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Activity, employment and the search for employment: Changing the paradigm to eliminate unemployment

The recent riots in the french suburbs reveal to what extremes unemployment can lead. Young people, most without hope, without training, or if they do have it, without jobs, are living in a situation of territorial and social apartheid. The answer is partly specific to the suburbs : the assertion of authority for the security of people, as well as a city policy. But the main cause is more general : there is a total of 5 million French without jobs, who observe that society has no place to offer them. Helping them out of unemployment, giving them a new dignity and a social role is a condition for the survival of our societies. Such is the object of our proposition.

Unemployment is traditionally defined as the absence of paid work. For practical purposes, a large portion of the unemployed person's activity is devoted to acquiring skills and looking for a job. Our proposition: acknowledging that training oneself and looking for a job constitutes a socially useful activity. That it deserves a status in the form of an evolution contract, with all the features of an employment contract: income, social welfare,

supervision and professional opportunity. Setting-up this contract would lead to a profound change of our social policies, enabling the elimination of unemployment within 5 years. Its cost would not exceed that of recent tax cut programs, with a far more dynamic effect on buying power, the development, the level of qualification, of innovation, and social cohesion.

Our employment policies are incommensurable with regards to our needs

Official statistics counted about 2.4 million category 1 unemployed at the end of June 2005, i.e. people who hadn't worked, not even one hour, in the previous week, were available for employment within 2 weeks and who had undertaken specific measures¹ in order to find a full time permanent job during the previous 4 weeks.

1) See appendix for main actions listed

Officially, 2.4 million Unemployed in June 2005...

Those who did not fulfil at least one of the above conditions were not included in this number. In this way, 237 000 unemployed were counted, who had in common all the characteristics of the 2.4 million listed in the official statistic, but one: they were looking for a temping or part time job.

In the same way, those who had not attended a summons from the ANPE ^(Agence Nationale pour l'Emploi, the French national employment agency)

were not considered as looking for a job and excluded from the statistics: according to ANPE figures, over 200 000 people had been excluded from the agency's lists for not coming to the control or through administrative strike off during the month of June 2005 (and most will have reregistered during the following month). To the official figure one must add about 600 000 people without jobs, registered with the RMI program ^(revenu minimum d'insertion = minimum guaranteed income, for people with no other source of income) but not with the ANPE, about 278 000 unemployed but having found jobs starting within 3 months, and 400 000 unemployed people who, because they are over 57 years old, are not required to seek employment. These numbers also do not include the 190 000 unemployed in the French overseas departments – which are excluded from the official French figures, limited mainland France.

...In effect, 4.6 million, an unemployment rate of 19%

In total, the count in June 2005 was near to 4.3 million people without jobs, who could have worked if employment had been offered. One could also add 169 000 people with specifically state aided jobs (CES ^{solidarity employment contract}, CEC ^{consolidated employment contract}) but no clearly defined evolution prospects, 51 000 people employed by insertion companies, and

58 000 people in early retirement programs. This brings up the number of people experiencing employment difficulties to 4.6 million and the rate up to 19% of the working people. Thus, the figure is closer to 5 million than to 2 million. Assuming the fastest rates of unemployment decrease, those of the year 2000, it would take over 10 years to reach full employment. Considering the pace of unemployment decrease at the end of the summer 2005, the same result would take quarter of a century.

The demographic evolution and the structural reforms attempted up to now do not leave room for more hope: France cannot reduce working hours by 10% every 5 years, and Germany, who has preceded us in population ageing, gives us reason to doubt the real impact of the retirement of the baby-boomer generation on employment.

The “non-status” of the unemployed is in three ways unacceptable

Unemployment is a “non-status”, and in a country like France, where social rights (health, retirement, education) are linked to status, it is a triple handicap.

Social rights exist mainly for people with employment

In terms of social rights. French social rights were initially advantages granted to the workers by their employers,

progressively organized in insurances at professional and inter-professional levels. They are centred on the family, offering a special protection to the head of the family that was sufficient to cover his dependants (in particular youths without jobs or compensations). Increase of unemployment and fragmentation of family structures have seriously reduced the protective effectiveness of this system. Those who had insurance for themselves and their family lost it when they lost their job. The unemployed who had access to training programs through their jobs lost that benefit, precisely at a time when they would most needed it.

In terms of representation. While employees and employers have their union representatives, there is no election of representatives for the unemployed. There isn't either any real representation for the unemployed – at any rate, not to the extent of the number of job seekers – in the main joint organizations, and the rate of membership to unions of the unemployed is infinitesimal. No one is responsible for them if they lose confidence or get lost in deadlocks (in particular if said deadlocks allow their removal from unemployment statistics). They remain stuck between the UNEDIC (national union for employment in industry and commerce) (which mostly² limits its role to the collection of contributions and the payment of benefits), the ANPE (which helps the unemployed using very limited resources) and the state. Of course, they remain

electors, but electors who are tempted, more than average, by protest votes or abstention. Thus, the effective representation of the unemployed is low. And in a social market democracy, the problems of those who are not sufficiently represented have less chances of being solved.

2) The setting up of the PARE (plan of aid to the return to employment) has somewhat changed that. But we still remain very far from a unified system.

In terms of the right to training. The funds for vocational education are, for the most part, less oriented to changing jobs than to acquiring qualifications in existing professions: the training means for professions in the important business sectors are considerable but in decline, and weak for developing professions, even when they are very promising.

These funds are not accessible to the unemployed. But, those who, often against the odds, take the risk of looking for a job, or continue looking for one are considered as unemployed, while the “discouraged unemployed” of over 57 are not counted in official statistics. A woman who decides to get back to work after having raised a child becomes an unemployed, as does an unemployed person recovered from an illness or a person trying to change professions. A mother looking for a job will be denied a place for her child in a child care centre, the reason being that she can take care of him at home, as she is “not

doing anything” – Thus losing all her chances of finding a job.

The worker who, in order to escape a low qualified job in a threatened textile factory, would like to train to start a day care business, cannot be helped before she is made redundant. A 50 year old executive, who leaves his company to avoid being sidelined while preparing to take over a company, can't do so without toppling over into unemployment – and if he resigns, he isn't entitled to any benefits³ whatsoever.

3) Unemployment benefit is reserved for people who are involuntarily deprived of their job.

The two forms of unemployment

Therefore, two different forms of unemployment have to be distinguished. The “passive form” of those who are caught in a depressive spiral of self doubt, discouragement and a feeling of abandonment.

There is “passive unemployment”...

Such is the case, for example, of a 48 year old woman who was made redundant from a textile factory in the north, whose husband is also unemployed, and who can only rely upon her ANPE counsellor - who unfortunately has to take care of several hundred people in the same situation.

...and active job hunting

There is also the “active form”, the active job hunting, which concerns those who have been able to identify their strengths and their weaknesses, and engage on a well defined course to set things straight: self assessment, analysis of employment possibilities, training and guidance. This “active unemployment” is work.

Because one can only cure ills one can name, it would be indispensable to have a clear monthly statistic that distinguishes these 2 forms of unemployment : the dynamic job hunting on the one side, and the abandonment and progressive exclusion unemployment on the other.

The work of the unemployed

Whoever has searched for a job for themselves, or helped someone do it, knows that it is a full time activity, which surpasses many a job in complexity: analyzing the situation (ones own and that of employment in the targeted sectors), knowing the possibilities offered by the job market, defining a plan of action (contacts to be made, skills to be acquired, information about the related businesses) and implementing it.

Training oneself or setting up a job creation scheme are socially useful actions

Overall, it is a project that surpasses in complexity many so called “carrying out” jobs.

More generally, acquiring skills, setting up a job creation project, leaving a stricken sector in order to train for a job in services, leaving a dangerous job to evolve in another profession, escaping salary contingencies to set up ones own business are socially useful actions that contribute to the adjustment of qualifications in the society.

Our proposition: Acknowledging the usefulness of active job hunting

Based on an idea started over 20 years ago⁴, our proposition is the following: Acknowledging the social purpose of training or job creation projects. Replacing the concept of job seeker by the concept of activity much wider than that of work⁵. Therefore, offering access to a real job seeker's status, with a contract, an income, supervision, training and opportunities, to all job seekers

4) In 1984 in a brief addressed to the President of the Republic and on March 9th 1994 in an article in *Le Monde*, later published in “La Voie Humaine”, Fayard 2004.

5) In the sense that it also includes job hunting.

A radical solution: acknowledging the social usefulness of a job creation project.

Regarding job hunting as work would mean the elimination of unemployment, i.e. providing each job seeker with an employer, whose mission would be to supervise his approach and to pay for his activity – work, training, job hunting or job creation.

The job seeker's contract

The job seeker's work would include:

- An “*evolutions contract*”, with clearly defined aims, contingent on the job seeker's profile. This contract would be signed with “*the last resort employer*” (see infra), who would be identified for each job seeker;

A contract, a coach, training and an income

- Supervision by a coach, who would help “passive unemployed” reach the status of “active job hunting”. Alike the supervision of a team of employees, this coach's function would be helping the job seeker in his approach, in a manner that would add the best aspects of personalized help (notably inspired by the Danish model) to the best aspects of management (the one that aims at bringing out the best in each person rather than only keeping the better adapted ones and throwing the others out of the system). The ANPE would be at the centre of this program, which would become its main mission. The organizations who work at helping the unemployed – Solidarités Nouvelles contre

le Chômage⁶ (New Solidarities against Unemployment) for instance – would be included in this program. Private operators, who can now practice paid placements of unemployed, could be included, providing this permission did not lead to a selection of the unemployed – those with difficulties being directed to the ANPE and the more simple cases to private operators.

- A “made to measure” training activity whose aim would be adapted to the “seeker's” needs: acquiring a competence, technical training, setting up of a business or associative project. Those having earliest left school would be entitled to additional “right to training”. This training would not necessarily be “academic” training : it could also be a “transition job”, notably the replacement of employees in vocational training, within a status that would retain the best aspects of temping while avoiding its drifts.

6) Organization set up in 1985 at the initiative of Jean-Baptiste de Foucauld and dedicated to helping people threatened by exclusion (www.snc.asso.fr)

7) The opposite of the actual situation, where according to INSEE (National statistics and economic studies institute), only 12% of unemployed without the baccalauréat (high school diploma) took a training course in 2003 as opposed to 27% of those who were executives before they became unemployed.

- An income superior to the current unemployment benefit⁸ for all those who have the active “job hunter” status. This income would have to be adjusted according to situation and profile.

8) In 2003 the average daily amount was about 40 euros.

An employer for each job seeker

The structure with which the job seeker would sign this contract⁹ would have the obligation to place him in a market sector at the end of the contract, in the guise of a sufficiently stable and long lasting job. Or to retain an evolutions contract.

This responsibility of employer of the job seeker can be given to the state or to groups of employers (who put in common their needs, precarious or part time, in order to create “real jobs”, full time and permanent) or to integration companies (generally in a better position than the state to help people distanced from employment)

The State could also develop a system of “conversion tax”¹⁰ paid by the companies and distributed to those companies who know how to develop activities or products enabling job creations.

9) Who would have financial means for that, within a “last resort employer” agreement.

10) That would spread the idea of a bonus-malus system for unemployment insurance, by broadening its sphere from only people in precarious jobs to all people faced with employment difficulties – precarious, unemployed and threatened employees.

“Social funds” that create jobs rather than financial funds that cut them

By comparison to investment funds, whose interest it is to buy companies in order to reduce the number of employees or relocate them, “social funds” whose aims

would be developing activities for job seekers could be created. Experiences like the one presented by the Arcelor¹¹ group show the way: rather than making 200 employees whose jobs had been cut redundant, this group identified a profitable activity that avoided unemployment for these employees, who were redeployed in building and document filing activities.

This reform aims for the total transfer within 5 years of “passive unemployment” to “active job hunting”. It would clarify the responsibility of the community towards unemployment: ensuring that no one stays in a situation of “passive unemployment” and giving everyone the means to achieve their professional evolution through active search. In other words, our reform leads to the elimination of unemployment.

11) “Arcelor presents an original reconversion experience”, *Le Monde*, September 29th 2005

Our proposition would place society in a position where it could assume the responsibility of unemployment and answer for this responsibility in an adapted manner. Where the problem is one of labour cost, our reform will lead to the subsidy of jobs that would otherwise be “out of the market” – for instance some service activities to dependant people. In areas where, on the contrary, the problem is insufficient income, the return to activity will allow to reset in motion the economic cycle. In areas where the problem is one of industrial mutation, the change of jobs

to new private activities will be organised in more dynamic manner.

Cost of the reform

France can afford a reform such as this one. Currently, the cost employment policies are 4.2% of the GDP¹² (65 billion euros) and include mainly¹³:

12) Concerning public finances, costs are generally shown in percentages of the gross domestic product (GDP). In 2005, 1% of the GDP represents about 15.5 billion euros)

13) See note N° 45 of the Jean Jaurès foundation “Pour une sécurisation des parcours professionnels” («for a security of the professional itinerary”)

- Compensation of the unemployed (cost: about 2% of the GDP);
- Subsidies to market employment such as aides granted for the hiring of young people or long term unemployed (cost: 1.2% of the GDP, of which 0.8% are tax cuts;
- Aided non market jobs, in the public or associative sector, partially or entirely paid for by the state. Such is the case for the CES (solidarity employment contract), the CEC (consolidated employment contract), employment of young people, CIVIS (contract for introduction in social life), and contracts for the future or for support in employment (cost: about 0.4% of the GDP);
- The support plans, which aim to help employees concerned by reorganizations, by favouring their support, their training or their withdrawal from the world of work (early retirement) and the support programs for the unemployed (TRACE

access path to employment, PARE help plan for the return to employment) who offer an income, help and training possibilities (cost: about 0.6% of the GDP).

A reform financed by unchanged funding

Adding up to a present total cost of $2 + 1.2 + 0.4 + 0.6 = 4.2$ % of the gross domestic product. The cost of the reform that we propose (and that progressively substitutes itself to the previous expenses) comprises:

- The activity income, equal to the SMIC (minimum wage) on average (more than the mean amount of unemployment benefits¹⁴) would have an annual budgetary cost of 36 to 54 billion euros (2 to 3% of the GDP) if all the people without jobs entered this program immediately.
- “Individualised follow-up” would cost¹⁵ 4 to 6 billion euros (0.2 to 0.4% of the GDP);
- Training would cost about 10 billion (0.6% of the GDP), on the basis of 3 months training period within small groups for each applicant.
- In this way totalling $0.4 \% + 0.6 \% + 3 \% = 4\%$ of the GDP.

14) About 960 euros gross in 2003

15) On the basis of 1 and ½ hour individual interview a week per job seeker with a coach

Our proposition would cost 4% of the GDP, as opposed to 4.2% for current employment policies

This cost represents a maximum that presumes the reform would immediately

concern 100% of the unemployed. A progressive charge increase over several years would have a much lower cost, because it would be applied to the total of the unemployed only after their number had already been significantly reduced.

Financing the reform

Approximately half of our proposed program could be financed by the disappearance of some of the tax cuts (tax cuts aiming areas or populations would be replaced by reinforced activity contracts), of aided jobs (which we have seen would be integrated in our program), of the existing help plans (that would be generalised) and by the replacement of unemployment benefits with activity incomes. Leaving 1.5% of the GDP to be released, i.e. 22 billion euros, equivalent to the cost of the tax cuts promised in the presidential program of the current majority¹⁶. In other words, our reform implies the acknowledgment that the French are more in a hurry to reduce their unemployment rate than their taxation rate

- while broadly opening up the mid-term possibility of reducing both, as the suppression of unemployment would so reduce public deficits and increase national wealth.

¹⁶) Source: *Le Figaro*, March 19th 2002.

Our proposition would allow the balancing of a real “economic debt”, allowing the

return to employment of millions hurt, demotivated, or no longer qualified by years of employment exclusion or back and forth situations between precariousness and unemployment. And this without increasing the financial debt of the state.

The effects induced by the reform

This reform, fully aimed at those who will most convert their income to consumption will have a significant effect on growth, because of the macro-economic¹⁷ effect of this buying power distribution. But this effect will be at the same time more extensive and enduring than its simple effect on buying power: the redirection effort the state will be led to accomplish, leaning upon public and private operators, will aim to finding ways to assign to each employment seeker the activity he is most compatible with – which leads necessarily to more activity and therefore more growth.

¹⁷) Indeed, the effect in buying power would be concentrated on those French with the smallest savings rate.

Moreover, this reform will have a significant effect on all of our fellow-countrymen’s confidence in the future, each being assured of a real “social shield” in the event of hardships.

We would have more growth because France would start searching for ways to best employ each person

Without going into a sophisticated economic model, if this reform only half succeeds and the wealth generated corresponds only to half the spent resources, (around 40 billion according to our estimates), French GDP would still be increased annually by about 20 billion, while unemployment as we now know it would disappear.

An essential step:

Reforming our institutions

In order to apply this reform, it will be necessary to make our protection system more consistent and comprehensive.

For a start, **doing away with the compartmentalization of funding**. The UNEDIC bears most of the costs of unemployment (benefits) and takes in the unemployment insurance contributions, while the investments for unemployment are made by the state or local communities. Our reform therefore needs a measure that would allow UNEDIC to contribute to the payment of the activity contracts. This does not imply the merging of the institutions (ANPE and UNEDIC).

Decompartamentalizing our social model

Next, **doing away with the compartmentalization of itineraries**, by changing the training and helping tools, currently linked to the status (student, salaried, unemployed, excluded) and turning them into tools centred on the

goals by the setting-up of an individual mobility account¹⁸, giving each as many more rights as their mobility needs are urgent (threatened job, specialisation little in demand by companies) and their initial training was short.

18) See note N° 45 of the Jean Jaurès foundation

Giving more trust to local levels

Finally, **decentralizing the administration of evolutions contracts** by handing over control to those who bear the responsibility to the electors, and by bringing up to a superior level only what cannot be managed at a local level¹⁹. Thus, helping in the itineraries is a community job. It has to be widely decentralized and depend on a clearly identified overseer, competent to manage local public services and responsible for the quality of his management: communes (for the larger ones) or groups of communes. For that matter, the democratic grade is the one that inspires most confidence in the French²⁰.

19) Organizing the balancing out between rich and poor areas is clearly part of the tasks the state is responsible for

20) See for example "Le baromètre politique municipal" (the municipal political barometer), Louis Harris survey, January 2005

The last resort employer

Every social system presumes the appointment of a last resort employer: a citizen or the community.

Within the market society, the ultimate responsibility for work comes back to the individual: each is his own last resort employer. In Japan, subcontractors of large companies take on those who do not find employment. Within the Danish model, the social system makes sure no one is left behind. A few authors mention this concept in the United-States²¹.

21) "No Cheers for Full Employment", Challenge, Nov, 1999 by Dimitri Papadimitriou.

No social system without a "last resort employer"

A last resort employer to build up private employment

Our proposition is making the community take up the role of last resort employer, i.e. to "internalize the externalities"²², to encourage the community to pay the consequences of its own malfunctioning - unemployment in this case – rather than letting individuals pay.

Placing the community in the situation of last resort employer is therefore not setting up public employment as a future; it is to make the community have an interest in the increase of qualifications of all those who are part of it.

Our reform: bearing our responsibilities regarding unemployment, giving ourselves the means to act

Placed in a situation of "last resort employer", the community will have a strong encouragement to finding solutions for its employment seekers, and to tip them in the best possible conditions from last resort income, that is its responsibility, to a productive working activity, in the market sector.

This ambitious program – no less than the end of unemployment – is not unrealistic.

It presumes clear choices: acknowledgement of the status of "active job hunting", focusing rather than scattering, efficiency rather than the piling up of plans, attentiveness and taking the needs of each person into account rather than the conception of tools based on an "average unemployed".

With this program, the nature of French society would change.

22) An externality is a "negative service" rendered by one economical agent to another (for instance the pollution of an industrial site to a town). To reduce these externalities, one generally looks to "internalize" them, i.e. to have the responsible party pay for them (in the case of pollution, it is the rule of "the one who pollutes pays")

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Appendix 1: actions undertaken by the employment seekers

Type of action	Duration of unemployment		
	Less than one year	Over one year	Total
Registering (or remaining registered) with the ANPE	85	86	85
Reading classified adds in newspapers	80	80	80
Searching through acquaintances	76	75	76
Taking other actions directly at the ANPE (visits, looking up the notice board, involvement in actions led by the ANPE)	74	76	75
Direct action with an employer	60	56	59
Answering an employment offer (published in a newspaper or on a notice board)	45	41	44
Registering (or remaining registered) with a temping agency	41	29	37
Taking a test (within the month), going to an interview, etc.	30	24	28
Using other means of search	26	18	23
Placing an add (in a newspaper or on a notice board)	6	6	6
Participating (within the month) in a recruitment competition	3	4	3
Taking steps to start ones own business	3	3	3

Reading: among the PSERE (unemployed people looking for a job) having taken actions in order to find employment, 80% read an add published in a newspaper, 3% took steps to start their own business. The sum of percentages in each column is over 100 because a person can take several actions.

Champ: PSERE declaring having taken steps to find employment

Source: survey Emploi (employment), 2002, Insee

Average duration of men's daily activities according to their work and family situation

	Unemployed men				Active employed men			
	Living alone	Couple without children	Couple with children	Living with his parents	Living alone	Couple without children	Living with his parents	Living with his parents
Sleeping	9hr24	9hr19	9hr13	9hr41	8hr16	8hr25	8h23	8hr35
Personal hygiene	39'	50'	50'	42'	43'	43'	40'	42'
Meals	1hr13	1hr30	1hr52	1hr28	56'	1hr28	1hr33	1hr15
Work	14'	20'	32'	17'	5hr30	5hr54	5hr40	5hr46
Looking for work	15'	26'	26'	23'	-	-	-	-
Cooking, cleaning, care of clothes	1hr17	1hr14	45'	33'	56'	29'	31'	16'
Grocery shopping	35'	53'	46'	25'	27'	21'	20'	14'
Taking care of his children (1)			53'			29'		
Including : trips for his children			10'			5'		
DIY, gardening	42'	53'	1hr28	30'	20'	39'	50'	26'
Strolls and sports	1hr10	55'	42'	1hr24	31'	31'	31'	37'
Socializing	2hr28	1hr59	1hr43	2hr51	2hr23	1hr39	1hr24	2hr08
Television, video	2hr28	3hr00	2hr51	3hr04	1hr31	1hr48	1hr49	1hr40
Reading	49'	27'	20'	19'	23'	19'	14'	10'
Pastimes and games	41'	27'	18'	32'	15'	13'	10'	23'
1. If the children are under 15								

Reading: unemployed men living with their parents spend an average of 2hr51 socializing (the average durations of the activities are estimated taking into account all the men in each category, not only those who practice them).

Fields: unemployed men and active employed men

Source: survey Emploi du temps (timetable), 1998-1999, Insee