

Politics of in-work benefits

The case of the 'Active Income of Solidarity' (RSA) in France

Tim Vlandas

*Workshop on Integrated Employment and
Activation Policies in a Multilevel Welfare
System, Milan 30-31 August 2012*

Outline



1. The RSA reform: aims and content
2. Political parties converging towards IWB
3. United employers... conflicted unions
4. Discussion and conclusion

1: The RSA reform

- RSA Law voted in December 2008:
 - Rationale: benefits system disincentive effects
 - Merges 1977 'Lone Parent Benefit' and 1988 'Minimum Integration Income' (RMI)

- Similarities and differences with 1988 RMI:
 - Also guarantees to its beneficiaries sufficient means of subsistence; and
 - Help the social insertion of its beneficiaries
 - But encourages the continuation / return to professional activity much more

- Access, cost, recipients
 - People > 25 AND French citizenship OR EEA with conditions
 - Budget: 1.5 billion financed by new capital/property tax
 - Recipients: 2 million households in 2011
 - Amounts in 2009: 460 if alone, 690 if with partner

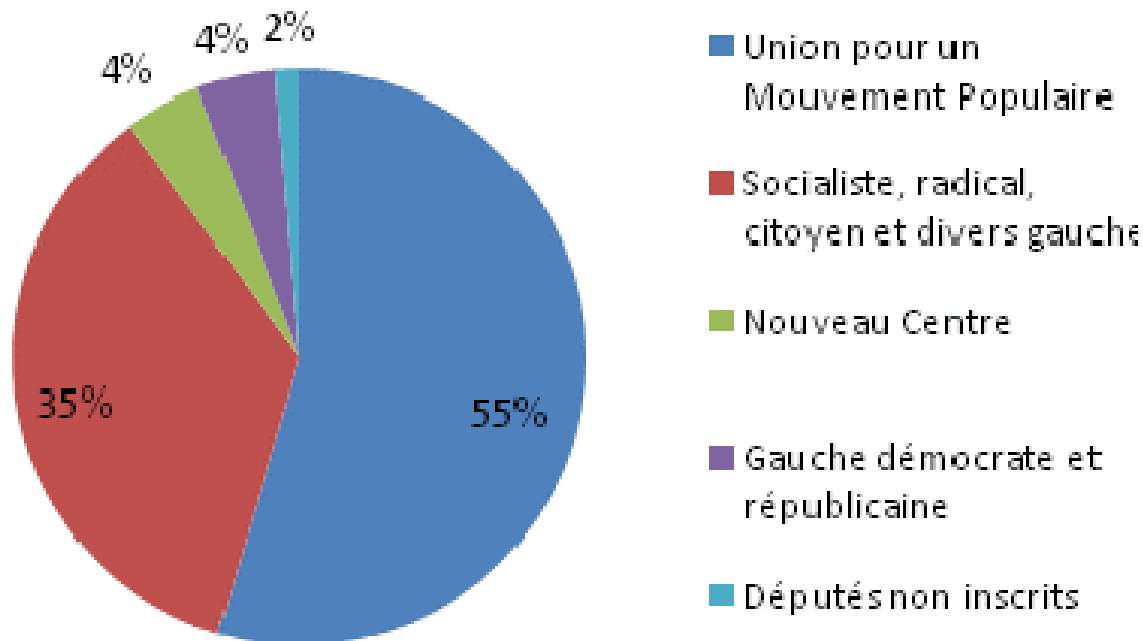
2A: Political parties - electoral system and control of government



■ **French electoral system**

- Majoritarian uninominal two rounds run off
- Legislature + presidential elections every 5 years
- Many parties + candidates, but low proportionality

National assembly by groups



■ **The right in power**

- Sarkozy wins presidential election in May 2007
- Right (UMP) wins majority in June in Parliament
- Right can basically do what it wants
- Left (PS) main opposition

2B: Political parties - *RSA reform as a case of convergence to the centre?*

- RSA unusual phenomenon of ideological convergence in a policy domain characterised by clear partisan divisions

Table 2: Record of the vote concerning the RSA

Vote N°	Date	Object of the Vote	Results		
			In favour	Against	Voluntary abstention
210*	08/10/2008	Law concerning the generalization of the RSA	306	20	197

Source: Online voting records of the French national assembly. Can be accessed at:

<http://www.assemblee-nationale.fr/13/scrutins/jo0210.asp>

Table 3: Voting records of different parliamentary groups

Parliamentary grouping:	Ideology	For	Against	Abstain
Groupe Union pour un mouvement populaire	Right wing	279	1	11
Groupe socialiste, radical, citoyen et divers de gauche	Left wing	3	3	177
Groupe Gauche démocrate et republicaine	Extreme left wing	0	16	4
Groupe nouveau centre	Centre right	21	0	1
Non affiliated	N/A	3	0	4

2B: Political parties (*cont.*) - RSA reform as a case of convergence to the centre?

- The RSA: Socialist supporters of a socialist idea... (e.g.: helping excluded workers)
 - Martin Hirsh, who took developed the measure for right wing government, originally leading member of the PS
 - Holland, PS's first secretary, in reaction to the reform: "Socialists and the left have been listened to"
 - Martine Aubry, PS former minister of work: "the reform goes in the right direction"

- ... with liberal underpinnings (e.g.: increasing incentives to work)
 - Echoes Friedman's negative income tax
 - But strongest detractors on the right most liberal, e.g.: Copé, president of UMP: "the RSA is a source of discontent"

2B: Political parties (*cont.*) – *The puzzle of convergence*



- A dual puzzle
 - Why did the UMP propose a measure that presumably benefits low income workers?
 - Given the *workfarist* underpinning of the measure, why did the left not oppose it more forcefully?

- An outsider policy or an ‘insider policy’ for outsiders?
 - Voting participation rates in parliamentary elections:
80% in 1978 => 60% in 2007
 - Outsiders vote less than insiders and few parties organise them (cf. Communist party’s decline)

2C: Political parties – *Enduring conflict lines*

- Opposition by communist and extreme left – RSA...
 - Encourages precarious employment
 - Represents the beginning of workfare
 - Rests on liberal dogma of ‘lazy unemployed’
 - Does little to address declining purchasing power of recipients

- Differences among main political parties
 - => Issue of funding:
 - Left unhappy that tax would not be borne by the wealthy (tax shield) and/or budget deemed insufficient
 - Creation of new capital/property tax opposed by the right

3A: United employers...

- MEDEF (main employers' organisation)
 - Parisot, president of MEDEF, hailed the RSA as a 'good plan'
 - Interview MEDEF with national secretary for employment and social policies (2011):
 - “The RSA...was a good thing.”
 - “Because our position before with the RMI, was that it was a subsidy to assistance but that there were no incentives to return to work”
 - ”the RSA ... creates incentives to go back to the labour market”
- 'General Confederation of SMEs' also supportive
 - Agree with principle to incite work

3B: ...Conflicted unions

- Unions worried about multiplication of precarious low pay/short hours/temporary work
- Some differences even between two main unions
- Reformist CFDT was broadly favourable...
 - ...but had some mild reservations...
 - “The CFDT regrets That the discussion focused on funding” (Thomas, national secretary of the CFDT)
 - ...and identified some problems
 - “The problem today is that there is an ‘under-consumption’ of the RSA because workers do not know the legislation” (Interview CFDT, 2011)

3B: ...Conflicted unions (cont.)

- Oppositional CGT stressed need for conditions
 - “Penalising companies that use insecure and part-time jobs”
 - “social and economic policy that promotes employment and the quality of jobs”

(Dumas, national secretary of CGT)

- And was faced with a dilemma
 - “The creation of the RSA represents a problem for us.”

 - “On the one hand, we agree that for every additional hour worked the worker must earn more, which seems logical to us.”

 - “On the other hand, this reform also makes very low quality jobs more available... and attractive... whereas these jobs do not allow employees to live.”

(Interview, confederal secretary)

3B: ...Conflicted unions (cont.)

■ Outsider unions split between

- In-work outsiders (interim federation) - mostly favourable

“The advantage of the RSA is that it creates clear incentives to return to work.”

“Before the RSA, a recipient of the RMI together with all social benefits ... had the same standard of living as a worker on minimum wage.”

“There was an aberration.” (Interview CFDT interim federation)

- Out of work outsiders (unemployed, students) - less enthusiastic

“Under 25 years old, you’re not eligible to the RSA, so most young people are not entitled to it.” ... “The RSA, like the RMI before it, are policies that do not create employment” (Interview UNEF, 2011)

“Demanding an increase in minimum income benefits legitimates their existence.”... “We don’t want more minimum and IWB, we want everyone ... to live decently” (interview CGT group of the unemployed)

4A: Discussing patterns of support/opposition



Type of actor:	For	For (with weak reservations)	Weakly against certain aspects	Against
<u>Political Parties:</u>	Most UMP	Centre right	Most PS	Some PS, PC
<u>Social partners:</u>	MEDEF, PRISME	CGPME CFDT federal	CFDT confederal CFE-CGC CGT	CGT unemployed Most UNEF
<u>Others:</u>	Social workers			HALDE

- Actors' preferences towards the RSA fairly dispersed: within parties, across parties, and between parties and social partners
- When vote came => within groups alignment of voting behaviour, with the right and centre voting massively in favour, the left abstaining and the communist party providing the only clear opposition

4B: Conclusion

1. RSA embodies both continuity and innovation wrt. RMI
2. *Ex ante* disagreements between different interests/actors, voting records indicate convergence on the RSA
 - Strong right wing majority
 - Multiple objectives => everyone finds something they like
 - Clear rationale in terms of solving well-recognised problems
3. Social partners partly mirror positions of political parties (employers - right, CFDT - PS, CGT - PC)
 - Unions more split
 - CGT against ideologically, but cannot oppose strategically
 - CFDT for ideologically but some practical reservations
 - BUT: Unions strategy to put pressure on government - mass demonstrations accompanied by one-day strikes - costly
4. Can left and unions ever oppose welfare state expansion?

Thank you for your attention

Tim vlandas

t.r.vlandas@lse.ac.uk

European institute, LSE

List of interviews july/sept. 2011

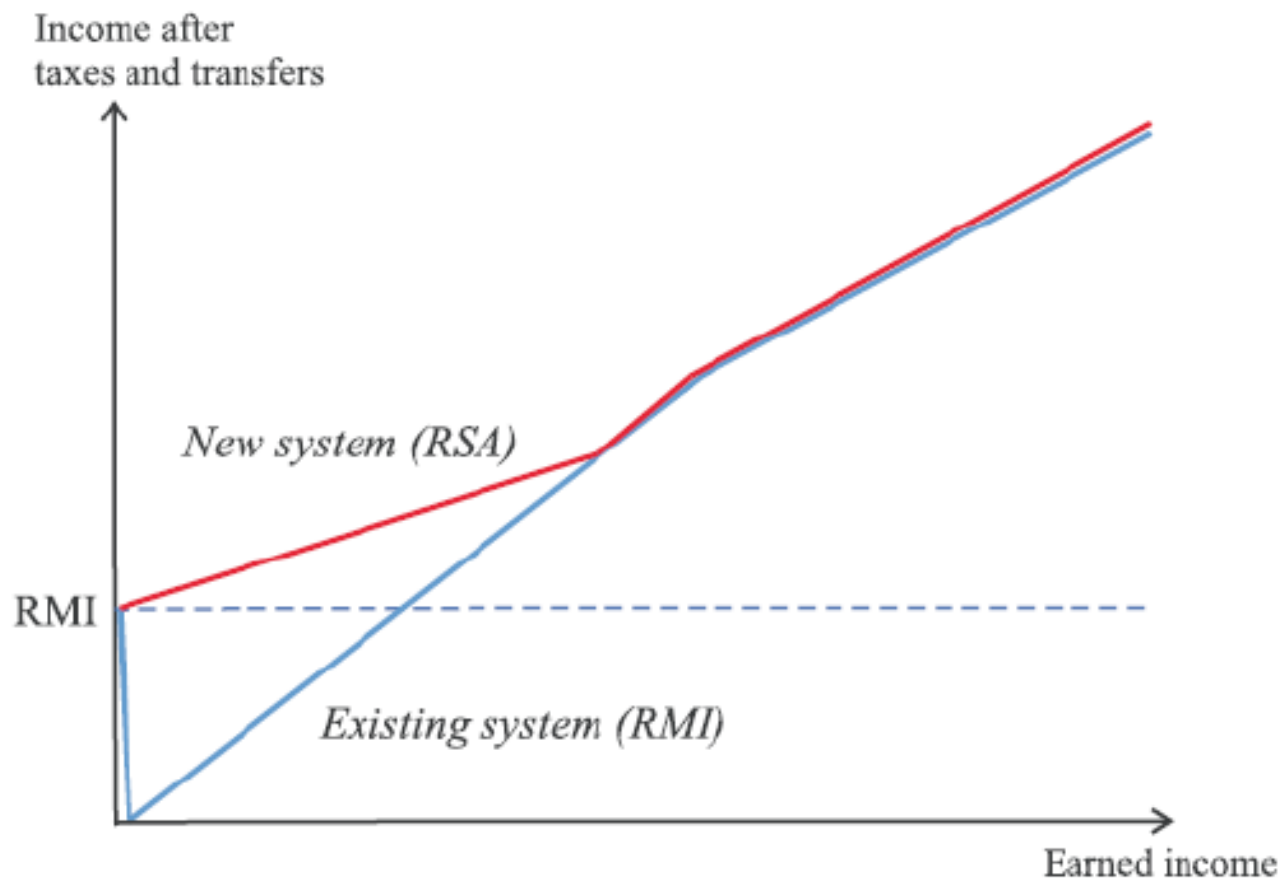
- CGT confederal
- CGT service federation
- CGT unemployed group
- CFDT confederal
- CFDT interim federation
- CFE-CGC confederal
- MEDEF
- CGPME
- PRISME
- Employment and work ministries

Basic amount of the RSA for 2009

Number of children	You live alone	You live with a partner
0	460,09 €	690,14 €
1	690,14 €	828,17 €
2	828,17 €	966,20 €
For each extra child	184,04 €	184,04 €

Source: *Caisse d'Allocation Familiale (CAF)* website, accessed on the 31st February 2009 at: <http://www.caf.fr/wps/portal/particuliers/catalogue/metropole/rsa>

The differences between the RMI and the RSA



Source: Taken from page 155 of the EEAG report 2009 on France (Sinn and al., 2009).