

## Does 'insertion' work? France's minimum income"

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# BIRG CITIZENS INCOME

## BULLETIN 16

CITIZENS INCOME RESEARCH GROUP    BULLETIN NO 16    £3.00    JULY 1993

**C**ITIZENS INCOME is the new name of the Basic Income Research Group (BIRG), which was set up in 1984 under the auspices of the National Council for Voluntary Organisations (NCVO) to research all aspects of reform along the lines of a Basic Income. The association with NCVO continued until 1987, when BIRG became independent. In 1986 BIRG affiliated to the Basic Income European Network (BIEN), which it helped to found. In 1989 BIRG became a registered charity. The change of name was decided upon in 1992, for two reasons: firstly because Basic Income is already often referred to as Citizens Income, and secondly because social security reform is an important part of the wider debate about the nature of citizenship.

CHRISTOPHER MONCKTON  
ON UNIVERSAL BENEFIT

TONY ATKINSON ON  
PARTICIPATION INCOME

TIMOTHY WHITTON ON  
FRANCE'S MINIMUM INSERTION  
INCOME

CITIZENS' INCOME, MINIMUM  
WAGES AND WORK SHARING

BASIC INCOME IN SPAIN

BERESFORD HAYWARD  
ON CITIZEN CAPITAL

# BIRG BULLETIN

No 16 July 1993

## CONTENTS

EDITORIAL ..... Page 1

UNIVERSAL BENEFIT  
Christopher Monckton ..... Page 3

PARTICIPATION INCOME  
Tony Atkinson ..... Page 7

DOES 'INSERTION' WORK?  
FRANCE'S MINIMUM INCOME  
Timothy Whitton ..... Page 11

CITIZEN'S INCOME, MINIMUM  
WAGES AND WORK SHARING  
Ann Gray ..... Page 14

BASIC INCOME IN SPAIN?  
Luis Ayala ..... Page 18

CITIZEN CAPITAL  
Berry Hayward ..... Page 21

### AT HOME AND ABROAD

*No hope for a Citizen's Income in  
Canada*  
*Spreading the message in Central and  
Eastern Europe*  
*BIRG's 1992 Annual Conference*  
*Beveridge Conference in York*  
*BIRG's St George's House Consultation*  
*'Beyond Beveridge' seminar at Surrey  
University*  
*Fabian Society New Year Conference*  
*House of Commons 'Week on Women'*  
*St George's House, Family Policy  
Consultation*  
*BIRG North-West* ..... Page 26

### BOOK REVIEWS

Walter Van Trier on: *Arguing for Basic  
Income: Ethical Foundations for a  
Radical Reform*, edited by Philippe  
Van Parijs  
Bill Jordan on: *Dependency Culture:  
The Explosion of a myth*, by Hartley  
Dean and Peter Taylor-Gooby ..... Page 30

BOOKS AND PAPERS RECEIVED ..... Page 33

### VIEWPOINT

CITIZEN'S INCOME AND THE TRADE  
UNIONS  
Richard Exell ..... Page 35

## Editorial

First, our apologies to subscribers for the long gap between Bulletins 15 and 16, and our hope that the Discussion Paper *Citizen's Income and Women* proved a satisfactory alternative. *CI and Women* examines the income security needs of women; the antiquated and inadequate deal they get from existing tax and social security arrangements; the danger that they will fall even further behind if the current trend towards a residual (or means-tested) welfare state continues; the advantages of a Citizen's Income based on legal residence instead of contribution record; and its limitations.

The timing of *CI and Women* could hardly have been better, coinciding as it did with the Government's review of state pension age for women, the announcement by Secretary of State Peter Lilley that social security is again under the microscope, and the setting up of Labour's Commission on Social Justice. The present direction of tax and benefit policies — eyes front towards private insurance for the rich, means-tested benefits for the poor, and God knows what for the nearly poor — is particularly worrying for millions of women who combine rearing a family or looking after relatives with part-time, often low-paid employment.

Unfortunately, many people do not understand what is going on, having been assured that pensions and child benefit will be uprated in line only with prices, at least until the next General Election. What they have not been told is that since earnings run ahead of prices by an average 1½% a year, price indexation allows benefits to wither on the vine. For example, if the State basic pension had been uprated in line with prices only since 1948, it would now be less than £25 a week instead of £56.

The ostensible reason for benefit cuts is the need to control public expenditure. Only today, as I write, there is talk of charging pensioners and children for their prescriptions. Yet behind the scenes Government is diverting increasing sums of potential revenue into private pensions, by offering tax rebates to those who can afford to purchase them. Since 1988 over £10 billion has been siphoned out of the National Insurance Fund in this way, and the cost of income tax reliefs for occupational and personal pensions (in terms of revenue foregone) is well over £10 billion each year. As Christopher Monckton explains elsewhere in this Bulletin, the Treasury prefers tax reliefs to cash benefits because of the "daft" way it presents the national accounts. Only cash benefits are counted as part of public expenditure; tax reliefs are counted as revenue foregone, and omitted. Yet in terms of the public sector borrowing requirement the effects of both are identical.

In social policy terms benefits and income tax reliefs could not be more different. Benefits redistribute income downwards (from rich to poor), and sideways (from non-parents to parents), while income tax reliefs redistribute upwards (to those who can afford to buy personal pensions or houses). Contrary to what is reported in the media, even universal benefits provide an excellent mechanism for redistributing income from rich to poor,

## Does 'Insertion' work? France's minimum income

Tim WHITTON

France's **Revenu Minimum d'Insertion (RMI)** received the approval of the French Parliament on 1st December 1988, and came into effect shortly afterwards<sup>1</sup>. In addition to a means test, the RMI is conditional upon signature of a contract (**le contrat d'insertion**) by which its recipients pledge themselves to take whatever action the RMI authorities recommend in order to re-insert themselves in main-stream society. **Insertion** is a difficult concept to translate into English. For advocates of Citizen's Income (CI) the word **integration**, though often used in translations from French into English, is confusing, because Basic Income (which is a form of CI) involves integration of the tax and benefit systems. A fully integrated tax-benefit system would treat every citizen (taxpayers and beneficiaries) according to the same rules and regulations, which in the case of RMI recipients is clearly not the case. Since **insertion** is an English as well as a French word, and since in both languages it implies a degree of force or compulsion, that is the word used here. **Revenu Minimum d'Insertion** is therefore translated as **Minimum Insertion Income**. 'Inserting' the poorest into mainstream society, as the author explains, is easier said than done. So the eventual effect, of the RMI may be to point France in the direction of a universal Citizen's Income based on legal residence.<sup>2</sup>

The introduction of a guaranteed minimum income has provoked intense debate in the French Parliament over the last fifteen years, coming to a head during the 1980s as a result of increasing poverty, which is perceived as a perpetual threat to *Liberté, Fraternité, Egalité*, especially when the bicentenary celebrations of the French revolution are still fresh in our minds.

Until 1988 France had nothing similar to Britain's *income support*, Germany's *Sozialhilfe*, or the social assistance systems of Belgium, Denmark and the Netherlands. Despite pressure in some quarters for a Basic or Citizen's Income (*revenu de base* or *allocation universelle*), the idea of a guaranteed income without a work test has never won much acceptance in France, because it would be considered as "just another hand-out", and an open door for shirkers and misfits, who are frowned upon by the ostensible egalitarianism of French community spirit.

After a fierce debate, the *Revenu Minimum d'Insertion* became law in 1988. The most important aspect of this new allowance has always been the *insertion* clause, which seemed to provide a solution that would suit both Parliament and the general public. *Insertion* enables the allowance to be paid to a vast category of claimants, and although restrictive in some ways, in others it is more personalised, perhaps enabling its beneficiaries to feel more responsible for their financial autonomy.

### Entitlement regulations

To be entitled to the RMI, claimants have to be at least 25 years of age, unless they have dependents.<sup>3</sup> These include children, partners or other members of the household who rely on the claimant for support. Close family ties between claimants and their dependents are not required. Foreigners must have the necessary documents proving their right of abode, and must show willingness to integrate themselves into the national community. European legislation has made the RMI slightly more accessible to members of the European Community (EC), providing they meet the necessary requirements.

The exclusion of young single people may seem strange, but the explanation for it is based on two main principles. First,

various schemes and financial support systems are already available to young people. Second, it was considered anti-social to increase the number of isolated under 25s by making it easier for them to leave the parental household. Although in some respects this argument is plausible, it does seem extremely harsh to exclude all young people from the insertion allowance. There is no proof that existing allowances for the under 25s have an adverse effect on family ties, and a more flexible approach would surely be more appropriate. After all, the claimant's age could be taken into account when drawing up the contract.

### **RMI amounts**

Fixing the amount of the allowance was another fiercely debated subject. At first it was suggested that the RMI be linked to the SMIC (France's national minimum wage or *Salaire Interprofessionnel de Croissance*), but this proposal was quickly abandoned in order to avoid establishing any link between the RMI and the value of work.<sup>4</sup> There were also many references in the Parliamentary debates to the danger of setting the RMI too high, lest it deter people with low earnings potential from taking paid work. In the final legislation it was linked instead to the *family budget* estimates produced periodically by various organisations, the most prominent of which is INSEE.<sup>5</sup> These estimates are revised by central government every six months, in the light of price changes, and the RMI is modified accordingly. Although this procedure seems to be satisfactory, the compilation of the reference budgets does give rise to controversy.

In 1988 when the RMI was implemented, a single claimant was entitled to a maximum of Frs 2000 a month (or about 5200 at that time). The first direct dependent (living in the same household) could claim up to Frs 1000, and for each further dependent there was an allowance of Frs 600 per

person. The rates in July 1992 were Frs 2224 for a single person, Frs 3336 for a household with two people, and Frs 889 for each subsequent dependent. In January 1993 they were updated to Frs 2253, Frs 3379 and Frs 901 respectively.

Money for the RMI comes from general taxation, through the *fonds de solidarité* (solidarity funds). It is administered by the *Ministère de la Solidarité* (Ministry of Solidarity), according to legislation. As far as I have been able to tell from my fieldwork, the RMI has caused minimal 'disturbance' to the tax bill, because RMI expenditure has been partly offset by savings on other benefits.<sup>6</sup>

### **A residual allowance in a binding contract**

The RMI is a residual allowance, which corresponds to the difference between the legal minimum and the claimant's personal or household net disposable income. Deductions from the legal minimum are made by the RMI authorities for 'resources' like family allowance, housing benefit, maintenance allowances, and employment or training schemes. In this connection, and in order to justify their claim, beneficiaries must take up - and obviously make known - all financial support already available to them. The aim of this is to ensure that the RMI does not fill in the gaps left by low take-up of other allowances.

For example, in January 1993 a standard amount of Frs 270 a month was deducted from a single claimant's RMI, if he was entitled to receive that amount (or more) in the form of housing benefit. For a household with two claimants, the standard deductible amount was Frs 540 and for three or more it was Frs 669. Below these amounts the entire sum of housing benefit was deducted. These standard deductions are also made if the claimant or claimants have free lodgings. Benefits in kind (e.g. a

garden, or free meals at work) are also taken into account.

Income resulting from work is deducted on a *pro rata* basis, in an attempt to ensure that implied marginal tax rates never reach 100% - the intention being, of course, to minimise disincentive effects. In January 1993, for instance, the first Frs 778 a month of income from work (i.e. 35 % of a single person's RMI allowance) did not entail any reduction in the amount of RMI payable. But above this threshold, earned income was deducted at the rate of 60 % .

Other incomes of a more irregular nature (e.g. removal allowance or compensation for an accident) are not taken into account. Money from the RMI cannot be sequestered, but in some cases it can be used to repay debts - provided the claimant has honoured his or her side of the *contrat d'insertion*. The RMI is above all an extremely 'personalised' benefit, and co-operation between claimants and the social services has to be optimal for both sides to understand their parts of the contract.

When drawing up a contract, the first step is calculation of the claimant's resources. This is followed by an assessment of the claimant's social environment, still with a view to adapting the contract to individual circumstances as efficiently as possible. In order to establish *insertion* schedules and deadlines which meet individual needs, the system binds both parties to renewable negotiations. Contracts are explicit and are signed by both parties, thereby making claimants more responsible for their own integration prospects. The terms of the contract are determined like those of any other binding agreement, and establish on the one hand co-operation between claimant and authority, and on the other, the results expected. In this way the degree of success or failure can be evaluated at a later date.

The contractual aspect of the RMI highlights the government's concern with matters other than labour market participation - although the insertion aspect does imply finding employment. As part of the *insertion* process, claimants are advised to be as active as possible in their local communities, and to follow courses or undergo further training in their own particular field. They are also encouraged to be socially active, in order to acquire more independence. For example, one claimant wanted to take out his heavy goods vehicle driving licence and needed financial assistance in order to begin his training. He was granted the RMI. The social services also helped him pay for his driving lessons, because he had found an employer ready to employ him, provided he obtained his licence. Another claimant asked for the RMI because she wanted to learn to read!

## Administration

Claims can be made through most social services, and are then transferred to the *Centre Communale d'Action Social (CCAS)*.<sup>7</sup> They are then sent to the *Comité Local d'Insertion/CIL*,<sup>8</sup> and finally to the *Caisse d'Allocations Familiales (CAF)*<sup>9</sup> (which is the national organisation responsible for all family allowances). The OCAS deals with claimants' files, contracts and follow-up, in accordance with regional guidelines established by the *Comité Départemental d'Insertion (CDI)*.<sup>10</sup> These guidelines are essentially designed to help adapt the RMI to local economic conditions, and to prevent overlaps with other benefits. Once accepted, every claim has to be signed by the local *Préfet*.<sup>11</sup> Initial acceptance is for a period of three months, after which renewal must be sought. Payment of the RMI remains the responsibility of central government, although efforts at decentralisation have been made, on the grounds that the main decisions should be taken locally.

## Claimant profiles to date

In the first three years after implementation, approximately 950,000 households benefited from the RMI, 825,000 in mainland France, and the rest in the overseas territories. This implies that around 2 million people (claimants plus dependents) enjoyed an increase in their disposable incomes, or received improved health care.<sup>12</sup> In mainland France the RMI covers 1.8% of the population, and in the overseas territories the comparable figure is 17.8 % .

On 31 December 1991, an estimated 567,000 people (470,000 in mainland France) were receiving cash benefits through the RMI. This, together with extended health care, meant that around 1.2 million persons (920,000 in France) were actually affected. Some 58% of claimants were single people without children (36 % men and 22 % women); 21 % of claimants were lone-parent families; 5 % were couples without children; and 16 % were couples with children. The small number of couples with children receiving the RMI is probably due to France's rather generous system of family income support.

Almost 90% of claimants were French, or from the European Community. Nearly 60% were unemployed prior to receiving the RMI, and 16 % had not been in any kind of stable employment for three years.

The average monthly payment was Frs 1836, with nearly half the beneficiaries receiving Frs 1500-2000 a month. On average the RMI represented just over 80% of a single recipient's net disposable income, compared with 30 % for a couple with three or more children - the balance coming from a variety of sources, such as work, family allowance and housing benefit. Just over half the claimants were receiving income from at least one other benefit.

As the Table shows, very few claimants were aged over 60, due to France's *minimum de vieillesse* (or guaranteed minimum pension).

### RMI recipients by age group, Dec 91

Age range years	%
<25	5.1
25-29	25.1
30-34	17.6
35-39	13.3
40-44	12.2
45-49	8.8
50-54	7.8
55-59	6.3
60-64	2.7
65 or over	<u>1.1</u>
	100.00

Source: *The Vanlerenberghe Report*, Documentation Française, Paris 1992, p. 80.

## Employers' attitudes

In each of France's 95 *départements* (or local authorities) the *Comité Départemental d'Insertion* tries to work closely with the big employers and other 'economic partners', in an attempt to produce insertion strategies that are streamlined to meet local needs. Regional and local labour markets quite often paint the most vivid pictures of prevailing economic environments. This information is channelled downwards and outwards through the *Comités Locaux d'Insertion*, which are responsible for the micro-economic aspects of the RMI.

Unfortunately many employers tend to regard the RMI as yet another source of cheap labour, and to discard former claimants as soon as they are entitled to a real wage. In order to avoid unscrupulous exploitation of some claimants, further legislation might perhaps improve the RMI by including an 'employment guarantee clause' in the contract (thus making it tripartite between authorities, claimant and

employer), if and when the insertion claim is based on a promise of employment.

### **Easier said than done**

Although some of the results look encouraging, in the first two years only around 15% of RMI claimants had managed to conclude their period of insertion with a regular job, which - despite the rhetoric - is the driving force behind this new attempt to give the poorest another chance.<sup>13</sup> The RMI has certainly taken the edge off the daily hardships of a considerable number of people, but the insertion process remains an ideal rather than a reality.<sup>14</sup>

The opinion of many social workers seems to be that despite the ingenuity and originality of the RMI, the problems of poverty and social exclusion remain much the same as before. Consequently the RMI is seen as little more than another political gimmick, which although it solves part of the problem of poverty, manages more than anything else to displace and disguise it.

The social services have insufficient resources to follow up claimants' contracts, as a result of which the RMI has in many cases become yet another form of unilateral assistance. RMI claimants are by nature inconsistent and hard to keep track of - one of the main problems has been providing the homeless with an address - and this- together with meagre back-up by the social services, tends to damage the credibility of the whole contract system.

The RMI is nevertheless still in its infancy and needs taming, because, like so many other forms of help for the poor, it is out of touch with the people it is supposed to help. Many claimants are afraid to design their own *insertion* schedules, in the mistaken belief that the RMI is particularly for the homeless and the unemployed, and they fall into neither category. Results to

date do not justify total condemnation of the RMI, but they do raise serious doubts as to its long-term prospects.

Before the March elections the coalition right-wing parties<sup>15</sup> stated that they intended to maintain the RMI, and that every effort would be made to use it solely for insertion purposes. Apparently their aim is to ensure that the RMI does not slip even further, to become just another state handout.<sup>16</sup> Whether this statement was pure demagoguery or an election promise that can be fulfilled, provided sufficient back-up resources are given to the social services, remains to be seen. In the meantime the relative advantages of a no-strings-attached *revenu de base* or *allocation universelle* have been toyed with, especially by some of the minority parties. They, of course, have little to lose by such *avant-garde* proposals, but Citizen's Income will give French MPs food for thought, because it is going to become a very tangible issue.

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<sup>1</sup> See also: Bruno Couder (ATD Fourth World) in BIRG Bulletin No. 6; and Françoise Euvrard, Jérôme Lion and Serge Paugam, *The RMI Beneficiaries' Chances of Economic and Social Insertion*, Documents du CERC No. 102, La Documentation Française, 31-37 Quai Voltaire, 75005 Paris, 1991, discussed in BIRG Bulletin No. 15, Books and Papers received.

<sup>2</sup> For discussion of the debate about Citizen's Income in France, see: Henri Guitton, *Existence Income and Activity Income*, BIRG Bulletin No. 9; Marc Boeuf, *Solidarity*, BIRG Bulletin No. 13.

<sup>3</sup> The law passed on July 29, 1992, stipulates that people under 25 who are expecting children can claim the RMI.



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<sup>4</sup> See *The National Minimum Wage in France*, Timothy Whitton, Low Pay Unit Review No. 36, Spring 1989, pp 21-22.

<sup>5</sup> Institut National de la Statistique et des Etudes Economiques.

<sup>6</sup> Precise statistics are not available. My comment is based on information gleaned from different social services.

<sup>7</sup> Community Centre for Social Action.

<sup>8</sup> Local Insertion Committee.

<sup>9</sup> Family Allowance Office.

<sup>10</sup> Regional Insertion Committee. Since July 1992, local authorities have been asked to produce departmental insertion programmes.

<sup>11</sup> The Préfet is the link person between local and central government.

<sup>12</sup> The RMI is not just a cash benefit, it also provides claimants with free health care. Some receive only the free health care.

<sup>13</sup> See Rapport de la commission présidée par Pierre Vanlerenberghe - Commission Nationale d'Evaluation du Revenu Minimum d'Insertion, La Documentation Française, 1992, Paris. This report is 835 pages long and analyses the RMI in depth.

<sup>14</sup> Extended health care provision has been particularly successful, even if many other aspects of the RMI leave much to be desired.

<sup>15</sup> RPR: *Rassemblement pour la république*. UDF: *Union pour la démocratie française*.

<sup>16</sup> Interview with Francis Saint-Ellier, RPR-UDF, MP for Calvados.