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French unemployment

Not working

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Why France's unemployment is proving so intractable

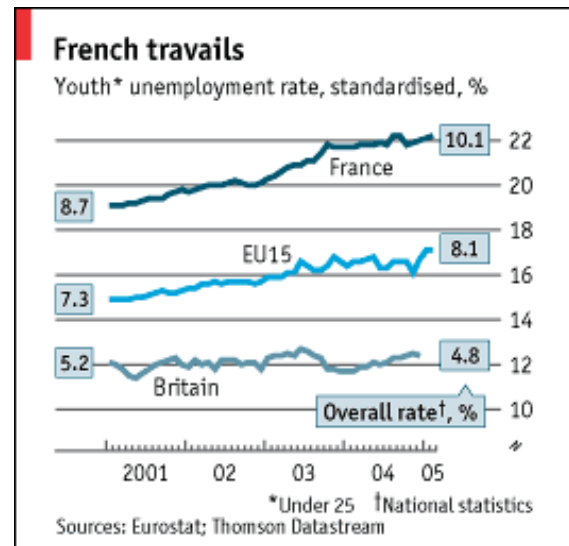
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IT IS early on a Friday, and the job-centre on the Rue Damrémont, on the northern fringes of Paris, is humming. Job-hunters browse offers pinned to the wall; others search on the internet. Massou, leafing through a folder of ads, has been looking for kitchen work—cleaning or dishwashing—for eight months. Previous jobs, as a security guard and at a printing works, were short-term only. “I’ve sent 20 CVs, but nobody has called me for an interview,” he says. Faker, 29, is also looking for restaurant work, but says most ads are for part-time or temporary jobs. Even for those, he has had no offers in two months. “When I ring, they say the job has gone.”

After dipping to 8.3% in 2001, unemployment in France has since been creeping relentlessly up. It hit 10.1% in January, well above the pre-enlargement EU average of 8.1%, and over twice Britain's 4.8%. For under 25s, unemployment is now over 22% (see chart). Worries about jobs, especially among the young, underlie much of the dislike of President Jacques Chirac's government, which faces a testing referendum on the draft EU constitution on May 29th. A new back-to-work plan is being implemented. But will it be enough?

The government has at least grasped the importance of the problem. Jean-Pierre Raffarin, the prime minister, has promised to trim unemployment by 10%. Jean-Louis Borloo, minister for social cohesion and former mayor of the industrial town of Valenciennes, has pushed through a new law to revamp welfare and job schemes. Much of it is sensible and overdue. The public job-placement agency, ANPE, will face competition for the first time: at present, the private sector can offer only temping. New *maisons de l'emploi* (job-centres), loosely modelled on the British variety, will bring together recruitment, benefit and welfare services. By 2009, the number of apprenticeships will be increased by nearly 40%, to 500,000 a year. Over the next five years, a million people on welfare will be offered training and subsidised jobs. New fiscal incentives should help to create 500,000 domestic-service jobs over three years. The idea, says Mr Borloo, is to deal with labour-market “dysfunction”, and so reduce structural unemployment.

Implementing all this, however, is particularly complicated in France. The government does not run unemployment insurance. This job falls to Unedic, which is co-managed by employers and workers, who jointly set rules on entitlements, based on personal contributions. These are hugely generous: the top monthly allocation, dictated by previous pay, can be as high as €5,700 (\$7,420), against £243 (\$466) in Britain.



Meanwhile the government finances welfare for those without insurance rights, as well as job-placement. The upshot is fragmented, and inefficient.

Getting the various agencies to work together is hard. Unedic and ANPE are currently squabbling over how to police benefit claims. Jean-Pierre Revoil, head of Unedic, told *La Tribune* this week that France had developed a "welfare culture" that needed tighter controls. In the new job-centres, it is unclear who will patrol the take-up of the new work schemes—or how tough they should be. "The system is voluntary," says Mr Borloo, who argues that abuse is exaggerated. "We are not looking at suspension of benefits."

Why does the government need such ambitious job schemes in the first place? Employment policies already cost €70 billion a year, yet they have done little to dent unemployment. Nor, Mr Raffarin has conceded, is it likely to shrink much before next year. The harsh answer is that the welfare system is not the real problem.

Economic growth in France is job-poor. In effect, the French pay a price for the protections—a high minimum wage, security from lay-offs, a short work-week—that those in permanent full-time work enjoy. In labour-intensive sectors, France has become highly automated, and many new jobs are temporary. A Unedic survey shows that around one-third of the jobs employers expect to create in 2005 will be short-term. This introduces flexibility, but it also creates a two-tier system: comfortable, sheltered jobs for some; precarious, temporary ones for others.

Young job-seekers tend most often to be excluded—hence their anxiety. Asked on television last week why Britain's unemployment was so much lower, Mr Chirac replied that its social rules would be "unacceptable" in France. In the Rue Damrémont, that falls flat: what is unacceptable is not being able to find a job.