

Council for Employment, Income and Social Cohesion

President : Jacques Delors

ASSISTING THE RETURN TO EMPLOYMENT

At the request of the French Prime Minister, the Council for Employment, Income and Social Cohesion, the CERC, has undertaken an in-depth analysis of schemes for assisting the return to employment and formulated proposals aimed at improving support measures for the unemployed. This is the subject of the CERC'S sixth report, which constitutes an extension of the previous report dealing with job security. In order to carry out this study, the CERC first drew on available evaluations (which are rather scarce in comparison to those existing in several neighbouring countries). It also conducted its own research on the local features of the French system and, last of all, made a detailed analysis of the systems developed in five countries which have undertaken in-depth reforms: Denmark, Germany, The Netherlands, Sweden and the United Kingdom.

In the Council's view, the unemployment situation in France and the complexity of the back-to-work assistance system require a profound reform in order to give the system greater coherence, readability, stability and, ultimately, efficiency. The 2001 reforms gave rise to certain dynamics. These included an agreement on the reform of the jointly managed unemployment insurance system (UNEDIC), which gives the body a more active role in back-to-work assistance, and a reinforcement of the missions – and means – of the national employment agency (ANPE) so that it can take on all job-seekers from the time they register and provide services adapted to each person's specific needs and difficulties.

However, these reforms did not simplify the institutional structure and, in practice, run the risk of dispersing responsibilities. These risks have been increased by the laws decentralising and reforming the minimum income benefit (RMI). Last of all, the law on social cohesion has defined the scope of the public employment service but provokes organisational changes having no explicit link with this concept of public service.

The Council's diagnosis and proposals for reform bear on the whole of the Public Employment Service as it is defined by the law on social cohesion, namely the activities of placement, compensation, integration into employment, training and support measures for job-seekers. Three points will be examined here in turn, yet they are closely interrelated.

I. THE REFORM OF INCOME SUBSTITUTION BENEFITS

Unemployment compensation plays an active role in the return to work. Living with uncertainty and financial difficulties can be an overwhelming handicap in the active search for employment. The prospect of an income, moreover, even when it is limited relative to wages, can permit the job-seeker to look for and obtain employment more appropriate to his or her qualifications and goals, with favourable consequences for the quality and durability of the job.

Three income substitution benefits are available to individuals without employment: the 'back-to-work assistance allowance' (ARE), the 'specific solidarity allowance' (ASS) and the RMI. Even if eligibility conditions for unemployment insurance in France are among the most open, only one out of every two job-seekers gains access to it. In order to receive unemployment benefits for seven months, it is necessary to have paid social contributions for at least six months (over the previous 22 months). Paying contributions for 14 months (over the previous 24 months) leads to an allowance for a maximum period of 23 months. It is difficult to justify these disparities; indeed, the existence of such 'tracks' is rare in Europe.

The specific solidarity allowance only applies to unemployed persons at the end of their entitlements who have a long wage-earning career behind them. As a result, a certain number of job-seekers are channelled to the RMI, but this scheme is not open to young people under 25 years of age.

Overall, young people and certain individuals with precarious jobs, notably part-time, do not generally benefit from adequate income substitution benefits. In sum, the income substitution system no longer seems adapted to the present nature of unemployment (cf. *Job Security*, CERC report no. 5, 2005).

In our view, the conditions of funding and determining all the income substitution benefits should be re-examined in light of the following factors:

- In a country where, for whatever reasons, the unemployment rate could not be reduced, it should probably be recognised that the responsibility for its financial consequences should not lie solely with inter-trade solidarity but also with sources of fiscal origin reflecting national solidarity. The state should take part in the funding of income substitution benefits, whether these come under unemployment insurance or solidarity allowances (based on income) for unemployed persons who are not eligible for insurance.

- It is not possible to maintain the present procedures where the unemployment insurance system determines allowance criteria (eligibility, length, income substitution rate, ceiling) independently of the consequences on the other schemes funded by the State or the local departments. All of the income substitution benefits should be examined simultaneously in order to arrive at more equitable treatment of the individuals concerned and stabilise the compensation rules. Within this context, the role of the inter-trade solidarity schemes (unemployment insurance contributions) and those of national solidarity (funding by taxes) should be redefined.

- It is neither just nor efficient to remain within an insurance system where entitlements are accumulated in function of length of service and wage level, which leads to both the highest maximum compensation level in Europe for the highest-paid former employees and the *de facto* exclusion of a large proportion of the unemployed.

The Council thus proposes the examination of a group of reforms:

- Eligibility for unemployment insurance benefits would begin with the first month of contributions for a period in function of the length of contributions, with the end of this progressive increase corresponding to the duration of the main track (23 months at present).

- This would not suffice, however, to ensure adequate income substitution benefits for all persons involved in an active job search. Thus, the Council proposes that a means-tested solidarity allowance be made available to every job-seeker registered at the ANPE and actively looking for a job. This allowance would concern wage-earners who have lost their jobs and exhausted their

insurance entitlements, young people entering the labour market or individuals returning to it after a long period of inactivity. For the last two categories, known as 'first-time job-seekers', the allowance might be paid only at the end of a defined period of employment-search support provided by the ANPE. The follow-up and definition of the forms of support would have to be precisely defined, notably in the case of young people.

- Last of all, the minimum unemployment compensation allowances (whether insurance or solidarity) should be defined in such a way that a wage-earner entering unemployment is not obliged to have recourse to the RMI, as can be the case for part-time employees faced with unemployment.

If this group of reforms were adopted, the recourse to the RMI would in fact be reserved for persons whose vocational aptitudes and personal difficulties are such that their social integration requires a different kind of assistance. Until quite recently, the different income substitution schemes were, in practice, accompanied by a fairly limited degree of requirements in terms of the beneficiaries' efforts in terms of active job search or integration and less assistance than in certain neighbouring countries. The changes undertaken this year with regard to the follow-up of job-seekers brings us closer to the practices of our European neighbours. Better coverage in terms of income would in any case legitimate more intensive, stricter support measures, notably for young people entering the labour market.

II. THE REFORM OF JOB-SEEKER SUPPORT MEASURES

Support measures for job-seekers have been increased since the 2001 reforms. On the one hand, the UNEDIC and all unemployed persons receiving the back-to-work assistance allowance now make a contractual agreement known as the 'back-to-work assistance plan' (PARE) which specifies the mutual obligations of the job-seeker and the UNEDIC. The assistance for the job-seeker is defined and provided by the ANPE within the framework of a 'personalised action plan' (PAP), which is also open to other job-seekers.

The initial procedure at the ANPE is aimed at determining each person's specific problems and offering them levels of services adapted to their situations. Those who are deemed sufficiently autonomous can have access to the ANPE's various schemes on a 'self-service' basis while benefiting from its intermediation with companies seeking to hire. Those who are less autonomous have access to varying degrees of support measures through a vast range of services.

The different studies available (which unfortunately remain rather scarce and incomplete) show that, in individual terms, the main services have a positive but limited effect on the return to employment and the duration of the job found. Until now, however, the 2001 reforms do not seem to have had a significant effect on the overall results for return to employment. If the early taking on of all job-seekers and the increased volume of services seem to have constituted significant improvements, other improvements should probably be sought.

Beyond access to specific services, a large proportion of job-seekers express the desire to deal with a single agent, their personal adviser, throughout the job search process. Until now, this approach has rarely been implemented directly by local job centres (ALE). On the other hand, it is more often the case when job-seekers are taken on by the ANPE's co-contractors (e.g., the Association for the Employment of Managers and Professional Staff, APEC) as well as in various pilot programmes underway with private subcontractors, the most well-known one being that carried out in Rouen and Lille by the Australian-based company *Ingeus*.

Certain job-seekers need training services in order to improve their abilities. Specific difficulties emerge in this area: the multiplicity of funding sources (state, regions, UNEDIC for the most part), the fact that the ANPE does not control the definition of training courses as it does for other services and the difficulty faced by its agents in integrating such training services into the job-seekers' follow-up. In addition, the training of job-seekers (outside of AFPA-organised training courses leading to a qualification) results in the intervention of a large number of service providers and, given the stakes, this market is neither sufficiently regulated nor correctly evaluated.

Similarly, until quite recently, the tool constituted by subsidised contracts was not adequately integrated into support measures for job-seekers. Having a subsidised job, whether in the business or non-profit sector, should not interrupt job-seekers' follow-up, so as to help them to arrive ultimately at a non-subsidised job. The positions taken in the context of the law on social cohesion go in the right direction but the number of different deciders, depending on the sources of funding, remains a handicap.

The variety of the job-seekers' situations and needs calls for a corresponding variety of approaches and services. From this standpoint, it seems justified to turn to a number of different operators who would be given responsibility not providing isolated services but for the

overall support of certain job-seekers. However, there is still no complete evaluation that indicates the usefulness of a single referent or the superiority of co-contracting or subcontracting over support provided by the ANPE. The generalisation of the pilot programmes underway cannot be envisaged without such an evaluation and without a precise definition of the conditions of their use.

III. THE PUBLIC EMPLOYMENT SERVICE AND ITS GOVERNANCE

The organisation of the system for back-to-work assistance is particularly complicated in France relative to the other European countries studied. This point has already been stressed by Jean Marimbert in his 2004 report on the possibility of greater co-ordination between ANPE and UNEDIC services. In fact, the situation that he describes is even more complex if we examine, in the field, the interaction between the services of the national bodies and the various local initiatives. This is also true for RMI beneficiaries, whose coverage was transferred to the counties by the December 2003 law. This situation probably gives rise to considerable inefficiency, and there is no guarantee that the creation of local 'job centres' can ensure better co-ordination at local level.

Even more seriously, developments since 2001 may well call into question one of the purposes of the public employment service, which is to attempt to re-establish, as much as possible, equal opportunities for all job-seekers. The 2001 reform reasserted that the ANPE should maintain its responsibility for the support of job-seekers, whether or not they are beneficiaries of the unemployment insurance scheme. However, the UNEDIC funds support measures and can define training activities and set up assistance schemes to promote mobility or hiring. Thus, it is gradually becoming a full-fledged operator for back-to-work assistance to unemployed persons receiving compensation, and for this limited population, it has nearly as many tools at its disposal as the ANPE. Its role may well spread, moreover, if, with the application of the law on social cohesion, it is given the possibility of signing subcontracting agreements with operators who would provide support and placement services for certain unemployment insurance beneficiaries, whose ANPE follow-up would be suspended, and if it puts into use tools for diagnosing job-seekers' difficulties (the so-called 'profiling' model). Admittedly, the previously mentioned experiments involving recourse to private operators are supposed to be carried out in agreement with the ANPE, but the latter does not have control over them.

This situation of the unemployment insurance bodies constitutes an exception in Europe. In the other countries we have studied, when the insurance scheme is not handled by the employment agency (it is in the UK and Germany; in The Netherlands, unemployment insurance depends on a public agency which is distinct from the employment agency), the insurance funds do not play an active role in support measures for job-seekers receiving allowances. In all cases, a public agency is responsible for welcoming the job-seekers, defining with them the schemes most adapted to their situations and possibly entrusting their cases to private operators. In short, regardless of the dominant political orientation in these countries, the state's responsibilities (most often met through a public agency) are more visible than in France, in a context of regulated recourse to private service providers.

With regard to all the support measures and assistance schemes for those without employment, it is important to define an institutional system adapted to the public-service nature of these activities. One of the missions of the public service is an equitable treatment of all job-seekers, regardless of their situation in terms of compensation and regardless of the operator responsible for their back-to-work pathway.

It should be recalled that *the intervention of multiple operators, whether public or private, is in no way incompatible with the provision of a public service*. In fact, as we have already suggested, the objectives of efficiency and quality may lead to calling upon a variety of operators. These should be selected through a clearly regulated competitive procedure. Their actions should also be subject to rigorous evaluation and monitoring. It is particularly important that the process should not lead to a 'skimming off' of job-seekers by an operator who rejects the unemployed with the greatest problems. Whether we are dealing with the provision of specific services or the overall support of job-seekers, it seems particularly necessary to us that the ANPE should have permanent control of the process, as is the case in the other countries.

Last of all, improving the governance of the system in order to fulfil the public employment service mission requires organising the co-responsibility of the state, regional and local authorities and the social partners in the definition of the employment service's orientations. The path which, in the Council's view, is worth exploring is aimed at associating the state and the social partners in joint management of unemployment compensation and back-to-work assistance, without necessarily merging the institutions handling these two functions.

The social partners involved would therefore obtain a real role in the strategic orientations of the agency for the return to employment, the ANPE. It is true that the ANPE has a tripartite board of directors, but this board has little weight in determining strategic orientations. Similarly, the State could participate in the direction of the institution handling the unemployment insurance scheme and participate in its funding.

The missions of the UNEDIC and the ANPE would thus be recentred on the following essential elements: compensation of the unemployed, as well as collection of contributions for the UNEDIC and intermediation and back-to-work assistance for the ANPE. Obviously, in the system which we are proposing for consideration by the public authorities and the social partners, the ANPE would undertake its missions in close consultation with the other institutions, and above all the ASSEDIC.

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The foregoing analyses and proposals have been shaped by two essential preoccupations: equal opportunity in function of each person's abilities and the efficiency of the system, which is in large part tied to its simplification. Such would be the foundations of a social contract to which the State and the economic and social players would contribute within a partnership based on responsibility and solidarity. And in any case, without forgetting the imperative of a return to greater, job-creating economic growth.

The Council for Employment, Income and Social Cohesion, presided over by Jacques Delors, is composed of Pierre Cahuc, Jean-Michel Charpin, Michèle Debonneuil, Mireille Elbaum, Xavier Emmanuelli, Jean-Marc Espalioux, Nicole Notat and Jeanne-Marie Parly.

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The full report (in French), which may be purchased from La Documentation française, is available on the CERC website: <http://www.cerc.gouv.fr/> and that of La Documentation française: <http://www.ladocumentationfrancaise.fr/>
The report (in English) will be available on the CERC website.