

# French government prepares new cuts in unemployment compensation

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As popular hostility mounts against the government of President Nicolas Sarkozy and its austerity policies, the French government is carrying out further reforms to bring down workers' living standards. This time, the reform targets the unemployed, aiming to cut their benefits and, more broadly, to turn them into an easily policed source of cheap labor by eliminating their benefits if they turn down two job offers.

On May 6, the Ministry of Economy met with "social partners"—employers' organisations and trade unions, who partner in preparing the social cuts to be enforced on the workers—to renegotiate the unemployment insurance system (*Assurance Chômage*). They presented a draft bill on "reasonable job offers" (*L'offre raisonnable d'emploi*), which is expected to be voted on by end of this summer.

The bill specifies that after three months of unemployment, job seekers will not have the right to refuse two positions "compatible with their qualifications," paying at least 95 percent of their previous wage, in a radius of 30 km (or 1 hour by mass transit) around their homes. After six months, job seekers would be denied the right to refuse two positions paying over 80 percent of their former wage. After one year of unemployment, however, the requirement for a "reasonable job position" would be further relaxed to any job offer paying more than unemployment benefits (57.4 percent of the previous wage), within the above distance.

The document detailing the measures of reform submitted to union and employers' organisation notes that after two such refusals, "Job seekers refusing these measures would be taken off unemployment rolls and face the termination of their unemployment benefits."

The centre-left daily *Le Monde* baldly stated the purpose of the bill in the title of its article on the matter: "The goal: forcing the unemployed to take 'bad jobs.'"

After a further meeting of the unions and bosses on May 26 to view the final proposed text of the bill, representatives of the trade union bureaucracy criticised it as "unfair" and "unhealthy." In line with the trade unions' usual position—that the government's social cuts go too far, although in generally in a necessary direction—*Confédération Générale du Travail* (CGT - General Confederation of Labour) leader Jean-Christophe Le Duigou said: "There is no need for

supplementary means of yet again pressuring workers looking for a job."

This is merely the latest of a series of legislative motions this year in which the trade unions have collaborated with the government, then issued minor criticisms once the measure was set to pass. Other such occasions included the January 2008 rewriting of the labour code in favour of management, and the March 2008 reform of trade union representation. After the unions rendered these services, as well as strangling the October-November 2007 transport strikes against pension cuts, French President Nicolas Sarkozy wrote a long editorial in the daily *Le Monde* titled "For strong unions," which began: "I am absolutely convinced that, to present and carry out the reforms that our country needs, we must partner with those who represent the interests of workers and of employers."

Le Duigou responded in a *Financial Times* interview in which he praised Sarkozy: "He understands that we must give a place to social dialogue. We are at a turning point in the social situation of our country. Everyone believes that things must change."

The French bourgeoisie feels the urgent need to cut unemployment benefits—and more broadly, social spending—in order to compete in the race to the bottom in terms of workers' wages and living conditions that is being waged in capitalist Europe.

In this respect, the German bourgeoisie has a significant lead over the French. The German Social Democratic (SPD) government introduced the Hartz IV (social welfare) reform in 2005, through which it succeeded in making massive cuts in social spending. The reform has forced many unemployed people to take any sort of jobs with very low wages, and has resulted in many unemployed people losing their unemployment benefits. Under Hartz IV laws, millions of Germans living in poverty are receiving €347 per month. According to the government's latest poverty report, more than 1 in 8 of Germans (13 percent) live below the poverty line, a figure that has risen sharply since the introduction of Hartz IV.

The French bourgeoisie has nonetheless mounted a protracted campaign to cut social spending, and particularly unemployment benefits.

France's UNEDIC (National Professional Union for

Employment in Industry and Trade) unemployment insurance system was set up in 1958 under joint control of management and the trade unions. It is an employment-related system, obtaining most of its funding from employers' and employees' contributions levied on workers' pay. The UNEDIC and the ASSEDIC (Associations for Employment in Industry and Trade) administer the unemployment insurance programme. The ASSEDIC are responsible for running the programme, and the UNEDIC coordinates the activities of the ASSEDIC.

Another important agency, the National Employment Agency (ANPE), was created in 1967, as a French public administrative entity under the Ministry of Economy, Industry and Employment. Its primary mission is to match job seekers with employers seeking recruits.

Since the economic crisis in the late 1970s, notably in major industries such as steel, metallurgy and mining, the unemployment rate has substantially increased, and the financial difficulties of the UNEDIC have become recurrent. From 400,000 in 1973, the number of unemployed increased to 840,000 in 1975.

Since the early 1980s, successive reforms have reduced unemployment benefits—both in terms of the required contribution period and the benefit payment package. After 14 months of contributions to the unemployment system, an under-50-year-old *smicard* (minimum wage worker) would have received 36 months of unemployment benefits in 1979, 30 months in 1984, and 23 months in 2001. In 1979, unemployed *smicards* received 60.8 percent of their gross salary for 36 months. It was 53.5 percent for 30 months in 1997. In 1990, unemployment insurance compensated one job seeker in two.

These cuts came under a series of Socialist Party (PS)-led governments, initially under President Francois Mitterrand, and largely were achieved by attacking workers with shorter or more irregular job histories.† In 1982, payments were indexed to the length of time the unemployed worker had contributed to the UNEDIC when he was employed.

The Mitterrand government further attacked those without long contribution histories in its 1984 reform, which divided the system in two: the unemployment insurance fund managed by the unions and the employers, which covers only those unemployed people with a long contribution history; and a support system managed by the government, which covers those not eligible for unemployment insurance—long-term unemployed people, youth, and those with precarious jobs.

The 1992 reform further attacked the rights of the long-term unemployed: unemployment benefits were set on a downward sliding scale, being cut by 17 percent every four months.

In December 2000, an agreement was signed by employers' organisation and trade unions according to which all job seekers covered by UNEDIC were required to sign a PARE contract (back-to-work assistance plan). If they failed to comply with its terms, they faced benefit cuts. As a result, in 2000, 46 percent of the unemployed were excluded from

unemployment benefits and 31 percent received less than €460 per month. In 2002, employers' organisations and the trade unions signed another draconian agreement, tightening benefit eligibility. The agreement reduced the unemployment compensation period from 30 months to 23.

As part of overall labour market reform negotiated with trade unions and employers groups this January, the government merged the ANPE and the ASSEDIC. This merger will lead to job cuts in both organisations and closer applications of controls and sanctions against the unemployed. On May 15, staffs at ANPE went on strike along with public sector workers to protest over job cuts in the public sector.

These cuts are taking place precisely as a slight dip in unemployment rates reduces UNEDIC's liabilities and gives it a budget surplus. This confirms that the main goal of the reforms is not to rectify state accounts, but to put into effect a strategic decision to attack the living standards of the working class.

The current unemployment rate is 7.8 percent—representing about 2.1 million unemployed. According to the report by DARES (Ministry of Labour's research department), in 2006, only 51 percent of unemployed people were covered by UNEDIC unemployment insurance system. However, today, more than 16.5 million employees contribute to the unemployment insurance system, generating more than €30 billion of revenues.

According to APNEE (*Alternatives Pour une Nouvelle Economie de l'Emploi*— Alternatives for a New Employment Economy), an organisation set up by a group of unemployed workers, "After having posted a 15 billion deficit in 2005, UNEDIC again has a surplus: 344 million in 2006, 3.5 billion in 2007, and 5 billion forecast for 2008. This spectacular recovery is the result of a reduction in the number of people drawing payments: today, more than half (52.5 percent) of unemployed are not paid by ASSEDIC. The goal of the operation is to continue with the massacre, with the effect of reducing deficits on the backs of the unemployed, all the while announcing an unemployment rate that is supposed to comfort public opinion."



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