy, Greece, Portugal, Spain and also Ireland) where a 'lost generation' is paying the price of austerity. France presents a rather different picture as it started the millennium with a higher youth unemployment rate than the European average, and was reducing it slowly until 2009 when it rose suddenly again. It has moved closer to the European average due to the worse performance of other countries since 2008 (Schulze-Marmeling, 2012).

France's current unemployment problem is consistent with a longer-term pattern suggesting structural weaknesses (OECD, 2012b). Within the EU, France has for some time had the reputation of (i) having a high unemployment rate and low employment rate, although it does not belong to the group of countries with the highest unemployment rates; (ii) having a highly segmented labour market, that is relatively strong exclusionary mechanisms relating to age and initial labour market entry; and (iii) being a 'laggard' country, that is, slow to carry out reforms due to a high number of strong veto points and conservative public opinion, leading to a 'frozen' welfare landscape (Palier, 2000). However, this analysis requires further attention as it does not tell the whole story; we have already noted its distinctive profile based on an attempt to combine protection of insiders with supportive measures for labour market outsiders.

Nevertheless France's relatively high proportion of long-term unemployed and youth unemployment reflects a segmented labour market in which flexibility is too heavily concentrated in segments that are already vulnerable, that is, younger workers and the unskilled. The proportion of NEETs, which is particularly high for the age group 15–24, indicates a specific type of 'churning' in the French labour market whereby a high proportion of young people are integrated into the labour market only through short-term contracts and are likely to remain precariously attached to it (Delautre, 2012; Schulze-Marmeling, 2012). This strong insider logic means that France has lower proportions of the working poor than elsewhere, which is one of the reasons why income inequality has risen more slowly than in other OECD countries, but also why unemployment although slower than elsewhere to take off in 2008 has become stubborn and persistent.

Unemployment Policies in Austerity Europe

The main policy tool for addressing unemployment in the EU and the OECD since 2008 has been active labour market policies (ALMPs) (OECD, 2013a; EC, 2013b), as outlined above. However, although active labour market policies play a countercyclical role in addressing labour market disadvantage and are normally expected to become more important as structural unemployment rises, OECD countries have not on the whole spent as much on activation as in the recession of the early 1990s, and in several countries expenditure has fallen since 2008 (OECD, 2012a, 2013a, b). On the other hand, passive expenditure, which would be expected to increase automatically in line with unemployment, has indeed tended to rise in some countries in line with the unemployment rate, and it accounted for almost two-thirds (63.4 per cent) of total labour market policy spending in the EU in 2011 (Ronkowski, 2013). In other words, in the context of public spending cuts, active support for labour market reintegration of disadvantaged groups appears to have been severely squeezed by the need to contain overall expenditure on unemployment. Within the EU, labour market policy expenditure[3] rose as an immediate responses to crisis after 2008 but fell in 2010 and again in 2011, even though unemployment rose sharply in 2010 and slightly 2011 (Ronkowski, 2013).

Levels and types of expenditure across member states are very diverse and cannot be correlated neatly with levels of unemployment (Bonoli, 2011; Ronkowski, 2013). Neither is it possible to identify any common trend over time. Several European countries spent more than the OECD average on labour market policies in 2010 and 2011 (OECD, 2013b): Belgium, Denmark, Ireland, Spain, Netherlands, Finland, Sweden, France and Germany. Apart from Ireland and Spain, the same countries spent more than the OECD average on active measures (see **Table 1**). In France, spending on ALMPs rose in the 1990s but fell slightly after 2002. It then remained stable in the period 2007–2010, whereas it fell elsewhere (Delautre, 2012; Eurostat, 2012; OECD, 2012b), placing it within a group of countries with relatively high spending in relation to the level of unemployment. However, it fell back in 2010–2011 even as unemployment increased (see **Table 1**).

If we compare France with Germany and the United Kingdom (**Table 1**), we see some limited support for a VoC explanation of policy response to the economic crisis. The British case appears to confirm a LME response, with very limited spending on active labour market policies even as unemployment rose. Relatively sizeable expenditure on reorganization of placement and benefits administration, in line with an emphasis on tightening conditionality of benefits, took place earlier than in other European countries, meaning that even in the context of rising unemployment the longer-term trend passive labour market spending rose slightly but remained comparatively low. In Germany, however, significant changes took place in the second half of the 2000s. Whereas France and Germany had previously shared a distinctive pattern (Bonoli, 2011) of relatively high spending on the training and employer subsidy aspects of active labour market policies, both countries maintained a relatively high level of expenditure in relation to the OECD average (of 0.65 per cent of GDP in 2010 and 0.58 per cent in 2011) and much higher than the United Kingdom, but the German pattern of spending changed away from training and employment support to administrative reorganization, in line with the Hartz reforms of 2007, which introduced greater conditionality of benefits; moreover, active labour market expenditure decreased overall. Germany seems therefore to have intensified the insider logic of its employment regime, while France has maintained a focus on active labour market policy.[4]

Alongside active labour market measures, two other types of policy response have been identified within the EU. The first consists of state support for employment maintenance through measures such as short-time working. Initially thought to have potential to provide a capacity-preserving response to economic downturn, the number of such schemes tripled between 2008 and 2009 (Arpaia et al, 2010; Hijzen and Venn, 2011; Mandl et al, 2010). However, as the crisis began to appear more durable and fiscal constraints were applied, short-time working schemes became less widely used (EC, 2013b). In Germany, which already had a long tradition of shorttime working in response to economic downturn (Burda and Hunt, 2011), the number of employees on such arrangements rose significantly, peaking in 2009 (OECD, 2013c). In France, state support for short-time working was extended in 2009 (to cover 6 consecutive weeks at 75 per cent of pay) but still remained around 10 times lower than in Germany (Hijzen and Venn, 2011; Lagrange, 2014). Short-time work as a share of total employment followed a different pattern to that of Germany. France was one of a small number of countries (also including Belgium and Italy) where it was already relatively well developed before 2008, suggesting that companies used it as a restructuring tool.

However, unlike Belgium and Italy (or to a lesser extent Germany), France did not see a large increase in its use after 2008 (OECD, 2010, p. 279). By 2012, proportions of short-time work in France and Germany had reverted to the pre-crisis situation, that is, of low use in Germany and rather higher incidence in France: 0.1 and 0.3 per cent of the total workforce, respectively (OECD, 2013c). Elsewhere in the EU, short-time work remained heavily used in Mediterranean countries, but also the Netherlands, Denmark and Finland. Significant use of short-time work as a shorttime policy response to economic crisis appears, then, to characterize not just certain types of insider-oriented CMEs (Thelen, 2014), but to have spread more widely across developed economies. France looks rather distinctive in its relatively restrained use of such policy tools since 2008, despite its longer-term deployment in company restructuring practices.

The final set of policy measures may be loosely termed structural labour market reform, covering changes to employment protection and changes to welfare systems to reduce coverage of unemployment benefits and incentivize employment through in-work benefits (EC, 2013b, pp. 54–56). Changes in employment protection – redundancy protection, working time regulation and types and length of employment contracts – accompanied shifts in employers' labour market behaviour, such as greater use of part-time employment (EC, 2013b, p. 33). Those countries with stricter employment protection legislation (EPL) exhibited more activity in this area, with France, Italy and Spain as well as Croatia and Lithuania singled out as examples (EC, 2013b, p. 56). The case of Spain shows a remarkable change since 2008: from having the most heavily protective legislation in 2008 to converging on the OECD average by 2013, with a score close to the average on protection against dismissals, and just above the average on regulation of temporary work (OECD, 2013d). However, overall across the OECD the degree of change from the last survey in 2008 (Venn, 2009) is limited. Given that the previous survey had identified a deregulatory trend from 2003 and in the longer period from 1985 (Venn, 2009), the relative stability of the aggregate EPL indicator from 2008 to 2013 may therefore indicate rather complex patterns of deregulation in some areas and more stringent protection in others.

In line with its VoC classification as a typical LME, the United Kingdom showed stability in the aggregate EPL index in the periods 2003–2008 and 2008–2013, with a very low level of employment protection on all aspects, particularly protection against individual dismissal. The level of employment protection in Germany remained roughly stable too, as deregulatory trends in the protection of temporary contracts were offset by increased protection against dismissal, particularly collective redundancies. Thus, the strictness of EPL in the United Kingdom stood considerably lower than the OECD average indicator in 2013: some 0.67 points lower than the OECD average of 2.29 as regards protection against dismissal, while for Germany it was 0.69 points higher for dismissal, and a full 1.53 points lower than the OECD average for regulation of temporary contracts, compared with 0.34 points higher for Germany (OECD, 2013b).

France continues to be regarded as having a very high level of protective legislation (EC, 2014). However, as noted above, there has been significant activity in this area since the early 1990s, and a deregulatory push resulted in a decrease of 0.3 points in the aggregate indicator in the period 2003–2008, in particular in the area of collective redundancies (Venn, 2009). Like Germany, France has a significantly higher than average level of protection for both dismissal and temporary work. In comparison to Germany and the United Kingdom, France continues to have particularly stringent legislation on individual dismissals, and on the regulation of temporary contracts where its aggregate indicator stands fully 1.63 points above the average (Venn, 2009; OECD, 2013a, b).[5]

This brief comparative overview confirms the validity of the UK's classification as LME relying principally on market regulation of employment. It also shows that Germany's form of CME represents a distinctive dualizing pathway to liberalization: it has undergone change particularly in the regulation of temporary work, due to the legislative changes enacted in the period just before the onset of economic crisis, while retaining relatively strong protection against dismissal for regular employees and state support for their job security through short-time working as a swift, short-term reaction to recession. This dualizing pathway is strongly dependent on economic circumstances and may also depend on the political and institutional strength of countervailing forces: for example, German unions have shown continued capacity to uphold collective bargaining and extend it to the growing low-paid, less protected part-time labour force (Lallement, 2013). Similarly, the 2014 introduction of a statutory minimum wage is likely to limit the wider deregulatory impact of part-time working. The French case shows a complex pattern of flexibility 'at the margins' (Milner, 2001): the labour market remains highly segmented but protection of core workers has decreased slightly while the growth of temporary and other contingent forms of labour has been accompanied by a constant process of deregulation and re-regulation of contractual forms.

Unemployment Policies in France

Nicolas Sarkozy's presidency began with pledges to carry out structural labour market reform, in particular on pensions, activation and the replacement of France's 20 or so employment contracts with one single contract of limited duration. In practice, the 2007–2012 Sarkozy administration's output was a mixture of policies which were often reactive (Curtarelli et al, 2012; Milner, 2012) with a notable turn to austerity evident only after 2010 with a freeze on public sector employment and a hike in the lowest rate of VAT. The summer of 2010 saw a sudden and dramatic rise in unemployment that also resulted in the adoption of an action plan on employment, focusing on younger and older (50 plus) workers in 2011, and reversing the austerity-led planned budget cut in ALMPs. Subsidized employment contracts, inherited in their then form from the previous centre-right administration which in 2005 had launched a 'social cohesion plan', but brought together since January 2010 under the title CUI (Contrat Unique d'Insertion, including the CIE in private companies and CAE in the public and not-for-profit sector, both subsidized at 70 per cent by the state), were boosted by a further 20 000 places. The main measure in support of youth unemployment came in 2011 with increased investment in apprenticeships: companies with fewer than 250 employees received almost total exoneration of social charges on new, young recruits taken out of unemployment. This measure intensified previous initiatives since 2002 aimed at providing fiscal incentives for apprenticeships. However, the total number of apprenticeships rose only slowly, and then dropped (Sanchez, 2012). The effect of these changes was to bring numbers of subsidized contracts back up but they still remained below earlier levels. Overall, the Sarkozy presidency may be described as having overseen a distinctive policy mix weighted towards the strengthening of work incentives and employment assistance, with a relatively limited investment in training. The attempt to reform labour contracts resulted in a more limited social partner agreement dubbed 'flexicurity à la française', which gave employers limited recourse to an additional probationary contract. Meanwhile, as unemployment increased, expenditure on passive labour market policy (benefits and solidarity assistance) rose to 1.4 per cent of GDP, compared with 1 per cent for active labour market policies (OECD, 2011).

Incoming president Hollande made several specific commitments in his 2012 election manifesto which were intended both to distinguish him from the incumbent and help to reverse the rising unemployment trend. The flagship measures of the 'plural left' government (1997–2002) also served as a policy reference, since they had been explicitly rejected by the right. Advocates argued that the public-sector job creation scheme emplois-jeunes had provided jobs for almost half a million young people (4 70 000). The official evaluation of the initiative, conducted 7 years after its launch in 1999, found a very high success rate: around three-quarters of the young people who took part were still in employment 2 years later, and around two-thirds 3 years later (Casaux, 2006), although the initiative was found to have some negative effects, particularly a depressive effect on young people's qualifications. However, it is noteworthy that the initiative was implemented at a time of economic upturn and many economists in 2012 were pessimistic about the chances of success for similar initiatives in the post-2008 context. A further key electoral promise by Hollande was to convene a 'grand social summit' soon after the election on 9 and 10 July 2012. The aim of the summit was not to emerge with a set of specific new proposals but to launch national-level negotiations and to identify the key themes and possible instruments, referring explicitly to the Hollande manifesto commitments on youth unemployment (the 'future jobs' or emplois avenir scheme, aimed at unskilled young people, and the 'generational contracts' or contrats génération, open to all young unemployed people).

The first key measure in the government's anti-unemployment 'toolkit' (de Comormond, 2013) to be enacted was the future jobs law. The law introduced 3-year employment contracts for unskilled or low-skilled young people (aged between 16 and 25), living in areas officially classed as disadvantaged. The government estimated that 1 50 000 contracts would be signed over the period of the 5-year presidency, with the first contracts signed in November 2012. The measure is costly: the state foots 75 per cent of the wage bill, with €1.5 billion per year budgeted for the phase of full quota of contracts, and a total of €2.3 billion dedicated to implementation over the 5-year period. This measure resembles the earlier 'emplois-jeunes' in many respects, and corresponds to Bonoli's (2011) category of job creation aimed at preventing the human capital depletion of young unemployed people.

The second flagship measure was the generational contract (contrat génération) on employment aimed at supporting the phased retirement of older workers who will mentor young employees recruited on open-ended contracts. In line with the recommendations agreed at the social summit, the social partner agreement of 19 October 2012 (which formed the substantive basis of the bill presented to parliament in December) set out two sets of arrangements depending on the size of company. The state encourages large companies (with at least 300 employees) to reach agreements setting targets for the recruitment of young people (aged up to 25) on open-ended employment contracts, continued employment of older workers (aged 57 or over, and 55 or over where this is collectively agreed) and training programmes to enable both objectives. If they fail to reach agreement by the end of the year, they will be liable to penalties of up to 1 per cent of the wage bill. Smaller companies (employing between 50 and 299 people) will receive subsidies for each young person employed at less than 1.6 of the minimum wage, with the stipulation that they must remain in employment for at least 3 years, as well as on the wage of employees aged 57 or over who remain in employment until state retirement age. The subsidy amounts to €2000 per year for each young worker taken on, and a further €2000 per year for each older employee kept on.

Following further consultation with social partners, a bill was presented to parliament on 12 December 2012, and adopted on 14 February 2013. The government in presenting its bill claimed that 5 00 000 jobs for young people would be created during the parliamentary term as a result, with the state footing progressively larger sums over the period: €180 million in 2013, rising to 790 million in 2015 and nearing a billion in 2016. However, the business press and other commentators expressed scepticism about the implementation of the generational contracts due to their operational complexity and the cost-benefit calculations involved at a time of low business confidence (see Perrotte, 2012; de Comormond, 2013). The financial daily Les Echos reported a survey of HRM directors showing that 60 per cent of them felt that the measure would have no impact on jobs (Perrotte, 2012). It is likely that, as was also the case with the 1996 Robien law on reduced working time, that the measure may be used primarily by companies as a last resort before mass lay-offs, rather than for employment expansion (see Pouvreau, 2012). The speed with which the government enacted the flagship measures of the Hollande manifesto reflected the government's need to show evidence of a determined approach to employment, faced with the severity of economic crisis and high public expectations of a change of policy direction and style. The social partners gave more or less unanimous support for the measures (the CGT did not sign the agreement on generational contracts but signalled that it did not oppose the youth employment measures). Moreover, passage through parliament was relatively consensual. Although the UMP voted against the measures and criticized what they called a 'recycling' of the 1997–2002 Jospin presidency's flagship subsidized youth jobs scheme (emplois-jeunes), the right did not obstruct the law. The parliamentary left obtained amendments strengthening employers' obligations on training.

A factor explaining relative consensus on these new laws relates to some elements of continuity in policy and method with the 'social liberalism' of the preceding Gaullist/centre-right administrations. Despite President Sarkozy's ultimate impatience with the social dialogue process, the employers' bargaining strategy continued to act as a major lever of policy change. The national agreement of 19 October 2012 refers explicitly to four agreements on youth employment, signed in 2011, as well as to the 2005 agreement on employment of older workers and later 2010–2011 agreements on company plans for the employment of older workers. In this sense the left government was able to capitalize on both the processes already established and the need for a fresh start. It benefitted from the social partners' eagerness to find common ground on which to demonstrate determination to tackle youth unemployment and thereby a strong outsider logic, and the unions' receptiveness to the change in administration following outright hostility between themselves and the previous president in the run-up to the 2012 election. The coupling of the earlier trade-offs established through the 'social liberal' method and a more explicitly left-wing adoption of direct employment subsidies created a sufficiently large common ground.

Finally, in line with François Hollande's campaign pledges, the government encouraged and institutionalized national-level dialogue between employers and trade unions on employment security (sécurisation de l'emploi). The political executive steered the dialogue process closely both in terms of content and timetable (Ministère du Travail, 2012) as sharp differences existed between the employer and union positions. Despite negative briefings from all parties at each stage of the negotiations, agreement was reached in January 2013 thanks to a last-minute concession from the employers association Medef on higher social security contributions on short-term contracts. The agreement reframes flexicurity as a new, crisis management tool, with employment security balanced against company 'competitiveness', while also referring to previous social partner negotiations on 'secure employment pathways', giving primary importance to the union (particularly CFDT) demands for the maintenance of social security rights.

The government moved quickly to translate the agreement into law. A bill presented in February 2013 was adopted in June 2013 and came into force at the end of July 2013, in the face of opposition from the left – and the CGT and FO unions which had refused to sign the agreement – which argued that it favoured flexibility over workers' security. The bill was explicitly presented as an example of 'flexicurity à la française', based on a 'balance' rather than a trade-off between flexibility for employers and security for employees (Ministère du Travail, 2013a, b, p. 2). In its main provisions, the law follows the structure and content of the 11 January agreement (**Table 2**), but it gives considerably more weight to the new redundancy procedures, since these require amendments to existing legislation. It set the deadline of 1 January 2016 for all companies, whatever their size, to put in place measures to ensure health cover. In addition, in its middle sections it sets out the conditions for 'employment maintenance contracts' that encourage companies to bargain on wages and working time in exchange for job security. The final section deals with the significant changes to redundancy protection legislation, departing from the January agreement in basing the validity of employment restructuring plans primarily on collective agreement with trade unions (subject to the new rules on representativeness, that is, with a 50 per cent majority threshold) or, in their absence, with elected workplace delegates. The law retains the possibility of unilateral employer decisions but gives the administrative authorities responsibility for checking compliance with the obligation to consult and to enter into negotiations, as well as compliance with other legal requirements. The thrust of this change is to constrain the field of employer discretion, although it does not remove it entirely, but rather subjects it more clearly to administrative monitoring. In its passage through parliament, leftwing deputies pushed for stronger employer commitments to training of any employees affected. Finally, in the same section, the law gives greater weight to the employer obligation to seek a buyer for any site it wishes to close, and to inform workplace representatives of the process and outcome. Conversely, the law fails to provide employers with new discretion over redundancy selection criteria, in line with the parliamentary majority's concern with strengthening employability of employees affected rather than employer discretion.

As noted, the law sets deadlines in 2015 and 2016 for compliance with its various sections, so its effects will take some time to take place and be evaluated. In January 2014, however, prime minister Jean-Marc Ayrault presented a first report to parliament on implementation, arguing that contrary to pessimistic forecasts it had not led to an upsurge in redundancies that remained stable on the levels of the previous 2 years. Seventy-nine per cent of companies had begun to bargain on employment restructuring (plans de sauvegarde de l'emploi, previously regulated by administrative procedure rather than by collective bargaining), and 57 agreements had been signed, including by the CGT. Agreements on short-time working (activité partielle) appeared to be on the rise in smaller companies, but only two agreements had been reached on 'employment maintenance contracts' although more were expected in future. An agreement on minimum hours for part-time workers had been reached in the fast food sector. Overall, the CFDT, the union confederation most closely associated with the January 2013 agreement, pronounced itself 'cautious' about the impact of the agreement and the June law, noting the positive trend in collective bargaining but its highly uneven application across sectors and companies (Seigne, 2014). However, the left and the CGT provided a more critical evaluation of the law's implementation, citing cases where employees who rejected pay freezes or increasing unpaid overtime had been made redundant and citing labour lawyers who argued that the law made collective bargaining a tool of unilateral management rather than bilateral negotiation (see Rousseau, 2014).

The labour market policy output of the first eighteen months of the Hollande presidency may therefore be summarized as two new job creation and subsidized employment schemes for young unemployed people, and a law broadly based on 'flexicurity' aiming to reduce statutory employment protection in favour of collectively negotiated rights, and opening the way for further national-level negotiations on portability of employment-based social entitlements and local-level bargaining on workforce planning. As noted, the generational contracts have had limited impact to date. Because of strong mobilization of local government and other state-related bodies, the future jobs initiative saw strong take-up, of around 1 00 000 in 2013 according to government figures.

Youth unemployment fell by 25 000 in 2013, so the government was able to claim some success for its policy focus on unemployed youth. However, the overall unemployment rate continued to rise by 5.7 per cent in a year of zero economic growth, with only a very weak upturn in the final quarter. The December 2013 figures published in January 2014 showed a hardening of the locking-out mechanisms in France's labour market to which the youth employment schemes provided only a very partial response: over the year, the average period of unemployment for those registered at Pôle emploi rose from 478 to 511 days, and the unemployment rate of workers aged over 50 increased by 12.3 per cent (Ministère du Travail, 2014).
A significant change of policy approach was signalled in President Hollande's New Year speech at the end of 2013, leading some commentators to refer to a U-turn comparable to that of President Mitterrand's left administration in 1982. The responsibility pact based on easing the fiscal and regulatory burden on businesses undoubtedly responded to the policy agenda promoted by the right since 2012 and by the employers' peak associationMEDEF. Labour ministerMichel Sapin sought to play down any perceived mismatch between the logic of active labour market policies and the right's preference for tax reduction and deregulation, claiming that the scale of economic crisis had necessitated a two-stage stimulus: first, to jobs through job creation (future contracts) and subsidized employment (generation contracts); second, to the economy through measures aimed at boosting competitiveness. The first stimulus had to be enacted urgently, he argued, but the second depended on the initial boost supplied by an improvement in European markets.[6]

The scale of the policy change while notable was largely downplayed by in the press and expert opinion (see Duval, 2014). The method chosen for implementation of the 'responsibility pact' – whether or not the label 'social liberal' applies, that is, the enactment of broadly centre-right policies by centre-left governments, or by right-wing governments through traditionally social-democratic methods such as social dialogue (see, for example, Bachet et al, 2001) – necessarily meant that it could not be entirely congruent with the agenda pursued by the employers' lobby and the centre-right parties. Within the social dialogue, trade unions can be expected to demand mechanisms to ensure employer guarantees of employment in return for tax relief, in line with the previous policy (under left and right) of subsidized employment; conversely, they could be expected to contest and at least water down proposals to reform labour contracts. The employers' lobby meanwhile has contested the idea of employment guarantees and continues to campaign on its demand for lower taxes and social security contributions, with early discussions focusing on conditionality of unemployment benefits.

In summary, then, France has since 2008 adopted all three of the main European approaches to labour market policy, but to varying degrees and at different times. Under the broad heading of active labour market policy, it prioritized reform of services and support under President Sarkozy, then returned to a more classic social-democratic job creation approach with the ‘future jobs’ initiative under President Hollande. Both administrations continued the conventional French approach of private sector incentives although this policy fell back under the Sarkozy presidency in comparison to the scale of unemployment, and while the approach was revived under the Hollande presidency with the ‘generational contracts’ their impact has been limited to date. The result so far has been a modest decrease in the youth unemployment rate which would need to be boosted significantly over the next year or so to make a difference.

There has been little reliable evaluation to date of the impact of France’s labour market policies. An earlier cross-national comparative evaluation found that the impact of active labour market policies was mixed, with some positive results for programmes with higher training content, private sector incentives (rather than public sector job creation) and reform of employment services (support and sanctions) (Kluve et al, 2007; and see Martin and Grubb, 2001). France’s record does not differ from the general picture (Erhel, 2014) but it is worth noting that overall young people constitute a group that is very difficult to assist. There is a high degree of ‘churning’ and young people’s labour market integration remains fragile even after policy intervention.
The French approach to the other two sets of policy response, short-time working and labour market reform, has been to wrap these up in an attempt to revive and adapt collective bargaining at all levels: local, sectoral and national. Although this approach falls short of the wholesale labour market deregulation recommended by the EU (EC, 2014), it responds to the social dialogue mode advocated by the ‘flexicurity’ policy framework and by many labour economists (for example, Blanchard, 2006; Kluve et al, 2007). Whether French-style bargaining can be harnessed for labour market reform in the systematic way advocated by experts and international policy entrepreneurs is another matter (Blanchard, 2006). But the experience of the two post-crisis administrations to date confirm the thesis that existing institutions shape outcomes and in effect it is difficult to see how change could come about other than through a state-initiated and state-supported process of bargaining, however difficult and constrained (Lagrange, 2014).

Conclusion

This analysis started from the observation that there does not appear to be any single solution to the EU’s unemployment problem. Indeed, given the heterogeneity of situations and responses, it seems more appropriate to refer to the problems of member states, in the plural (Blanchard, 2006). At the same time, the Eurozone crisis itself and the policy response to it has served to entrench a new geography of unemployment that affects some member states more than others. The specific problems faced by those southern Eurozone countries mean that the Mediterranean model now stands in starker distinction from continental or Nordic models. France in this respect looks different from the Mediterranean model in the scale of unemployment, even as those countries have had to undertake drastic reform of their labour market policy approach and austerity budgets, under external pressure. Nevertheless key features of the Mediterranean model remain valid, notably the relative size of youth unemployment and persistence of labour market dualism.

The scale of unemployment created strong political pressure for policy change in

France. The high political salience of unemployment, particularly youth unemployment, helps to explain the strong policy activism identified earlier in comparative context (Copeland and ter Haar, 2013) and whose intensification since 2012 confirms the suggestion that it constitutes a specific form of social democracy found in those 'hybrid' countries that are outliers in the conservative-corporatist cluster and characterized by a leading role for the state in steering towards negotiated outcomes. At a general level, France's policies fit the prevailing European policy mix of active labour market policies, measures to stop labour shedding such as short-time working and structural reform. However, France has been slower to adopt short-term reactive adjustment policies such as short-time working. In line with Lallement's (2011, 2013) analysis of adjustment regimes, France has also displayed less wage elasticity: whereas Germany's adjustment regime showed rapid responsiveness of wages to economic downturn in 2008–2010 and then to improved economic conditions after 2010, due to the resilience of collective bargaining as a mode of despite the erosion of coverage regulation despite the erosion of coverage (Aumayr-Pintar et al, 2014), real wages in France have followed a different pattern, falling significantly and regularly in the period up to 2008 and then rising thereafter (Husson, 2012). Whereas wages were depressed in 2000–2008 by a combination of working time reduction and accompanying wage freezes or real decreases, as well as the growth of the low-paid sector, they have displayed relative inertia since 2008.

Under the Hollande presidency, policy outputs have been more heavily weighted towards active labour market policies and particularly youth job creation programmes, with limited impact to date. The Hollande administration's failure to reverse the trend of rising unemployment has highlighted the limited efficacity of active labour market policies that take the primary form of private sector subsidies and public sector job creation. France's specificity lies in over-reliance on this necessary but insufficient tool. The search for a more coherent approach to employment maintenance and creation has nevertheless created a space for social dialogue and has encouraged more selective targeting of private-sector incentives by the state, although this process is at an early stage and may yet be captured by private interests. France's weakly coordinated bargaining system and large trade union 'deserts' means that there is little capacity for 'local flexicurity' (Hagen and Trygstad, 2009), which means that the tenuous relationship between wages and wider economic trends is unlikely to be reversed (Aumayr-Pintar et al, 2014). Transition to a more coordinated, negotiated adjustment regime will depend on a fragile process of trustbuilding which is vulnerable to the pressures of electoral competition and public disillusionment with policy efficacy.

Since 2008, those EU member states that have so far fared better than average on employment, and particularly youth employment, are generally those that combine strict conditionality of benefits (although not necessarily low levels or duration of benefits) with higher levels of spending on active labour market policies and an extensive range of such policies with particular emphasis on training. This relationship is not straightforward across member states (EC, 2013a, b). However, it fits the findings of previous comparative research (Martin and Grubb, 2001; Kluve et al, 2007; Bonoli, 2010). Whether such policies are sustainable in conditions of continued austerity is open to question, and this means that further divergence of outcomes is likely in the foreseeable future.

Notes

1 Indicators of the strictness of employment protection may be considered separately (for example, redundancy protection; stringency of regulation of temporary agency workers) or amalgamated to form a combined indicator. Lallement (2011) used the OECD's combined indicator for 2007.

2 On youth unemployment, the figures for the EU15 and EU27 are very similar after 2006. Before then, rates were much higher (over double) on average for the accession countries, showing an overall downward trend after 2000 and some convergence on the EU15 average rate, but rising again after 2007. However, the pattern varies significantly across countries.

3 Expenditure on labour market policies is usually presented as a percentage of Gross Domestic Product. Some caution in comparison between countries is needed due to reporting differences, but nevertheless it is possible to identify broad patterns across countries and across time.

4 Thelen's (2014) analysis of labour market policy, based on ALMPs as an indicator of 'outsider' employment policy (aimed overcoming labour market segmentation by helping the unemployed and low-skilled to find jobs) and short-term working as an indicator of 'insider' policy (aimed at protecting the job security of those already employed), classified France along with English-speaking LMEs as having relatively low levels of spending on ALMPs and weak support for short-time working. However, this positioning of France is difficult to sustain, since ALMP expenditure is significantly higher than for the LME grouping, as the data presented in this article show in more detail.

5 The aggregate index is based on a score between 0 (no protection) to 6 (maximum protection) measured as a composite of 21 subcomponents: for more details, see Venn, 2009. Across the OECD, the country scores varied between 1.8 and 3.5 in 2008. In 2013 the country scores varied between 1.0 and 3.2 for dismissal protection, and between 0.2 and 4.96 for temporary work. The variations noted here are therefore significant.

6 See interview on France Inter, 28 January 2014 (viewing available at: www.franceinter.fr/emissionledito-politique-michel-sapin-ministre-de-la-courbe, accessed 29 January 2014).

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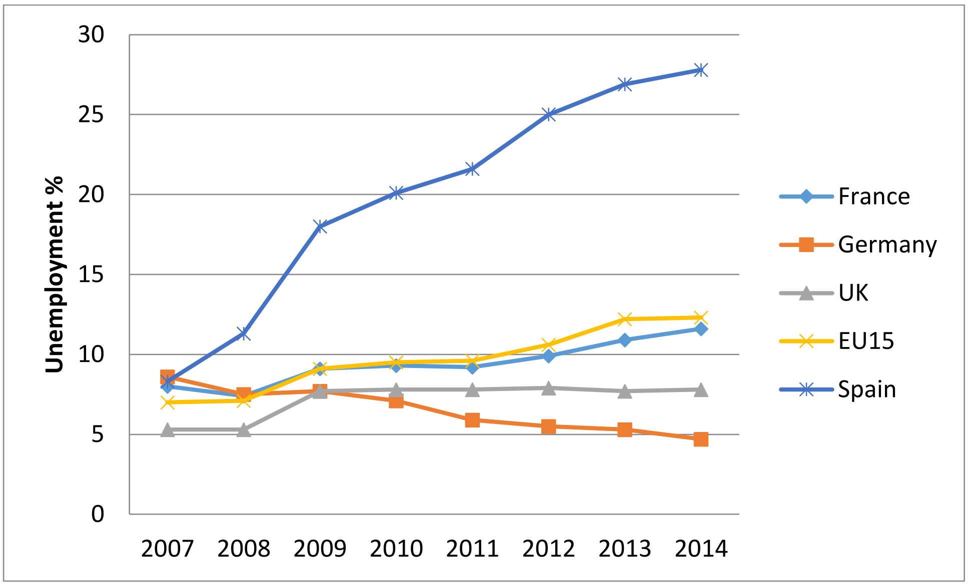
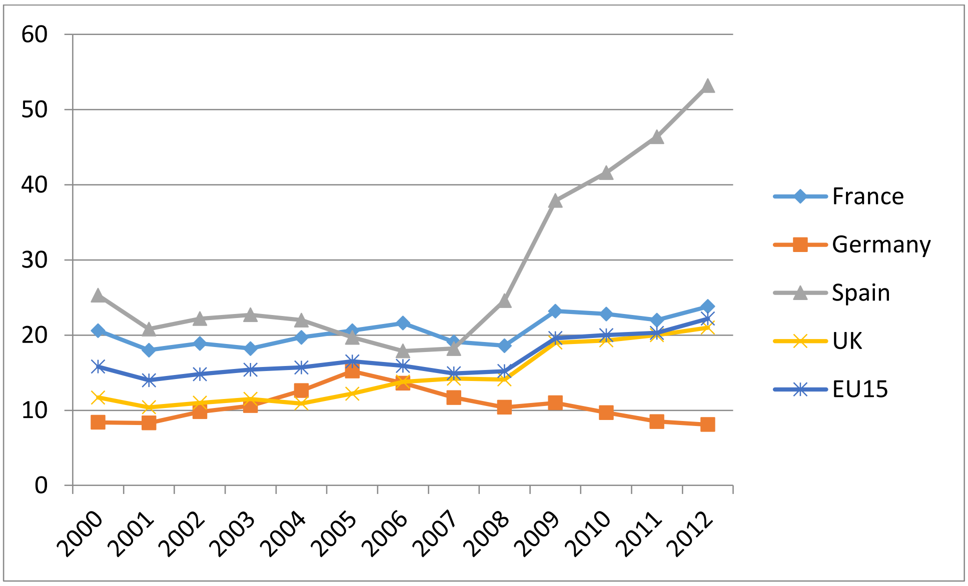
Figure 1: Unemployment rates compared, 2007-2014*



Source: OECD, 2013a, b

*2014 projected: see OECD, 2013b

Figure 2: Youth unemployment (15-24 year-olds), 2000-2012



Source: OECD, 2013a

Table 1: Labour market policy expenditure (as a % of GDP), 2005-2011

Type of policy	Year	France	Germany	UK
Passive	**2005**	1.59	2.03	0.18
	2008	1.18	1.11	0.32
	2010	1.45	1.40	0.30
	2011	1.14	1.03	n/a
Active	**2005**	0.47	0.49	0.67
of which,	**2008**	0.41	0.49	0.48
PES/administration	**2010**	0.41	0.67	0.05
	2011	0.29	0.60	n/a
------------------------	**2005**	0.88	0.76	0.05
of which, other	**2008**	0.84	0.68	0.03
(training,	**2010**	0.88	0.77	0.00
incentives etc)	**2011**	0.74	0.71	n/a

Source: OECD, 2013b

Table 2: Summary of main points of social partner agreement of 11 January 2013
Section I (Articles1–11): New employee rights to portable health insurance and other social security entitlements
Sectoral bargaining to begin by April 2013 on top-up health insurance
New right to carry forward unused entitlements to unemployment benefit
Higher employer social security contributions for very short-term contracts, from July 2013
Individual training accounts of 20 hours a year (full-time employees)
Individual right to temporary internal redeployment (functional flexibility for skills acquisition) with guaranteed return to initial job
New procedures for optional transfer from full-time to part-time hours, subject to collective agreement

Section II (Articles 12–17): Forward planning in human resource management
Introduction of financial database to be placed at disposal of workplace representative bodies, including strategic management options, initially in companies with over 300 employees
Obligation for employers to seek buyer for any site to be closed, with consultation of works committee
Board-level employee representation in companies with over 1000 employees
Annual consultation of works committee on company strategic plans particularly in respect of employment management
Obligation for employees to comply with management request for internal redeployment, in the context of internal restructuring, subject to protection of terms and conditions
Transitional year for small companies to comply with legislation relating to workforce thresholds triggering mandatory workforce representative bodies (11 employees for single delegation, 50 employees for works committee)

Section III (Articles 18–21): Workplace adaptability
Option to introduce employment maintenance contracts (for example, temporary reduced working time; reduced salary), subject to collective agreement, with obligation for employees to enter into such contractual arrangements on a temporary basis
Compensatory funding of short-time working, within existing unemployment and training funds
Company redundancy plans to be approved by collective agreement within 3 months, or to be defined unilaterally by employer and validated by labour administration
Redeployment leave to be raised from nine to twelve months' maximum duration

Section IV (Article 22): Adaptability of work contracts
Experimental use of temporary employment contracts in companies with under 50 employees, under different terms and conditions from core workforce, to be evaluated at end 2014

Section V(Articles 23–26): Unfair dismissal claims
Unless stipulated otherwise by collective agreement, employers may include individual competence in establishing criteria for selection for collective redundancy
New procedure for out-of-court settlements for employment tribunal disputes
24-month cut-off limit for employment tribunal claims

Section VI (Articles27–28): Procedural
Evaluation of agreement after 2 years