

# The politics of in-work benefits: the case of the ‘Active Income of Solidarity’ in France

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## Abstract

In-work benefits have been introduced across Europe, not least in Bismarckian welfare regimes characterised as having welfare ‘without work’. This paper analyzes the political determinants of the introduction of in-work benefits in France, which is a least likely case for in-work benefits to exist. Its trade unions are not inclusive, insiders are well protected, and its political system is not conducive to incorporating the interests of outsiders. Thus, the recipients of in-work benefits have no clear vector for political representation.

The 2008 reform introducing the Active Income of Solidarity (RSA) is therefore puzzling. This paper attempts to solve this puzzle by analysing the content and political drivers of this reform. It shows that the reform resulted from a cross-cutting alliance between actors on the right of the political spectrum, employers and parts of the conservative party on the one hand, and parts of the socialist party and the unions on the other hand. The former agreed with the liberal and employment friendly rhetoric underpinning the RSA. While the latter partly disagreed with many aspects of the reform, they found it hard to oppose a reform that purported to make in-work outsiders better off.

**Keywords:** In-work benefits, France, Unions, labour market reforms, unions, employers.

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## **Introduction**

Deindustrialisation (Iversen and Wren, 1998) and globalisation (Rodrik, 1998) have put Continental European welfare states under pressure. New social risks have emerged (Armingeon and Bonoli, 2006) in a context of permanent austerity (Pierson, 2001). Mass unemployment and the inability of passive benefits to incentivise recipients have led to calls for more welfare friendly reforms and policies (Häusermann and Palier, 2008). Continental welfare states, traditionally seen as ‘frozen’ (Esping-Andersen, 1999), have been reforming social policies extensively (Palier, 2010).

In an effort to address their ‘welfare without work’ problems (Scharpf and Schmidt, 2000), many continental European countries have for instance introduced in-work benefits (Adireksombat and Jinjarak, 2009). In light of the emerging literature on insider-outsider divides (Emmenegger et al., 2012; Rueda, 2007), these reforms are interesting because they *prima facie* benefit workers with little political clout, such as those on low income or in precarious jobs. In-work benefits, by breaking away from the contributory nature of Bismarckian welfare regimes, also represent a deviation from the institutional path *ex ante*.

This raises the question of the political determinants of in-work benefits. This paper takes the case of France to investigate this question. France in many respects represents a least likely case for in-work benefits to be introduced. These programs depart from the contributory nature of its welfare regime (Esping-Andersen, 1990). French unions are not inclusive as suggested by its low union density and workers in regular contracts are insulated from unemployment risk, given high levels of Employment Protection Legislation (EPL) for regular workers. In such a context,

parties should also favour the interests of insiders, workers in regular contracts, at the expense of the unemployed and workers in temporary contracts (Rueda, 2007).

One of the most recent and innovative labour market initiative in France (L'Horty, 2008) transformed the pre-existing minimum income benefit scheme into a fully fledged in-work benefit program, the 'Active Income of Solidarity' (*Revenue de Solidarité Active* - RSA). This reform raises a number of interesting questions. On the one hand, why did the French political right propose a measure that presumably benefits low income workers? On the other hand, given the *workfarist* underpinning of the measure, why did the left not oppose it more forcefully? This reform also serves as a good case to explore union and employer preferences towards in-work benefits.

This paper argues that the reform was based on a shared premise that existing policies were inappropriate. The reform then entailed multiple objectives which allowed diverse political actors to support the reform for different reasons. The principles that are embedded in these objectives, for instance that people should work, were widely shared by the French population. While unions and the left were less enthusiastic with the reform than the right and employers, they found it hard to oppose the introduction of a policy that would *prima facie* benefit precarious workers.

The next section discusses the background to the reform and how the new policy works. The preferences of political parties and of unions and employers towards the RSA are examined in sections II and III, respectively. Section IV concludes by discussing the preferences of various actors in the French economy towards this reform and drawing some lessons for the politics of in-work benefits.

## **I: The road to in-work benefits**

Studies of existing social policies in France prior to the reform stressed the disincentives created by minimum income schemes. Starting at the end of the 1990s, policy makers increasingly tried to address this problem. The RSA can be seen as the culmination of this process to try to raise incentives to work, while retaining appropriate safety nets. Thus, this new policy embodies elements of both continuity and innovation with previous welfare state reforms and benefits.

### *Origins and justification*

Various studies of social policies have emphasised a number of problems with the French welfare states with regards to disincentive effects (L'Horty, 2008). Simulations stressed the adverse employment effects of current social policies, with marginal taxation when moving from unemployment to work being equal and sometimes superior to 100% for minimum income benefits recipients (Padiou, 1997; Bourguignon and Bureau, 1999: 33, 34).

In addition, disincentives effects are likely even greater if all local social policies are taken into account (Anne and L'Horty, 2002). This is because in addition to various national minimum income schemes, such as the minimum income of insertion, the single parent allowance, and the personalized help to housing, there are also a wide range of 'secondary social benefits'. These include *ad hoc* benefits such as the 'Christmas premium' (*Prime de Noel*), and subsidized electricity, and local benefits delivered by departments such as housing and mobility support, by the 'Family benefit funds' (*Caisse d'allocation Familiale*) or by regions such as subsidized transport (Anne and L'Horty, 2002: 50). Taken together all these secondary social benefit often represent the equivalent of 20% of poor households' income (*ibid*: 56). For minimum income benefit recipients, taking into account all social benefits result in a net income loss when starting a part time job, regardless of household type (Anne and L'Horty, 2008).

Recognition of these problems are reflected in reform trends towards ‘making work pay’ in France (L’Horty, 2008). In 1998, the law against social exclusion made it more attractive for recipients of means tested benefits to go back to work. As early as 1999, Godino (1999) proposed a ‘Compensating Benefit of Income’ (*Allocation compensatrice de revenu*) aiming to encourage minimum income benefit recipients to return to work. In 2000, a reform of the housing tax increased the link between the level of the tax and revenues. The Housing benefit was also reformed to prevent ‘inactivity traps (L’Horty, 2008: 53). In 2001, the *Jospin* government created a negative income tax, the ‘Premium for Employment’ (*Prime Pour l’Emploi* - PPE). The legislated minimum income was also increased between 2003 and 2005 (Champsaur et al., 2009: 32).

This was deemed insufficient, as the monetary reward to go back to work for a household with one child remained low (CERC, 2004). Various parliamentary reports by Laurent Wauquiez (Wauquiez, 2005) and Valérie Létard (Létard, 2005) confirmed this dissatisfaction by decision makers with current social policies. The commission “Family, vulnerabilities and poverty” was created in 2005 by request of the Ministry of Solidarities, Health and family and proposed the RSA in 2005. Social workers played an important role in pushing for the RSA and were supportive of its underlying logic:

“...a fraction of social workers...said: watch out there remains cases where a person who starts working actually loses money. It is both ethically disturbing and difficult for us to ensure reinsertion of these people. So we must find a mechanism whereby whatever the situation of the person and the number of hours that the person starts working, they are sure to win financially.” (Interview DGEFP, 2011).

The government asked Martin Hirsh, who himself came from the associative movement, and more strikingly was an important socialist figure, to become the ‘*Haut commissaire aux*

*solidarités actives*”. In this role, he was asked to look into possibilities for reforming the existing minimum income benefit system by July 2007 (Livre Vert, 2008). His proposals provided the foundation for a law later that year (21<sup>st</sup> august 2007) allowing departments to start experimentations. The RSA became legislation on the 1<sup>st</sup> of December 2008 under the law number 2008-1249 and was implemented in June 2009 (Paul, 2009).

#### *Aims and design of the new in-work benefit RSA*

The RSA, as with other ‘welfare to work’ programs, aims to address a number of problems such as labour force participation and in-work poverty. More specifically, it aims to (1) guarantee to its beneficiaries sufficient means of subsistence, encourage the continuation of - or return to – a professional activity, and (3) help the social insertion of its beneficiaries (Loi n°2008-1249, 2008: article 1, author's translation). To fulfil these goals, the RSA guarantees to all persons, able or not to work, a minimum income while ensuring that working adds extra net income.<sup>1</sup>

Programmatically, the RSA incorporates the previous ‘Lone Parent Benefit’ (*Allocation de Parent Isole* - API) introduced in 1977 and the ‘Minimum Integration Income’ (*Revenu Minimum d’Insertion* - RMI) introduced in 1988 (Concialdi, 2009), but leaves unchanged the only other existing welfare to work program, the PPE (Delors and Dolle, 2009).

The access to the RSA was initially limited to people over 25, of French citizenship, of the European Economic Area and with a residence permit, or to people with residence permits granting the right to work for more than 5 years<sup>2</sup>. The discriminatory nature of the RSA with

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<sup>1</sup> The Article 1 of the Law on the RSA n° 2008-1249 states: “It guarantees to all individuals, whether they are able or not to work, to receive a minimum income and to see their resources increase when the revenues they derive from work rise. The recipient of the Active Income of Solidarity has a right to a social and professional help aimed to facilitate his or her sustainable return to work” (Loi n°2008-1249, 2008).

<sup>2</sup> The Article 3, section 2, of the law on the RSA n° 2008-1249 states:

respect to foreigners and people under 25 has been denounced by the French agency for the fight against discriminations, the HALDE<sup>3</sup> (Chastand, 2008; Mongin, 2008a: 3). This is particularly problematic given the higher likelihood that younger people face the problems that the RSA was supposed to be addressing in the first place. A subsequent law amended the age restriction on the 30<sup>th</sup> December 2009 and came into force in 2010. However, rather than removing the age restriction all together, this extended the RSA to those between 18 and 25 years old provided they have worked (Lhernould, 2010).

The initial estimates for the cost of the measure at the time of its inception in 2005 were between 6 and 8 billion Euros. This amount was reduced significantly to about 3 billion by its main proponent, Martin Hirsh, the High Commissioner for Active Solidarity. The final budget was then set to 1.5 billion and the measure was to be financed via the creation of a new tax on capital and property tax (Lhernould, 2009).

In practice, the amount allocated under the RSA is calculated using the following formula:<sup>4</sup>  $RSA = (BA + 0.62*HI) - (HI + AB)$ ; where BA is the basic amount of the RSA which depends of the number of children you have and whether you live in couple (as shown in Table 1), HI is the level of the household income and AB is the level of accommodation benefits that the household receives. The amounts for different household situations are displayed in Table 1.

< Table 1 about here >

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“1° To be older than 25 years or be responsible for one or more children, born or about to be born”;

2° To be French or in possession, for at least five years, of a title of residence granting the right to work. » (author’s own translation)

<sup>3</sup> HALDE stands for *Haute Autorité de lutte contre les discriminations et pour l’égalité* (or higher agency for the fight against discriminations and for equality).

<sup>4</sup> CAF website, accessed on the 31<sup>st</sup> February at: <http://www.caf.fr/wps/portal/particuliers/catalogue/metropole/rsa>

In practice, one must distinguish between different types of RSA.<sup>5</sup> The *RSA socle* concerns people with no work activity and is paid by the *Conseil Général* (i.e.: the department), while the *RSA activité* targets those that do have a job but earn less than a certain threshold and is financed by the government. Within these two categories, one can further identify the *RSA Majoré*, which is paid to lone parents, and the *RSA Jeunes actifs*, which covers those under 25, with no children, and that have worked at least two years in the last three years. By the end of 2011, about 2 million households were RSA recipients up from about 1.5 million only 2 years earlier. About 1.5 million households receive the *RSA socle* and the remaining 469,000 the *RSA activité*. If one counts dependent partners and children, there are 4.3 million covered by the RSA (Isel et al., 2011: 1, 3).

*Between continuity and innovation: The RSA and the previous minimum income scheme*

The RSA embodies elements of continuity with pre-existing minimum income benefits but also a certain degree of innovation. The RMI was instituted in 1988 by the left, with the aim to promote the return to a decent employment allowing the conditions for a sufficient standard of living to be fulfilled. This was a significant innovation at the time, and by 2007 the RMI covered 1.15 million people (Mongin, 2008b: 434). However, the RMI also followed the spirit of the 1946 French constitution in two respects (Delors and Dolle, 2009). First, the objective minimum

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<sup>5</sup> See the French ministry for Social Affairs and Health: <http://www.social-sante.gouv.fr/le-rsa.2302/le-revenu-de-solidarite-active.2279/> [last accessed in August 2011].



standard of living is present in the constitution.<sup>6</sup> Second, the RSA shares the constitution's emphasis on the importance of employment.<sup>7</sup>

The RSA also inherits certain objectives already present in the RMI, for instance the aim of ensuring a minimum standard of living and of promoting employment.<sup>8</sup> More interestingly, the 'right and duties' approach of the RSA which generated opposition from various actors, was already present in the RMI (Lødemel and Trickey, 2000) under the so called 'insertion contract', though one could argue that it was never really enforced.<sup>9</sup> Moreover, even under the RMI, people already combined their income from work with the RMI in the first three months of employment, and in the subsequent three quarters of employment, they were entitled to 50% of the RMI (Legislation, 1988).

Despite certain elements of continuity, the RSA introduces real change and embodies some genuine innovations. First and foremost, it blurs the frontier between programs aimed at people who cannot work and those that are in work. Second, the benefits from RSA while working are kept at a higher level (62%) than in the RMI and they are permanent (Delors and Dolle, 2009; Lhernould, 2009). If one disregards the phasing out effect of the RMI and considers the difference between the RSA and the RMI in the long run, the incentives under both schemes can be represented as in Figure 1.

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<sup>6</sup> French Constitution (1946) Alinea 11: "any person which, as a result of his age, his mental or physical ability, or the economic and employment situation has a right to obtain from the collectivity the means of a decent existence" (author's translation).

<sup>7</sup> French Constitution (1946), Alinea 5: "Everyone has the duty to work and the right to employment"; and Title 1, Article 1 of the law 88-1088 on the RMI: "the social and professional insertion of people in difficulty is an national imperative" (author's translation).

<sup>8</sup> Title 1, Article 1 of the law 88-1088 on the RMI: "Any persons living in France, which revenues do not reach a minimum income level, and who commits to participation in certain activities required for his professional insertion, has a right to a minimum income of insertion".

<sup>9</sup> In 2000, only half of the RMI recipients were covered by an 'insertion contract' (Delors and Dolle, 2009).

< Figure 1 about here >

Third, the RSA is accessible to people already in (low pay) work that have not gone through the RMI. Fourth, the move from the RMI to the RSA represents a shift from ‘reciprocity’ in the individual contract between the recipient and the government to conditionality, where beneficiaries have to accept an ‘adequate’ job, and asymmetry, where beneficiaries can be sanctioned but not the agency (Delors and Dolle, 2009). In the words of one official from the employment ministry, “the idea is that one should provide incentives to job seekers to accept any type of jobs” (Interview DGEFP, 2011).

The comparison between the RSA and the PPE is also instructive. On the one hand, the RSA embodies principles that were already present in the PPE introduced earlier by the left. For instance, it was based on the idea that “even if it didn’t have any effect in terms of incentives to return to work, it is not legitimate for a person that starts working to lose money.” On the other hand, the RSA differs from the PPE, as the latter “did not start being paid at the first hour worked” (Interview DGEFP, 2011).

## **II: Political parties converging towards in-work benefits**

While the RSA is based on a shared reading of the problem with existing social policies prior to the reform, political parties had different reasons for supporting it or opposing it. The RMI had been introduced by the left, whereas the RSA reform was carried through by the right wing control of both the presidency and legislature. This raises the question of the extent of convergence in political parties’ social policy preferences as well as the source of their remaining disagreements.

### *Electoral system and political landscape*

The French electoral system since the advent of the fifth republic in 1958 is characterised by majoritarian uninominal two rounds run off in both the legislature and presidential elections every 5 years. If no candidate obtains a majority in the first round, candidates with more than 12.5% votes go to the second round (Lijphart, 1999: 146). In his study of electoral disproportionality in 36 democracies, Lijphart (*ibid*: 162) ranks France top.<sup>10</sup>

Despite the fairly majoritarian nature of the electoral system, there are more than ten official parties in France, with most of them presenting a presidential candidate in elections.<sup>11</sup> At the time of the reform, one could distinguish between extreme left wing parties (LCR, LO, and PT), Communists (PCF), the Socialist Party (PS) on the left, the centrist MODEM, and UMP and FN on the right and extreme right, respectively. However, if one considers the effective number of parliamentary parties in the period 1946-1996, this number falls to 3.43, which is the fifth highest number in EU15 (Lijphart, 1999: 76).

After leading in the first round on 22<sup>nd</sup> April 2007 with 31.18% of votes, Sarkozy won the second round of the presidential elections on the 6<sup>th</sup> may with 53,06%. In the parliamentary election that followed in June, the right won a clear majority. As shown in Figure 2, both the national assembly and the Senate ended up being controlled by the right wing *Union pour un Mouvement Populaire* (UMP) with a 55% majority in the assembly, while the PS had 35%, to which one should perhaps add the group to the left of the PS with 4%.

< Figure 2 about here >

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<sup>10</sup> This ranking is based on the Gallagher index:  $G = \sqrt{[1/2 * \sum (v_i - s_i)^2]}$ ; where  $v_i$  is the vote percentages,  $s_i$  the seat percentages of each party  $i$  (Lijphart, 1999: 58).

<sup>11</sup> In the 2002 elections, four extreme left wing parties had a presidential candidate (LCR – Besancenot, LO – Arlette Laguiller; PC- Robert Hue; PT – Daniel Gluckstein) and a total of more than 15 candidates! For the exact votes of each candidate, see: [http://www.interieur.gouv.fr/sections/a\\_votre\\_service/resultats-elections/PR2002/FE.html](http://www.interieur.gouv.fr/sections/a_votre_service/resultats-elections/PR2002/FE.html)

The details of the vote in national assembly (see Table 2) are indicative of a strong degree of support for the RSA with fifteen times more votes in favour (306) than against (20). The high number of voluntary abstention (197) suggests however that the consensus was not total. Table 3 presents a breakdown of voting records by parliamentary group. This reveals voting followed party lines very closely. The main actor that had initiated - and was in favour - of the RSA was the UMP where 279 voted in favour, 11 abstained and only 1 voted against (M. Lionnel Luca). The opposition to the reform came from extreme left wing formation such as the Communist Party, with 16 out of the 20 votes against the reform coming from this group. Most of the PS abstained (177) rather than voting against the law (three voted against: Gérard Charasse, Pierre Forgues and Chantal Robin-Rodrigo.) or voting in favour (3 voted in favour: Paul Giacobbi, Sylvia Pinel and Jean-Claude Viollet.).

< Table 2 about here >

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#### *The RSA reform: convergence to the centre?*

In many respects, the RSA represents an unusual phenomenon of ideological convergence in a policy domain (i.e.: labour market policy) that is generally characterised by clear partisan divisions in France. The degree of agreement between the socialist party and France's right wing UMP is quite high. Indeed, the RSA was even among the proposals of the Socialist's presidential candidate in 2007, Segolene Royal.<sup>12</sup> Martin Hirsh, who developed the measure (Livre Vert, 2008), was originally a leading member of the PS and held several government positions when the left was in power from 1997 to 2002. Similarly, Hollande, at the time first secretary of the

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<sup>12</sup> See: <http://www.lefigaro.fr/economie/2008/04/28/04001-20080428ARTFIG00323-polemique-sur-le-financement-du-rsa.php>

PS, said in reaction to the reform that socialists and the left “have been listened to”, while Martine Aubry, ex-employment minister, contended that “while this reform goes in the right direction, it remains very modest” (Le Monde, 2008). Last but not least, Michel Rocard, former socialist prime minister from 1988 to 1991, and prime instigator of the RMI, said the RSA was “the logical continuation of the RMI”...”I am very content that it is coming back” (Mounier et al., 2008).

The voting records of the RSA presents us with a dual puzzle. On the one hand, why did the UMP propose a measure that presumably benefits low income workers. On the other hand, given the *workfarist* underpinning of the measure, why did the left not oppose it more forcefully. Even where the left wing reading of the positive elements of the reform is taken at face value, the underlying idea of the RSA can be traced back to Friedman’s negative income tax (Friedman, 1962). Paradoxically, within the UMP, the strongest detractors of the reform were located in the more liberal section of the party. For instance, Jean-François Copé, the president of the UMP conceded that “the RSA is a source of discontent” (Jakubyszyn, 2008).

If outsiders loose political salience, competing with extreme left and communist parties for outsiders in the first round of legislative and presidential elections becomes less important for the PS. Consistent with this possibility, voting participation rates in parliamentary elections have fallen from slightly above 80% in 1978 to about 60% in 2007.<sup>13</sup> Outsider group such as the young vote less, and within them less educated and unemployed vote even less (Muxel et al., 2005: 22). In the 2002 election, 34% of the 18-24 age group didn’t vote compared with 26% for the 50-64 age group. Other outsider groups are also less likely to vote. For instance, in the 2007

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<sup>13</sup> See <http://www.france-politique.fr/elections-legislatives-1978.htm> for 1978 and <http://www.france-politique.fr/elections-legislatives-2007.htm> for 2007

presidential election, characterised by fairly low levels of abstention, 25% of the unemployed did not vote compared to 20% for manual workers, 18% for private sector employees, 13% for public sector employees, and only 9% for those with higher education (Muxel, 2007: 5). In parallel, the communist party has suffered a steady decline in votes from more than 20% in 1978 to about 4% in the first round of 2007.<sup>14</sup> If the left increasingly disregards outsiders' interests, the right may move to attract these workers (Rueda, 2007).

However, given these low participation rates, it is not clear why the right would be concerned with outsiders' fate. In addition, moving too much to the right may prove to be a dangerous strategy for the left in France, as shown by the 2002 election where good scores of the extreme left and extreme right in the first ballot resulted in the socialist candidate not making it to the second round.

Thus, it seems more plausible that there was a clear case of convergence of both the PS and the UMP towards the median voter (Downs, 1957) rather than a shift of the PS to the right, and *vice versa*. The RSA can be seen to embody elements consistent with both the right's emphasis on increasing incentives to work and the left's preference for helping excluded workers. Indeed, while Bernard Perrut (Compte rendu, 2009: 7), the French MP of the right wing UMP argued that the RSA's goal was to "incite the return to work by putting an end to 'dependency'", the left saw it as a way to fight social exclusion.

The RSA could then represent a shift of workers' preferences towards labour market reforms, which are then reflected by dominant political parties. The European Values Study in 2000 (Tchernia, 2006) comprises a number of questions that allow us to evaluate the population's

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<sup>14</sup> See <http://www.france-politique.fr/elections-legislatives-1978.htm> for 1978 and <http://www.france-politique.fr/elections-legislatives-2007.htm> for 2007

underlying conception of work, unemployment and benefits. With the statement where 1 corresponds to “People who are unemployed should have to take any job available or lose their unemployment benefits” and 10 “People who are unemployed should have the right to refuse a job they do not want, the 1 to 5 response gathered 67% (*ibid*: 120). Similarly, 55.8% agreed or strongly agreed with the statement “work is a duty towards society” compared with 29.7 disagreeing or disagreeing strongly (*ibid*: 71). Conversely 46.3% responded disagreed with statement “people should not have to work if they don’t want to” with only 32.7% agreeing (*ibid*). These positions are also reflected in the perception of unemployed people, with 54% agreeing that “people who don’t work turn lazy” and only 27.5% disagreeing (*ibid*: 70).

### *Enduring conflict lines*

However, the degree of convergence should not be overstated. First, opposition to the reform by both the extreme left and communist party was palpable. In their view, the RSA by subsidizing low pay work, *de facto* encourages precarious employment and by implication discourage full time (well paid) work and represents the beginning of workfare (Compte rendu, 2009). In a way, this was recognised by the initiators of the reform, not least social workers who themselves:

“Social workers, which in any case have abandoned any hope concerning job quality, tell themselves that it’s been 20 years and that we’re not going to ensure job quality, so the scheme must work from the first hour” (Interview DGEFP, 2011).

Moreover, members of the PC argued that “the RSA seems to us to be problematic as it rests on the liberal dogma of the ‘lazy unemployed’” and “endangers the existence of the SMIC [minimum wage regulation] by encouraging the proliferation of precarious and low paid jobs” (Compte rendu, 2009: 5, 21). The RSA reform also did little to address the declining purchasing power of recipients over time. As economist Gajdos argued at the time, the amount for a single

person with no children receiving the RMI fell from 34.9% of the median income in 1990 to 30.1% in 2007, a trend that the RSA will not reverse (Gajdos, 2008).

Second, among the main political parties, differences existed and partisan distinctions are clearly identifiable. This is particularly the case with respect to funding. The measure was to be financed *via* the creation of a new tax on capital and property tax. This was opposed by right wing, while the left denounced the fact that this would not be borne by the wealthy in the context of the tax shield limiting total tax paid by an individual to 50% (Lhernould, 2009).

Within the ranks of PS, the aforementioned issue of funding provided a sufficient reason to abstain from voting in favour of the law. Indeed, the budget allocated to the RSA has been the subject of criticisms by the PS. For instance in a socialist document, Gaëtan Gorce (2009: 2, 3), national secretary for social exclusion, argued that funding for the RSA is insufficient. This is deemed to be because it exempts the richest as a result of the “tax shield” introduced by President Sarkozy which puts a ceiling on the maximum taxes that an individual can pay to 50%.

Some members of the UMP<sup>15</sup> have also criticized its funding as it is to be financed by a 1.1% income tax on capital and property. The member of parliament (MP) Mariton deems it “unacceptable” while the MP Myard argued “new savings” should have been made and the MP Luca regrets a “preposterous” announcement which will “only lead to more capital flight”, and “the influence of certain socialist ministers.”(Le Monde, 2008). The logic underpinning such reservations is straightforward and is best illustrated by a comment by former right wing minister Alain Lambert: “I am surprised that we raise taxes to finance the RSA” ... "If we had done a clean-up in the considerable amount of French social expenditure, we could have found internal

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<sup>15</sup> See for instance the interview of Claude gueant at: <http://www.francesoir.fr/actualite/societe/entretien-claude-gueant-secretaire-general-l%E2%80%99elysee-29574.html>



resources to fund it” (France 24, 2008). It is striking that the funding represented one of the few real conflicting points between the two main parties.

### **III: United employers, conflicted unions**

While the electoral dimension is certainly important to understanding the preferences of parties towards the reform, it is also informative to consider the position of French social partners. Trade union density in France currently stands at 8% of the workforce which is much lower than the EU average. By contrast, the coverage rate of wage bargaining agreements is as high as 99% for the industry and 97% for the private sector (Martin, 2011). Unions together with employers are responsible for social contributions and benefits (Barbier, 2009: 180). There is a consultative tripartite body, the Environmental, Economic and Social Council, which encompasses unions and employers, and is consulted by the government. The overall picture is one of a lack of coordination between government, employers and unions, and adversarial relations between social partners.<sup>16</sup> In many respects, employers had preferences that mirrored those of the political right, while the unions faced a similar dilemma as the socialist party.

#### *United employers*

There are two main employers’ organizations. The Movement for French Companies (*Mouvement des Entreprises de France* – MEDEF) was created in 1998 via a rebranding of the existing French National Council of Employers (*Conseil National du Patronat Français*). It is by far the largest employers’ organization and aims to represent all companies. The MEDEF was in favour of the RSA, while expressing doubts about the funding mechanisms. (Lhernould, 2009).

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<sup>16</sup> Source: EIRO website, accessed at: [http://www.eurofound.europa.eu/eiro/country/france\\_1.htm](http://www.eurofound.europa.eu/eiro/country/france_1.htm)

Laurence Parisot, president of MEDEF, hailed the RSA as a ‘good plan’ (France 24, 2008). The reason for this support is linked to the MEDEF’s perception of the previous RMI’s failings regarding incentives to go back to work:

“The RSA...was a good thing. Because our position before with the RMI, was that it was a subsidy to assistance but that there no incentives to return to work. We are always in the same logic to put back on the labour market the totality of the active population that are able to work to respond to companies’ needs.”...”the RSA is a good thing insofar as it creates incentives to go back to the labour market.”(Interview MEDEF, 2011).

The second biggest employers’ organization, the General Confederation of Small and Medium Companies (*Confédération General des Petites et Moyennes Entreprises* - CGPME) aims to represent small and medium companies. Though they did not position themselves officially on the RSA, an interview with officials of the organisation revealed that their endorsement of the measure was less enthusiastic than that of the MEDEF. While they agree with the principle to incite people to go back to work, they favour reducing existing benefits rather than subsidising work:

“Our position is that one must pay attention to accumulation of social benefits, to ensure there is not an excessive gap with income stemming from work. This is the starting point. We are not against the RSA, we simply stress that every time a new social benefit is created, we put the standard of living from worklessness closer to those of work. The principle is positive, in the sense that it increases revenues from work..., but it bothers me that faced with a situation where the difference between benefits and low income is too low, it is compensated by increasing revenue from work instead of decreasing social assistance.”(Interview CGPME, 2011)

A third, smaller, employers’ organisation concerns only temporary work (PRISME). This reform is directly relevant to the temporary sector which is a sizeable and important sector in France. By 2000, 15% of workers were in temporary contracts in France.<sup>17</sup> Between 1990 and 2000, the

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<sup>17</sup> OECD statistics website, section on temporary employment as percentage of total employment.

number of ‘Contracts of Limited Duration’ (*Contrat à Durée Déterminée* – CDD) increased by 60%, Subsidised contracts and internships by 65%, and Interim work by 130% (Bourdais, 2011).

Like other employers’ organisations, they stress that raising incentives to work is appropriate:

“The RSA incites people to return to work. The RSA reform is expensive and contested, but a mechanism that incites workless people to return to work, is interesting to us”...”it is normal that someone who works earns more than someone who doesn’t work” (Interview PRISME, 2011).

Thus, employer organisations were broadly supportive of the RSA. While there is some degree of alignment between the left and trade unions, the overlap of preferences seem even stronger between employers and French main right wing party, which initiated the reform. The rationale for their support was cast in terms of ‘inciting returns to work’ and reservations both focused on funding and its reliance on capital and property tax.

Other reforms of the government were also close to employers’ preferences, including the *rupture conventionnée*, which made it possible for workers and employers to jointly agree to the termination of the contract, and the recent pension reform which increased the mandatory age. More general trends such as the vast amounts of public spending being spent on social contributions break to low income workers, were also in line with employers’ preferences (Interview MEDEF, 2011). Thus, the relative convergence between forces of the left and those of the right is probably more tilted to the right, with the preferred solution of the employer often taken as the proposed policy choice when the right wing rules.

#### *The difficult outsider politics of unions*

The union movement in France is historically fragmented with different unions competing for workers in similar industries and having different ideologies and links with different political parties (Scharpf and Schmidt, 2000: 319). There are 5 main trade unions (CGT, CFDT, CFTC, CGC-CFE, CGT-FO) with representative status (i.e.: that can sign collective agreements with

employers).<sup>18</sup> Among these five unions, the most important are the General Confederation of Work (*Confédération Général du Travail – CGT*) and the French Democratic Workers Confederation (*Confédération française démocratique du travail – CFDT*).

Unions have generally been worried about the potential for the RSA to lead to a multiplication of low paid work, since the RSA facilitates the provision of low paid jobs for employers and increases the number of people in a low pay trap (Lhernould, 2009):

“In the union movement, there were opposition stemming from the idea that the RSA was going to deteriorate job quality. This was the first critic, a risk that we don’t know about but that we can easily imagine, it doesn’t seem impossible as a fear that the reform results in people accepting jobs with extremely short working hours” (Interview DGEFP, 2011).

However, there are some differences between unions’ stances towards the RSA. The CGT is historically a manual workers union with Communist roots. Where possible it tends to refuse cooperation with the government and employers. Within the trade union movement, the most forceful opposition came from the CGT, while the CFDT had only some mild reservations. Maryse Dumas, national secretary of the CGT, argued they would only support the measure if: (1)...[it would be] ”penalising companies that use insecure and part-time jobs. Reduced social contributions should thus depend on company employment and pay policies.”; and (2)...it is combined with ”social and economic policy that promotes employment and the quality of jobs.” (Lhernould, 2009). The RSA was also criticised for stigmatising the unemployed (Naton, 2009). While these conditions were not met, the CGT 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,

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<sup>18</sup> The 2008 Law on representativeness will for the first time alter this state of affairs. By 2012, only unions which are representative, as determined in professional elections, will be able to sign agreements with employers. This will fundamentally alter the set of incentives of unions and some unions may lose their representative status.

this reform also makes very low quality jobs more available... and attractive...whereas these jobs do not allow employees to live.” (Interview CGT, 2011a).

The CFDT was generally more favourable with the RSA. Annie Thomas, national secretary of the CFDT “regrets that the discussions focused on funding. The content of RSA and its implementation are what’s essential and will require mobilising everyone: companies, local authorities, social services and the state.” (Lhernould, 2009). The union also identified perverse effects with the design that lead to insufficient take up rates:

“We are ...favourable...because with the RSA...we obtained that there would be a degree of ‘insulation’, the employer does not know [that the worker is a recipient].”...”but this creates another problem today, namely that there is an ‘under-consumption’ of the RSA because workers do not know the legislation” (Interview CFDT, 2011a).

Though clearly less directly concerned by the reform, the manager’s unions (CGC-CFE) also highlighted the moral imperative of helping precarious workers and the necessity to ensure that work pays:

“When society has 10% unemployment, it doesn’t have a choice to have solidarities”...”So the RMI was essential, and so is the RSA.”... “There is a good idea with the RSA, which was to make sure that when you restart working, with an income below what you were earning before...you have the RSA that ensures you don’t lose money.” (Interview CFE-CGC, 2011).

While at the same time doubting that in-work benefits solve the problem and regretting the complexity of the policy:

“We had reservations about the RSA because we think its an ‘experimentation factory’...you have the RSA *socle*, the *RSA d’activité*, the *RSA jeune*”...”and...we read studies that show this is not very effective in promoting a return to work”...”but there are 1,8 million people this year that received the RSA, so we cannot do without it.” (Interview CFE-CGC, 2011).

The emerging literature on dualisation (Rueda, 2007) stresses the possibility that unions that encompass mostly well protected regular workers may not defend the interests of outsiders or at the very least may not be expressing their positions. It is therefore important to consider

organisations that are concerned with outsiders more directly. For instance, the student union (UNEF) was particularly mobilised against the age restriction<sup>19</sup> which, as mentioned earlier, limited the coverage of the program to people older than 25, for those with no children and who have not worked two years in the last three:

“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).

The federation for interim work of the CFDT seems to share the positive assessment of the employer organisation for the sector (the PRISME) discussed earlier. They also tended to emphasise the improvement with respect to incentives:

“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 he was eligible for had the same standard of living as a worker on minimum wage. There was an aberration.” (Interview CFDT, 2011b).

While not sufficient, the RSA is seen as going in the right direction: “The RSA may not be sufficient but it at least values work” (Interview CFDT, 2011b). This favourable position was also shared on the ground by the members of the federation: “On the principle, our union members and representatives are in favour of this measure” (*ibid*). The only problem that they identify concerns implementation with less people resorting to the measure that could have been hoped for: “In practice, there is a problem of implementation. Compared with prior expectations concerning the number of eligible people to the RSA, there does not seem to be a sufficient uptake” (*ibid*).

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<sup>19</sup> “Du côté des étudiants (Unef, Confédération étudiante, Fage), on considère au contraire que les conditions de l’extension du RSA sont trop restrictives.” Source: <http://www.republicain-lorrain.fr/fr/permalien/article.html?iurweb=2031455>

Thus, precarious workers seem to be favourable to the measure. Interestingly, this does not appear to be the case of unemployed workers. The CGT group of the unemployed instead stress the tension between potentially positive effect of the reform on the one hand: “We are not against the RSA because, now it exists” and “from the moment we give something to someone who doesn’t have a lot,...we can only be in favour of the policy” (Interview CGT, 2011b); and how, on the other hand, supporting it would represent an implicit acceptance of minimum income benefits which they oppose for ideological reasons: “For us, demanding an increase in minimum income benefits legitimates their existence. We don’t want more minimum and in-work benefits, we want everyone to earn the equivalent of a salary sufficient for them to live decently, whether they have a job or not.”(Interview CGT, 2011b).

#### **IV: Discussion and conclusion**

It is possible to identify various patterns of opposition to and support for the RSA for different political parties and social partners. This helps us make sense of how the RSA came about and has implications for the politics of in-work benefits more generally.

##### *Patterns of opposition and support to the RSA*

One can summarize actors’ main positions with respect to the RSA in Table 4. It is interesting to note that actors’ preferences towards the RSA were fairly dispersed both within parties, across parties, and between parties and social partners. However, when the time of the vote came, one can observe 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. So we are left with the potentially paradoxical result that presumably pro-insider

parties such as the PS and UMP implemented a pro-outsider policy, while an outsider party such as the PC opposed it. This raises the question of who's interests the RSA is really serving.

< Table 4 about here >

Social partners divisions partly mirror those of political parties, with the notable difference that unions are more reserved than the PS. Employer organisations were mostly favourable to the reform. Unions were not overall enthusiastic, though none had strong oppositions. A division can further be observed between those that agree with the principle but would have liked to see more such as the CFDT, and those that are against the principle for ideological reasons but could not oppose monetary transfers to precarious workers in practice such as the CGT. Note that in many respects the position of CGT reflects that of PC, not surprisingly given the *de facto* historical links between the two. Similarly, the CFDT seems to be closely aligned to the PS. The oppositional stance of the CGT is often shared by the CGT *Force Ouvrière* (FO), while the more accommodating and reformist stance of the CFDT is traditionally shared by the CFTC and the CFE-CGC. Similar divisions in the union movement can be observed with respect to most reforms of the 2000s (Palier, 2010: 94, 95).

This difficulty in opposing the reform stems both from their reading of the effect of the measure and more strategic considerations. With respect to the former, pushing workless people into precarious jobs can be opposed for ideological reasons, but also because of the likely effect it may have for the whole of the workforce (Tsakalotos, 2004). In many respects, the RSA can be seen as part of the continued dualisation of French labour market policies where there exist systematically different policies targeting regular workers and precarious workers. However, this is precisely why unions such as the CGT oppose this measure, not because they only care about insiders.



A second reason for the difficult outsider politics of unions stems from their “use of mass demonstrations accompanied by one-day strikes as a major strategy to put pressure on the government.”<sup>20</sup> This is important because this strategy cannot be undertaken costlessly and requires a significant level of disagreement with government policy, which can only be reached when policy infringes directly upon union members interests. This was not the case for the RSA and thus opposition could not be mobilized, especially in a context where many more significant reforms (e.g.: in pensions) were being rolled out by the Sarkozy government.

An additional split seems apparent with respect to outsiders. Union federations representing the interim sector such as CFDT temporary work federation were favourable, whereas the national student union and the CGT group for the unemployed were much more opposed. Thus, while the measure improved the lot of low income workers, it did little for those excluded from the labour market, and this may be reflected in groups preferences towards the RSA.

#### *The RSA's past and future*

The RSA represents an important milestone in the drive towards in-work benefits and ‘making work pay’. A number of conclusions stem from the analysis. First, the RSA embodies both elements of continuity and innovation compared to its predecessor the RMI. It embodies both principles and elements that were present before (‘reciprocity’ in the RMI and the conception of employment as the ultimate goal of the policy) and significant changes (the benefits allocated under the RSA start when not in employment and may then remain on a permanent basis when employed).

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<sup>20</sup> Source: EIRO website, accessed at: [http://www.eurofound.europa.eu/eiro/country/france\\_1.htm](http://www.eurofound.europa.eu/eiro/country/france_1.htm)

Second, though one can identify real *ex ante* disagreements between different interests and actors, voting records indicate some degree of convergence on the RSA in practice. This should be understood against the backdrop of a strong majority in the relevant political spheres by the proponents of the measure. Its multiple objectives, reducing in-work poverty, ensuring minimum standard of living, and inciting work activity, partly explain its wide appeal. In some respects, the liberal conception that underpinned the reform and its clear rationale in terms of solving well-recognised problems with pre-existing social policies, cuts across the French political spectrum with most members of the left and right supporting the measure, and opponents found on both sides of the political spectrum. The notion that work should be promoted and that inactivity is problematic are beliefs that also seem in line with the French population's survey responses.

Third, though social partners in some ways mirror the positions of political parties, some splits within camps can be observed. Employers were mostly supportive of the reform, rationalising their preferences along similar lines as the right wing UMP. Unions such as the CFDT were either weakly against, as the PS was in choosing to abstain, but for slightly different reasons, or quite strongly against such as the CGT. However, in contrast to the PC, the CGT was faced with a dilemma that while they oppose the principle of the RSA for ideological reasons, they found it hard to oppose a measure that *prima facie* benefited low income workers. This case of the RSA therefore raises the question of whether the left can ever oppose effectively reforms that involve welfare state expansion. Most of the power resource approach (Korpi, 2006) sees welfare state expansion as necessarily in the interest and supported by labour, but this is not necessarily the case with respect to all policies, not least those that incentivise the unemployed to return to work

(Vlandas, 2013). Where welfare state spending may undermine the interests of workers, it is hard to oppose by left wing parties and even more by trade unions.

Looking to the future of the RSA suggests that some problems will remain while the RSA is likely to become a centre piece of the French welfare system. Despite a lower than expected number of recipients, the RSA now covers millions of recipients in France. In the context of growing unemployment, a sizeable temporary and part time sector, subsidies to low income workers will remain politically and socially salient. This should be understood in the broader context of ‘socialised marketisation’ (Vail, 2010) where the state expands social and labour market policy to accompany deeper structural and cyclical developments. At the same time, a welfare regime that is based on insurance for regular workers paid through social contributions, while directing an increasing amount of tax-financed government spending to subsidise precarious work on the expenditure side, will eventually become unsustainable.

## Tables and figures

**Table 1: 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 31<sup>st</sup> February 2009 at: <http://www.caf.fr/wps/portal/particuliers/catalogue/metropole/rsa>

**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**

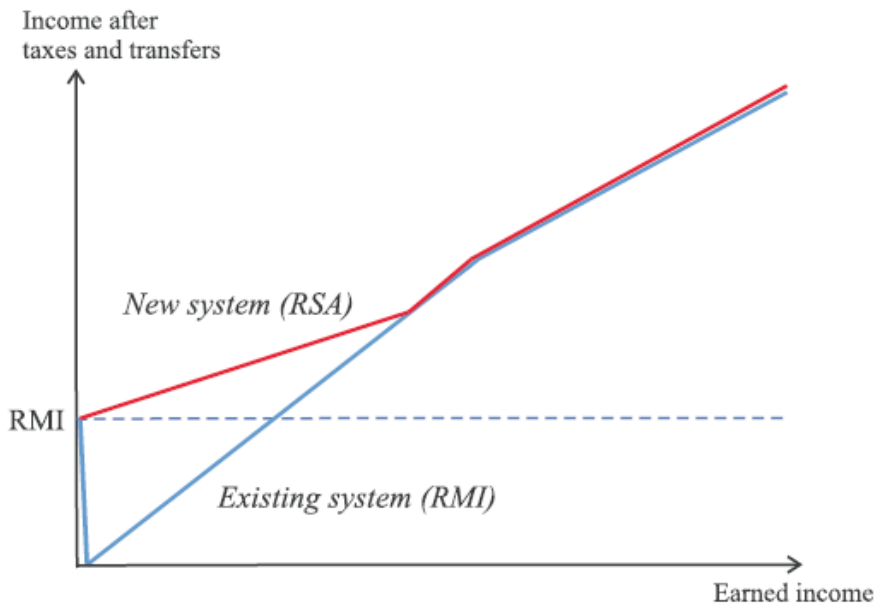
Parliamentary grouping:	Ideology	For	Against	Abstain
Groupe Union pour un mouvement populaire	Right wing	279	1	11
Groupe socialiste, radical, citoyen et divers de gauche	Left wing	3	3	177
Groupe Gauche démocrate et republicaine	Extreme left wing	0	16	4
Groupe nouveau centre	Centre right	21	0	1
Non affiliated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

Source: Online voting records of the French national assembly. Can be accessed at: <http://www.assemblee-nationale.fr/13/scrutins/jo0210.asp>

**Table 4: Summing up the positions of the main actors**

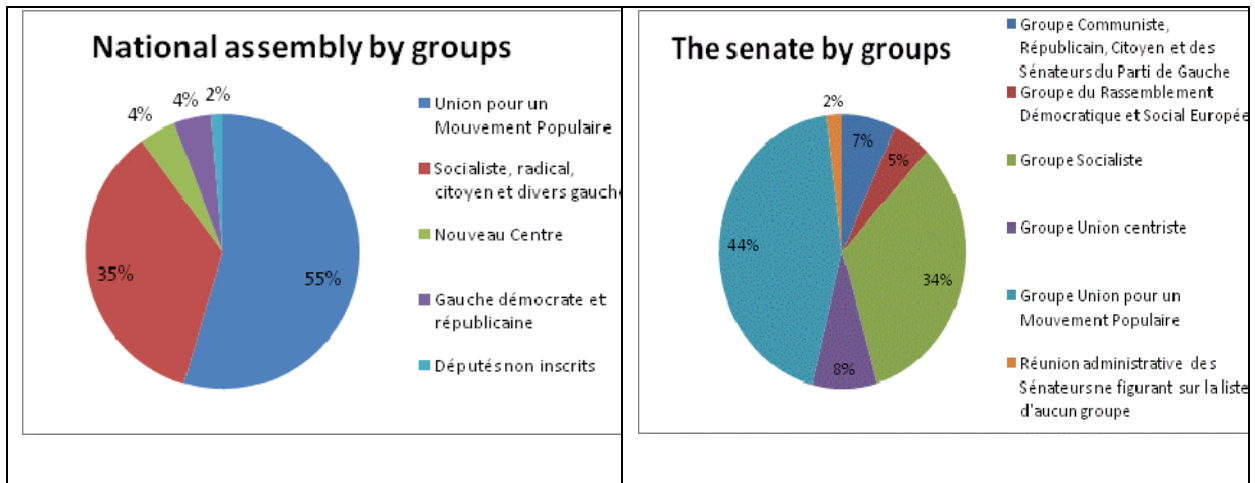
Type of actor:	For	For (with weak reservations)	Weakly against certain aspects	Against
<u>Political Parties:</u>	Most UMP	Centre right	Most PS	Some PS, PC
<u>Social partners:</u>	MEDEF, PRISME	CGPME CFDT federal	CFDT confederal CFE-CGC CGT	CGT unemployed Most UNEF
<u>Others:</u>	Social workers			HALDE

**Figure 1: The differences between the RMI and the RSA**



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

**Figure 2: Party positioning in the national assembly and the senate by groups**



## List of Acronyms

ALMPs	Active Labour Market Policies
API	<i>Allocation de Parent Isole</i>
ASS	<i>Allocation Spécifique de Solidarité</i>
CFDT	<i>Confédération Française du Travail</i>
CFE-CGC	<i>Confédération française de l'encadrement - Confédération générale des cadres</i>
CGPME	<i>Confédération General des Petites et Moyennes Entreprises</i>
CGT	<i>Confédération General du Travail</i>
CGC-FO	<i>Force Ouvrière</i>
CFTC	<i>Confédération française des travailleurs chrétiens</i>
EU	European Union
EIRO	European Industrial Relations Observatory
EPL	Employment Protection Legislation
FN	Front National
LCR	<i>Ligue Communiste Révolutionnaire</i>
LO	<i>Ligue Ouvrière</i>
MEDEF	<i>Mouvement des Entreprises de France</i>
MODEM	<i>Mouvement Démocrate</i>
PCF	<i>Parti Communiste Français</i>
PPE	<i>Prime Pour l'Emploi</i>
PS	<i>Parti Socialiste</i>
RMI	<i>Revenu Minimum d'Insertion</i>
RSA	<i>Revenu de Solidarité Active</i>
UDF	<i>Union de France</i>
UMP	<i>Union pour un Mouvement Populaire</i>
UNSA	<i>Union National des Syndicats Autonomes</i>
UNEF	<i>Union National des Etudiants de France</i>

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