



## ► Social Protection in Action: Building Social Protection Floors for All

2022

### *France: RSA – providing income security and supporting return to work*

#### Summary

The Active Solidarity Income (Revenu de Solidarité Active – RSA) provides a minimum income and measures aimed at supporting employability and return to work for the working poor and unemployed.

In France, about 14 per cent of the population lives below the poverty line.<sup>1</sup> Among this poor population, more than 50 per cent are people of working age, unemployed, or working poor (Observatoire des inégalités 2020). The social protection system suffered from gaps, leaving a share of the active age population without income security in case of long-term unemployment or poverty. In addition, many of the existing income support schemes did not provide sufficient incentives to facilitate return to work.

The creation of the RSA in 2008 had a twofold objective: ensuring access to universal income security for the active age population coupled with placement services, skills development, support for the creation of micro-enterprises, and generating incentives for return to work.

The RSA links social, economic and employment policies to improve their coherence, and is a good example of the consideration of a diversity of methods and approaches, including of financing mechanisms and delivery systems, to improve social protection coverage. In this regard, the RSA contributes to the guiding principles of Recommendation No. 202.

#### Main Lessons Learned

- The RSA is a programme for the unemployed and the working poor which has successfully managed to link social protection benefits and active labour market policies to support employability and address financial disincentives to return to work.
- Evaluation reports show that concerns about employers using the RSA or the Activity Allowance strategically to decrease wages or impose part-time jobs were unfounded.

#### Social Protection Floors Recommendation, 2012 (No. 202)

SDG 1.3 aims to implement nationally appropriate social protection systems and measures for all, including floors, and by 2030, achieve substantial coverage of the poor and the vulnerable.

Social protection floors (SPFs) guarantee access to essential health care and basic income security for children, persons of working age and older persons. 187 countries have adopted the Social Protection Floors Recommendation, 2012 (No. 202), to achieve universal social protection.

The French Active Solidarity Income (Revenu de Solidarité Active – RSA) contributes to the provision of basic income security, at least at a nationally defined minimum level, for persons in active age who are unable to earn sufficient income in cases of unemployment, as mandated by the Social Protection Floors Recommendation, 2012 (No. 202).

<sup>1</sup> The poverty line is defined as 60 per cent of median income (National Institute of Statistics and Economic Studies, INSEE).

- The RSA is a concrete policy example which addresses poverty of the working poor, the unemployed and micro entrepreneurs.
- The elaborate design of the RSA made it difficult for potential beneficiaries to understand or for local social security staff to explain it properly, which had negatively impacted its expansion. Reforms were launched in 2016 and 2021 to address these issues.
- Lastly, there remains a stigma associated with receiving the RSA. This is an important concern which should be addressed in the future.

## What led to the creation of the RSA?

Prior to 2008, three means-tested benefit schemes provided income security to the non-active working age population living in France: the Minimum Subsistence Income (*Revenu minimum d'insertion* – RMI), the Single Parent Allowance (*Allocation de parent isolé* – API), and the Specific Solidarity Allowance (*Allocation de solidarité spécifique* – ASS). These income transfers were not combined with any measures to facilitate return to work. In addition, benefits would be significantly reduced or halted when beneficiaries found jobs or started working longer hours. As a result, in some cases individuals found that they faced significant reductions in their total income when they returned to work or increased their hours worked. These benefits discouraged work in some cases, leading to so-called “inactivity traps”: a vicious circle of inactivity and poverty. The programmes were also believed to have contributed to the expansion of undeclared work.

Negotiations organized in 2007–08 between the Government and social partners resulted in a reform aiming to simplify and coordinate social inclusion programmes and to link them with active labour market policies. The strategy recommended a new social paradigm and the creation of the RSA.

The RSA was enacted by Law No. 2008-1249 of 1 December 2008. It is also included in the revised Social Action and Family Code of the 1 of June 2009. It was later updated in Decree No. 2015-1709 of 21 December 2015 which introduced the Activity Allowance (see section 2).

## How did the scheme evolve?

At its creation in 2008, the RSA income support was composed of two elements: the “Floor RSA” which was financed by local governments (*Départements*) and aimed at guaranteeing a minimum income threshold to all, and the “Activity RSA” which was financed by the central Government and intended to provide an incentive to work. The “Activity RSA” was a variable component, updated on a quarterly basis to ensure that every additional hour worked would result in a higher disposable income.

The scheme proved to be underused by the potential eligible population, largely due to its complex design (it is estimated that more than 60 per cent of the eligible population did not claim their entitlements). As a result, a reform initiated in 2016 replaced the “Activity RSA” with a new scheme called the “Prime d'activité” (Activity Allowance) as a separate scheme from the RSA. Nowadays, the system is composed of the RSA, which guarantees a minimum income and access to active labour market policies to all persons of working age, and an Activity Allowance, which encourages a return to work.

Since its inception in 2008, another concern with the RSA was its component financed by local authorities. Local disparities made it difficult for some local authorities to secure the resources to cover their RSA expenses. Further increases of the RSA were also decided at the central level and did not always sufficiently account for budget realities at the local level. In addition, the socio-economic impact of the COVID-19 pandemic led to a significant increase in the number of RSA beneficiaries, further straining the budgets of local authorities. In response, as of 2022 the State has assumed full responsibility for the financing of the RSA in some parts of the national territory for a period of 5 years, as an experiment.

## How does the scheme function?

The RSA aims to support households with insufficient incomes. It targets adults above the age of 25, or under the age of 25 years if pregnant or supporting one or more dependents.<sup>2</sup> French and European Union nationals must have legally resided in France for at least three months prior and non-EU nationals for at least five years prior in order to be eligible. The programme targets unemployed

<sup>2</sup> Further exceptions to the minimum age of 25 include persons who have been in employment for more than two out of the past three years as well as persons with a recognized refugee status.

persons (those out of work who are available and actively seeking employment) who receive insufficient income replacement, as well as the working poor. The amount of the guaranteed income depends on the household composition (table 1), with amounts indexed on a yearly basis.

► **Table 1. Amounts of France’s RSA scheme in 2022**

No. of children	Single person	Couple
0	€575.52	€863.28
1	€863.28	€1035.94
2	€1035.94	€1,208.58
<b>Additional children</b>	€230.21	€230.21

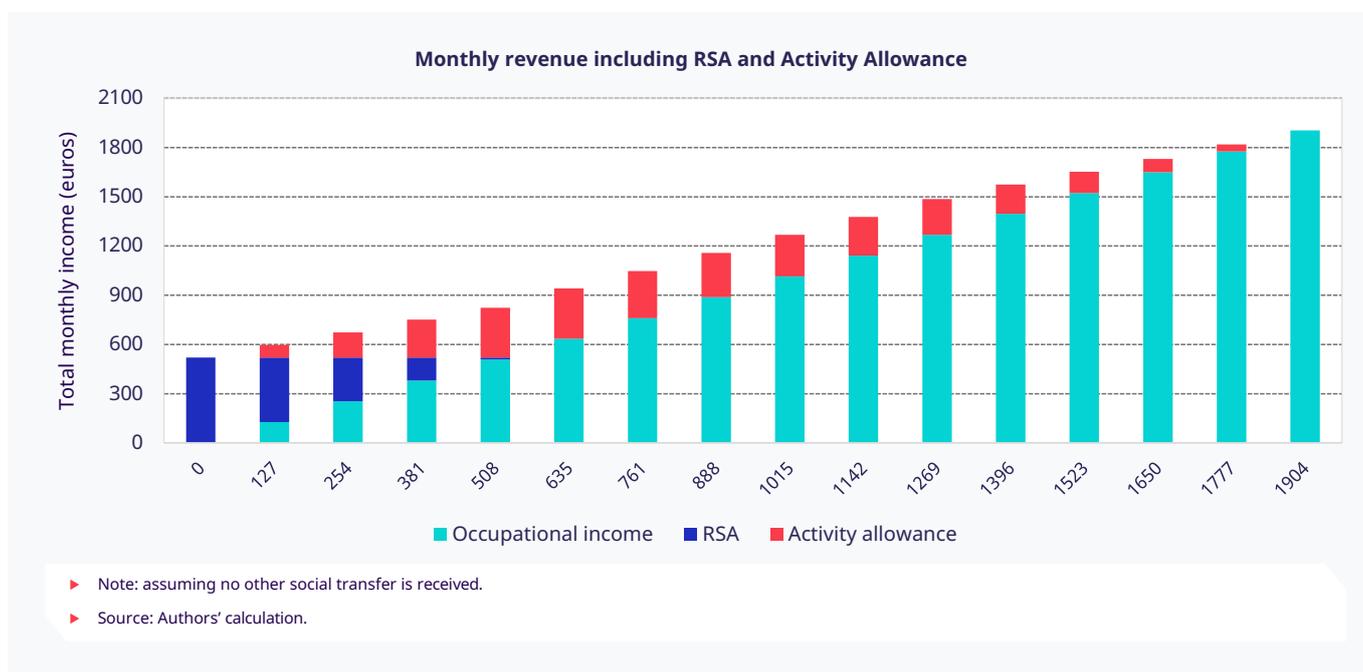
► Source: Authors’ compilation.

The RSA is complemented by the Activity Allowance which aims to supplement the income of employees, civil servants, self-employed workers and employers with modest resources in order to incentivize work. The amount of the Activity Allowance is dependent on the household composition and the disposable income of the family (occupational income, social protection benefits and other sources of income). As of 2020, the Activity Allowance scheme provides benefits to 4.32 million household for a total amount of €33 billion.

Starting from a situation of zero employment, any increase in occupational income will reduce the amount of RSA received. At the same time, an Activity Allowance is granted, which ensures that the total income (the sum of RSA, Activity Allowance and occupational income received) increases for any increase in occupational income. Revenues which derive from other income support programmes (unemployment allowance and housing benefit, among others) are deducted from the RSA and Activity Allowance amounts (see figure). RSA beneficiaries have the obligation to look for a job or take action to create their own enterprise. They receive support and placement advisory services, as well as training.

In 2019, total expenditure on RSA benefits represented 0.5 per cent of GDP (DRESS 2019). Its implementation requires the cooperation of multiple actors. Local governments (*Départements*) are responsible for the scheme’s operations. The National Fund for Family Benefits (*Caisse nationale des allocations familiales – CNAF*) and the Social Agricultural Mutual Fund (*Caisses de Mutualité Sociale Agricole – CMSA*) process applications, assess eligibility, define the amount of the income support quarterly, and manage the payment of benefits. Finally, the Public Employment Agency (*Pôle Emploi*) provides job counselling and matching services to the scheme’s beneficiaries.

**Figure. Monthly income simulation for a single earner with no dependant benefitting from France’s RSA and Activity Allowance**



## The impact of the RSA on people's lives

As of July 2021, 1.95 million households were receiving the RSA.

The scheme provides greater income security and support for people of working age, while also fostering a return to work for unemployed people and the economic inclusion of the working poor. An evaluation on the scheme conducted in 2011 (Comité d'évaluation du RSA 2011) found no evidence of employers decreasing wages or requiring part-time work of employees benefitting from the Activity RSA.

Lastly, the socio-economic impact of the COVID-19 pandemic had a significant impact on the number of people receiving solidarity benefits, reaching 2.1 million in October 2020, an increase of 8.5 per cent compared with October 2019. In response to the hardships faced, an exceptional "Covid" benefit was paid at the end of 2020 for beneficiaries of the RSA.<sup>3</sup>

## What's next?

Looking towards the future, the RSA is facing three main challenges:

- The efficiency of the RSA is hampered by difficulties in coordinating the actions of participating agencies and government bodies. Local governments that were designated to oversee the implementation of the scheme did not always have the necessary capacities to do so. Additionally, with the global financial crisis and a significant rise in unemployment, the national employment agency is overwhelmed by demand and cannot always provide adapted assistance to RSA beneficiaries.
- The complexity of the scheme has prevented its expansion. Although RSA and the Activity Allowance are well-known, few understand how benefits are calculated, can name its different components, or know the eligibility criteria.

- A new reform of the RSA was adopted in July 2022 and is being implemented on a pilot basis since January 2023 in 19 *départements*. With this reform the payment of the RSA is linked to rights and duties: the right to receive support to find a job, and the duty to comply with a weekly activity schedule to achieve this. This schedule includes vocational training and work for a duration of 15 to 20 hours per week. With this reform, the government intends to repair one of the RSA's shortcomings: assistance for professional integration, as the Court of Accounts showed in a report published earlier this year. "Seven years after receiving the RSA, 42 per cent of recipients are still not in employment". This new Active Solidarity Income scheme will be tested in 19 *départements* in January 2023 before being extended to all French territories.

<sup>3</sup> Source: <https://www.legifrance.gouv.fr/jorf/id/JORFTEXT00004257443>.

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