

A stylized world map composed of a grid of dots in various shades of gray, with several dots highlighted in red. The map is centered behind the title text.

Youth Unemployment and Youth Employment Policy

Lessons from France

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- In France, severe youth unemployment has become a quasi-structural phenomenon. The high concentration of young people in insecure jobs increases their sensitivity to the crisis. Labour market segmentation blocks youth integration and leads to a polarisation, with high turnover and less-skilled jobs.
- The sharp rise in the proportion of young graduates has done little to protect from job demotion. Young women, who do better in school and have more qualifications than men, do less well on the labour market. The concept of flexibility is seen as making it possible to do away with the inequality between generations weighed down by labour market segmentation. Its effectiveness, however, is highly questionable.
- The role of public policy towards youth professional integration consists in special work contracts that apply to the market or non-market sector. State-subsidised jobs help young people in difficulties, but generally do not assist in promoting a real upwardly mobile career path and destabilise work contract standards. The main challenge for employment policy is to create and promote a new professional status for the entire body of active people based on secure professional pathways.



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Introduction

The current crisis is taking a heavy toll on young people. Between 2007 and 2010, the drop in employment rates in the 15–24 age group in the European Union (EU) was eight times higher than in the 15–64 age group (IRES 2011). In France, youth unemployment reached 23.8 per cent in December 2011 (22.1 per cent on average in the EU) whereas unemployment for the entire active population was 9.9 per cent (equal to that of the EU) (Eurostat data). The crisis has merely amplified what has become a quasi-structural phenomenon: in the past 30 years, the youth unemployment rate has never fallen below 15 per cent and has regularly exceeded 20 per cent (Aeberhardt, Crusson and Pommier 2011). Nevertheless, youth integration into the labour market has been an ongoing public policy objective since the end of the 1970s. It is impossible to study today's young people without referring to the multiplicity of public measures. At the end of 2010, 665,000 young people benefited from government subsidised work contracts (*contrats aidés*) – in other words, close to one-quarter of the under-26 age group, compared to 4 per cent for the entire active population.

This study examines youth integration into the labour market in France. In the first part, a diagnosis of youth over-unemployment from the point of view of their particular position on the labour market is presented. The high concentration of young people in insecure jobs (CDD and temporary work) explains their job-unemployment sensitivity to the economic cycle. Due to labour market segmentation, young people are integrated into sectors with a high labour rotation rate or in less skilled jobs. The second part of this analysis describes demographics in France and the role of the education system, both of which help to explain the significant drop in the number of working youth in the past 30 years and, in the meanwhile, the sharp rise in the proportion of young graduates. In the third part, the position of young women is examined in light of the inertia in both educational and professional career choices, but also the existence of job discrimination. The fourth part examines the hypothesis of excessive labour market rigidity and suggests potential responses, although these hypotheses have been called into question by the crisis. In the fifth and last part, the role of public policy in youth professional integration is re-examined, emphasising numerous potential levers of action. Should priority be given to obtaining recognised qualifications? Or to stimulating rapid immersion in the

corporate environment through massive decreases in employer social contributions? Or to community service jobs in the non-trade sector for those who cannot find work in the private sector? In the past 30 years, public policy measures have combined these various approaches. Success has been limited and these measures sometimes produce adverse effects. Note, however, that the involvement of the social partners has been scant.

1. The Main Characteristics of Youth Unemployment and Professional Integration in France

The unemployment rate in the 15–24 age group has never fallen below 15 per cent and has regularly exceeded 20 per cent; This has been particularly the case since the outbreak of the crisis in 2008 (Figure 1). Experts have contested the relevance of this indicator, however.

1.1 What Is the Appropriate Instrument for Measuring Youth Unemployment?

The presence of young people on the French labour market is low: their initial training, including vocational training, takes place primarily in secondary schools or universities, with rare opportunities to seek employment. Thus in the OECD typology reference is made to the school-to-work transition (OECD 2010): in France, young people study first and work later. Only 15 per cent of young people aged 15–29 in training also have a job. This is a major difference with countries that have a far-reaching apprenticeship system, such as Germany, Austria, the Netherlands and Denmark; it is also a major difference with the Anglo-Saxon countries where young people work while studying. Measures to allow for alternating between work and ongoing study have been increasingly implemented in the past thirty years in France. Nonetheless, the activity rate of 15–24 year-olds remains around 40 per cent (Table 1). When INSEE published a 23.9 per cent unemployment rate for 15–24 year olds for the first semester of 2009, this only applied to 40 per cent of the active population. In other words, one young person in eleven is unemployed and not one in five as some ill-informed commentators claim. This institutional difference which France shares with the Mediterranean countries but also with Belgium, leads us to modify the age group limit for methodological reasons and to examine

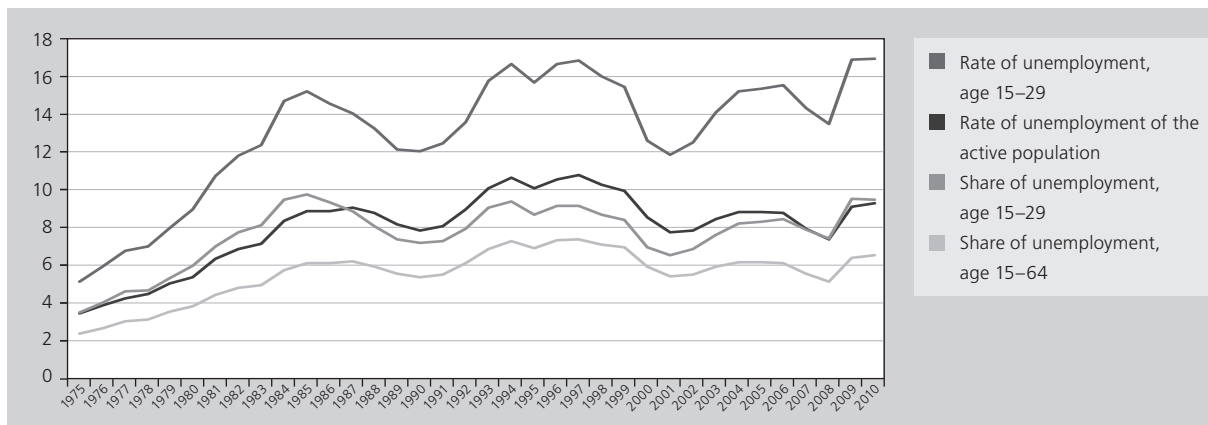


Table 1: Activity rate, employment rate, unemployment rate, 2006–2010

	Rate of Activity				Rate of Employment				Rate of Unemployment			
	2006 Q1	2008 Q1	2009 Q4	2010 Q4	2006 Q1	2008 Q1	2009 Q4	2010 Q4	2006 Q1	2008 Q1	2009 Q4	2010 Q4
Age 15–29												
Total	54.3	55.0	56.6	56.1	45.6	47.8	46.6	46.8	16.0	13.2	17.5	16.4
Men	58.5	59.2	60.6	60.3	49.5	51.7	49.5	50.9	15.4	12.9	18.2	15.7
Women	50.1	50.8	52.6	51.8	41.8	44.0	43.7	42.8	16.7	13.6	16.7	17.3
Including age 15–24												
Total	38.3	39.0	40.4	40.0	29.9	32.4	30.9	31.3	21.9	17.1	23.1	21.4
Men	41.7	42.5	44.1	43.6	32.9	35.4	33.2	34.7	20.7	16.7	24.1	19.9
Women	34.8	35.4	36.6	36.2	26.8	29.2	28.5	27.7	23.5	17.7	22.0	23.4
Age 15–64												
Total	69.9	69.9	70.6	70.5	63.5	64.9	63.8	64.0	9.1	7.2	9.6	9.3
Men	75.0	74.6	75.2	75.0	68.8	69.6	68.0	68.5	8.2	6.8	9.7	8.7
Women	64.9	65.4	66.1	66.3	58.3	60.4	59.8	59.7	10.1	7.6	9.6	9.9

Source: INSEE employment survey, published by DARES (2011).

Figure 1: Youth unemployment, active population unemployment, share of youth unemployment compared to unemployment in the active population



Source: INSEE Employment survey.

unemployment in the 15–29 cohort where the employment rate is higher (48 per cent). It also justifies preferring, in international comparisons, to examine the share of unemployed young people within an age cohort rather than the unemployment indicator alone.

1.2 Youth Employment Overreacts to the Economic Cycle

Youth vulnerability can be explained by their particular position on the labour market. In fact, youth employment over-reacts to the economic cycle (Fondeur and Minni 2005). When growth accelerates, youth employment increases faster than the active population average. For ex-

ample, during the economic recovery from 1997 to 2001, the cohort under 29 years of age was the first to benefit from the boom: their unemployment rate dropped faster than that of adults (Figure 1). But then when growth slowed or dropped, as is the case at present, they are the first to see a slip in the employment rate, even faster than the active population average. In order to understand this phenomenon, one needs to take account of the position of young people in the labour market, in particular, their high concentration in temporary jobs. More than one young person in three is employed on a fixed duration contract (CDD) or a temporary job, including in the public sector (Table 2). When the economic context improves, given that both the level of training of young people is higher, on average, than that of adults and the high proportion of temporary contracts offered to them, young people are in a relatively favourable position: 78 per cent of new jobs in companies with more than 10 employees are hired on a fixed term contract (CDD) (Paraire, 2011). By contrast, during economic slowdowns, temporary employment drops and fixed-term contracts are not renewed. Youth over-unemployment then rises sharply. Although on average the under 25 age group has a higher level of education than their elders, close to half of that group hold insecure jobs compared to 12.6 per cent for all jobholders. The public sector is no exception, with a multiplication of various insecure contracts: part-time contract positions, individual contractors and subsidised jobs. The over-representation of youth in insecure jobs explains their hypersensitivity to the economic cycle: as soon as there is an economic slowdown, the job market adjustment hits temporary contracts first, as can be seen by the rapid drop in the number of temporary jobs at the outset of the crisis (140,000 fewer temporary jobs between end of 2007 and end of 2008). The real issue is to determine the role of these jobs in the youth's career path: initial experience as a complement to initial training (or even to pay for studies), stepping stone toward a better social position or a sort of insecurity-trap leading to recurrent unemployment.

The response lies in the level of education and training. A total of 60 per cent of young people with a higher education degree start out with an insecure contract but the number falls to 30 per cent just two years later. Also, 80 per cent of young people with no degree or low-level training start out with insecure jobs and 60 per cent of them are still in insecure jobs two to two and a half years later. The vulnerability of that group is deep-rooted and

Table 2: Employment by age and gender, France, 2010

	Men	Women	Total
Total Jobs	13 515	12 221	25 735
Self – employed	15.0	7.6	11.5
Private and public sector employees	70.6	66.1	68.5
Including: Temporary	3	2	3
CDD + subsidised jobs	9	11	10
CDI private sector	88	87	87
Both	100	100	100
Civil service employees	14.4	26.2	20
Including: Temporary + subsidised jobs	13	16	15
Secure public sector jobs	87	84	85
Both	100	100	100
Total	100	100	100
Including: part-time	7.0	30.2	17.2
Jobs in the age group 15–25	2 827	2 446	5 273
Self-employed	5.3	3.6	4.5
Private and public sector employees:	84.1	74.1	79.4
Including: temporary	6	4	5
CDD + subsidised jobs	24	28	26
CDI private market	70	68	69
Both	100	100	100
Civil service employees	10.6	22.3	16.1
Including: temporary + subsidised jobs	37	40	39
Secure public sector jobs	63	60	61
Both	100	100	100
Total	100	100	100
Including part-time	9.0	26	17.5

Notes: Job numbers in thousands, breakdown in per cent. Employment = active individuals according to ILO data given in annual averages. Public = National and regional authorities + hospital jobs.

Source: 2010 INSEE Employment Survey, DARES calculations.

long lasting. It is important, therefore, to distinguish between the different types of unemployment. In the first case it is unemployment during the integration phase (difficulty in finding a first job), often combined with unemployment due to job turnover aggravated by the effects of insecurity. Even young people with a diploma often alternate between insecure jobs, unemployment and another insecure job. In fact, the first cause of a new phase of unemployment is the end of a temporary job. In the second category, it is exclusion-related unemployment: 45 per cent of non-skilled young people, that is, 6 per cent of school leavers who have not reached the class of *seconde* (roughly age 15–16) or the last year of BEP-CAP, which corresponds to the international ISCED 2 category.

1.3 Youth and Labour Market Segmentation

The concept of labour market segmentation launched by the seminal work of Doeringer and Piore (1971) has strongly influenced labour economics and is particularly useful in interpreting the position of young people on the labour market. There are two hypotheses: the first is that the labour market is composed of relatively watertight, differentiated segments; the other relates to the existence of a dominant regulation in a given social and economic context. During the period of Ford-style growth, employment standards flourished in France through the internal labour market (ILM), a set of rules providing structure to the entire professional life-cycle, employee career paths and pay scale. These rules could be partially in-house corporate rules (related in particular to the level of specific qualifications obtained in the workplace) and partially based on collective bargaining agreements with centralised standards for qualifications and wages. During the post-Ford period, the regulation of the job market continued to exist, although its scope of application shrank considerably. Youth integration was more and more based on specific job statutes, in particular under the impulse of public policy (see below) and led to a much longer, sinuous and heterogeneous process of access to the ILM. Thus, youth integration was blocked by the entry conditions bottleneck defined in the ILM rules and led to blockages in times of job rationing. Thurow's job competition model, whereby jobseekers form a waiting line in diminishing order compared to their level of education or experience is frequently used to describe this process. This model explains the trans-

formation of the employment structure by age group. The share of jobs held by young people has decreased since the beginning of the 1990s. This can be explained for the most part by the lengthening of initial education but this decrease has been most obvious in the sectors where the ILM is traditionally the most airtight (energy, financial institutions, transport, telecommunications, and capital goods) where regulation of the labour market is expressed by a hiring freeze rather than redundancies. One major element of public employment policy in 1980–1990 involved eliminating senior workers through early retirement; it is still applied in the schemes implemented in private corporations or in keeping with certain sectoral collective bargaining agreements. All in all, employment has withdrawn to the intermediate age brackets – in France only one generation works at a time – along with a polarisation of young people on the markets with high turnover, be it in industry (high turnover amongst sub-contractors, temporary agencies, the agro-food business, construction and clothing industries) or in services (hotel and restaurant business, retail trade, household services). Along with the sectoral polarisation of young people on the labour market there is a polarisation in less-skilled jobs. Although today's young people have a higher level of education on average than former generations, they are nonetheless in higher numbers at the bottom of the social scale, including the 27–29 age group who in general have completed their education and yet occupy higher proportions of blue- and white-collar worker jobs than was the case with former generations. In 2007, one employed young man in two was a blue-collar worker; more than one young woman in two was a white-collar worker. Although the proportion of management jobs and executive intellectual positions among young people has increased considerably over the same period, young people are still under-represented in this category. The under-representation is even higher for young women than for young men despite their higher level of training and education. Numerous studies have been carried out on downward social mobility and inter-generational inequality (Chauvel 2006; Chabault 2008; Peugny 2009; Maurin 2009).

2. Demographics and the Role of the Education System

During the past 30 years, youth employment has evolved against the backdrop of dwindling generations. Between 1975 and 2008, the birth-rate drop led to a reduction in the number of 15–29 year olds by 10 per cent, that is, 1.2 million fewer young people (700,000 fewer in the 15–24 age group). The share of 15–29 years olds dropped by 10 points in the total population, from 38.6 per cent in 1975 to 28.5 per cent in 2008. This drop was concentrated mainly during the period 1988–2003. After 2003, the number of young people stabilised. France's relatively high fertility rate puts the country in second place in the EU after Ireland; this will lead to an increase (in absolute value) in the coming years of youth cohorts and will guarantee the stability of their numbers in relative terms compared to the population as a whole. Therefore the demographic slowdown is the prime factor that explains the lower numbers of young people in employment (Figure 2). The slight rise in activity starting in 2004 was mainly due to the rise in the number of work-study contracts. Demographic factors explain only the drop of 1.2 million (or half) of the 2.1 million working young people in the 15–29 age group in the past 30 years (CAS, 2011).

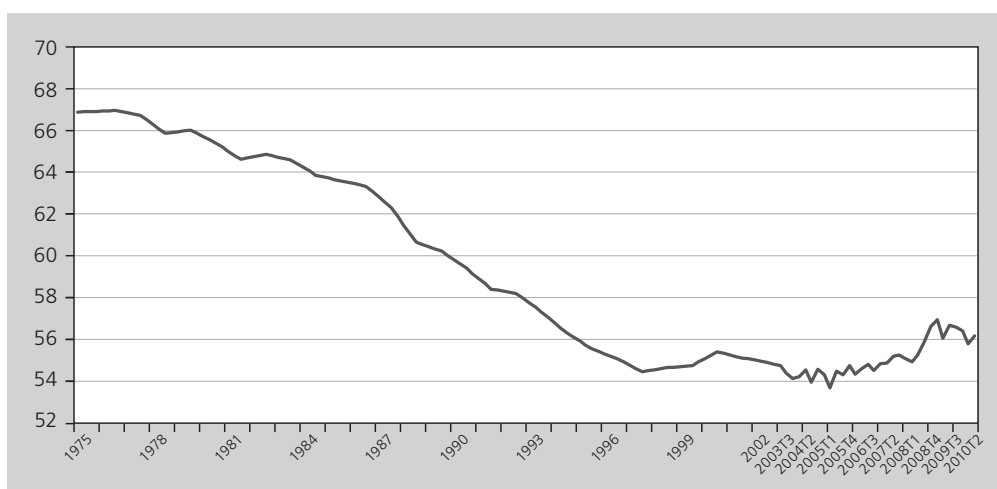
The second factor is the lengthening of initial education, in general secondary schools then vocational training due to the creation of the vocational »Baccalaureate« (1985)

and the development of apprenticeships. This extended to higher education with a 50 per cent increase in the number of university students between 1990 and 1995. In all, the growth in the rate of schooling over the period for the 17–22 age group can be broken down as follows: 61 per cent higher education, 32 per cent secondary school and 7 per cent for the increase in apprenticeship (Duriez 2006). The boost in initial education was one of the clearly stated goals of French education policy: »Enable 80 per cent of each cohort of school goers to complete the second cycle of secondary school« (Education Law no. 89–486, 10 July 1989).

The lengthening of schooling, which has flattened out since 1995, has led to a rise in the level of qualifications attained: in 2008, 65 per cent of young people finished their schooling with at least the Baccalaureate and 24 per cent obtained a *Licence* or a degree from a school of higher learning (*Grande Ecole*). Young women had higher rates than young men at every step of initial schooling: at the beginning of the 1970s for the proportion of Baccalaureate holders, at the end of the 1970s for the number of university graduates. More than four women in 10 completed their initial schooling having graduated from an institution of higher education, compared to slightly more than three in 10 for young men.

This rise in the number of graduates must not be used as a smokescreen to hide the fact that there is still a considerable number of young people who leave school each

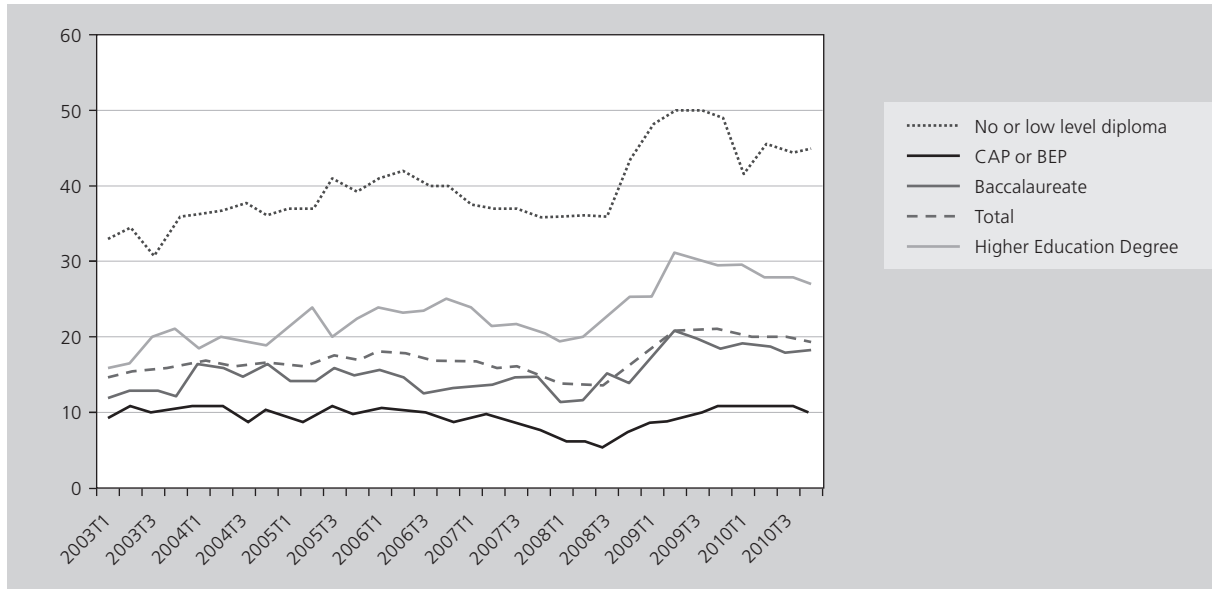
Figure 2: Rate of activity, young people aged 15–29



Source: INSEE.



Figure 3: Unemployment by level of diploma, young actives, 15–24 years of age (expressed in terms of level of diploma from 1 to 4 years after leaving the school system)



Source: INSEE, DEPP (published in Rhun, Minni, 2012).

year without graduating from secondary school: no Baccalaureate, no CAP-BEP: 17 per cent of school-leavers, 130,000 young people each year, including the 45,000 so-called unskilled young people (see above). This means that inequality is growing within each cohort. Here lies the major challenge for the education system. Another matter is the 13 per cent of young people leaving university without a diploma having failed during the first two years, whose unemployment rate is now higher than that of the BEP-CAP holders. The reduction of the number of teachers by 50,000 since 2007 (in keeping with the Sarkozy government’s decision to replace only one in two retiring civil servants) has contributed to penalising first and foremost pupils with learning difficulties. This alone fully justifies the inclusion by newly elected President of the Republic, François Hollande, in his platform of the creation of 60,000 new posts within the national education system in the next five years. The statistics amply show that although a diploma is less and less a sufficient condition, it is nonetheless a necessary one to find employment (Figure 3). The decision made by young people and their families to pursue their education is rational, despite the demagogic discourse one hears about the uselessness of qualifications.

Unfortunately, as young people climb the social ladder, the ladder itself is sinking into the ground. A diploma is not enough to protect a young person from unemployment or from job demotion. It is like a series of waterfalls, which applies at each level of diploma from top to bottom where both status and pay are on a downward mobility slope, thus accentuating the dilemma of the least educated. Demotion or bump down is particularly obvious for the holders of a Baccalaureate or a *Licence*: more than one in ten such degree holders are confronted with downward mobility in the first three years after completing their education. It is also an issue for graduates with a BTS-DUT (Brevet de technicien supérieur – Diplôme universitaire technologique, L2 level), who one might think would be better protected due to the vocational nature of their diploma. At the top of the wave during the last recovery, in 2000, one BTS graduate in 10 was hired as a worker or non-skilled employee. Women undergo even more persistent demotion than men. Against the backdrop of the qualification downgrading lies the downgrading of wages. Young people are over-represented in low wage groups. Three years after entering the labour market, youth median take-home pay is 1,200 euros (the general average is 1,500 euros). One-quarter are paid less than 1,000 euros (CEREQ, Generation Survey 2010).



Table 3: Hourly wage gap between men and women in 2009

Level of Diploma	Total				Under 35			35-54			55+		
	Distribution		Wage gap	Hourly wage Men	Breakdown		Wage gap	Breakdown		Wage gap	Breakdown		Wage gap
	Men	Women			Men	Women		Men	Women		Men	Women	
CEP or no diploma	14	11	11	13.5	10	5	4	16	13	12	21	20	16
Brevet, CAP, BEP	45	35	12	14.9	34	21	7	49	41	15	50	49	16
BTS, DUT, DEUG	17	21	13	16.5	24	26	12	15	20	16	12	15	20
1st or 2nd graduate degree	15	22	18	19.4	21	32	16	13	18	19	7	10	17
	9	11	28	28.8	11	16	14	7	8	28	10	6	29
Total	100	100	14	16.9	100	100	8	100	100	15	100	100	24

Notes: In 2009, 14 per cent of men and 11 per cent of women held a CEP or no degree; amongst this group women’s hourly wage was 11 per cent lower than that of men.

Corpus: employees of businesses with 10 or more employees in the market sector whose working time is counted in hours, excluding apprentices and interns in Metropolitan France.

Source: INSEE DARES (Muller, 2012)

3. Women Perform Better in School But Do Less Well on the Labour Market

Women do better in school and have more qualifications than men. The eight-point difference in activity rate between men and women aged 15–29 in 2010 (Table 1) is mainly due to the fact that women on average go to school longer. Nevertheless, their integration pathway is more uncertain. Discrepancies between men and women can be observed at all levels of initial schooling, although the gap shrinks with the higher the level of qualifications: higher risk of unemployment, higher rate of part-time work, lower wages and more difficult access to management positions. The discrepancy is often interpreted as being the result of different orientation choices. Three-quarters of young people in tertiary vocational training from CAP-BEP to BTS or DUT are women, whereas they represent only one-sixth of young people completing industrial training courses. At the higher education level (second and third cycle at university and the *Grandes Ecoles*) women represent one-third of the graduates in scientific and technical courses compared to two-thirds in literature, social sciences and management courses. That is why the integration problems of young women are often explained by the »wrong« orientation choice. Women are very numerous in the tertiary sector where there is a higher level of job insecurity and less stringent statutes regarding the training/job relationship, thus leading to demotion upon hiring; in the industrial

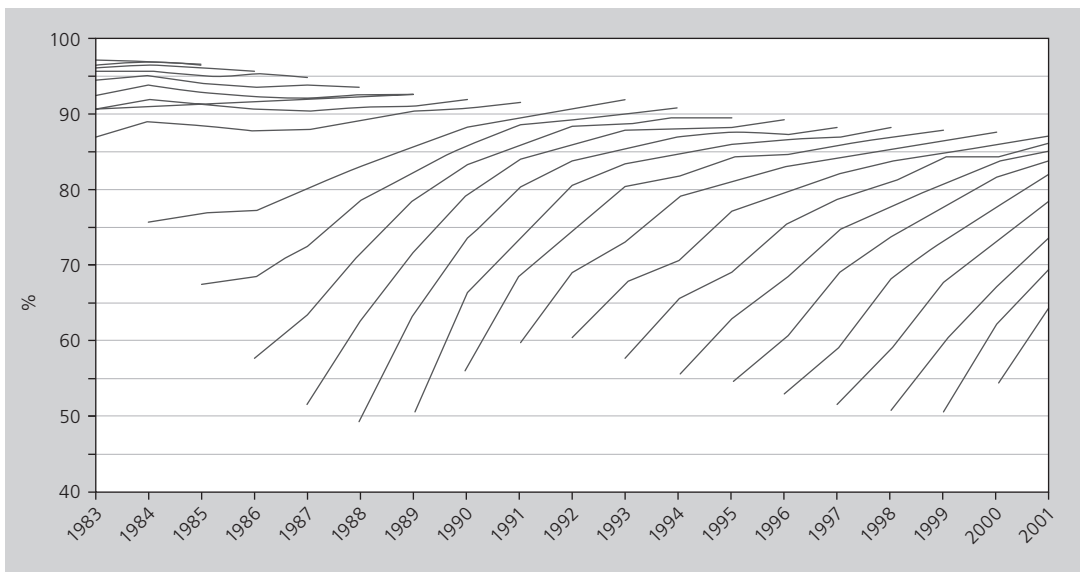
sector, however, there is better qualification recognition and valuing of specialised training. Gender inequality is therefore closely related to these structural effects. When women have nonetheless chosen more »masculine« career paths, such as engineering, electrical engineering, public works, physics or IT, they are still not on an equal footing with men. Although their careers resemble those of young men, women’s salaries are lower. In 2009, in companies with fewer than 10 employees, the annual average gross salary for women was 24 per cent lower than for men (Muller 2012). The discrepancy is 14 per cent if you compare the hourly wage. There is a nine-point difference if you compare comparable professional qualifications. The gap is lower for the younger generations (Table 3). But if you take account of the number of hours worked, gender wage inequality has in fact increased in recent generations given the effect of forced part-time work.

4. Is the Labour Market Too Rigid?

The high concentration of young people in temporary jobs reveals dual tendencies. This reflects, of course, the highly segmented nature of the labour market and in particular the position occupied by young people in most European countries (Fondeur and Lefresne 2000). As we have seen, because young people are entering the labour market they predominate in temporary jobs (Table 1).



Figure 4: Share of stable jobs* per cohort (1983–2000 cohorts)



Note: * Corpus: total number of employees.

Source: Employment Survey 2002 INSEE. Cited in Fondeur and Minni (2005).

This is the age-related dimension. As age increases, the proportion of CDD decreases. But examination of the generational breakdown makes it clear that each generation occupies fewer stable jobs than the previous generation (Fondeur et Minni op. cit; see Figure 4).

4.1 Structural Effects and Insecure Jobs

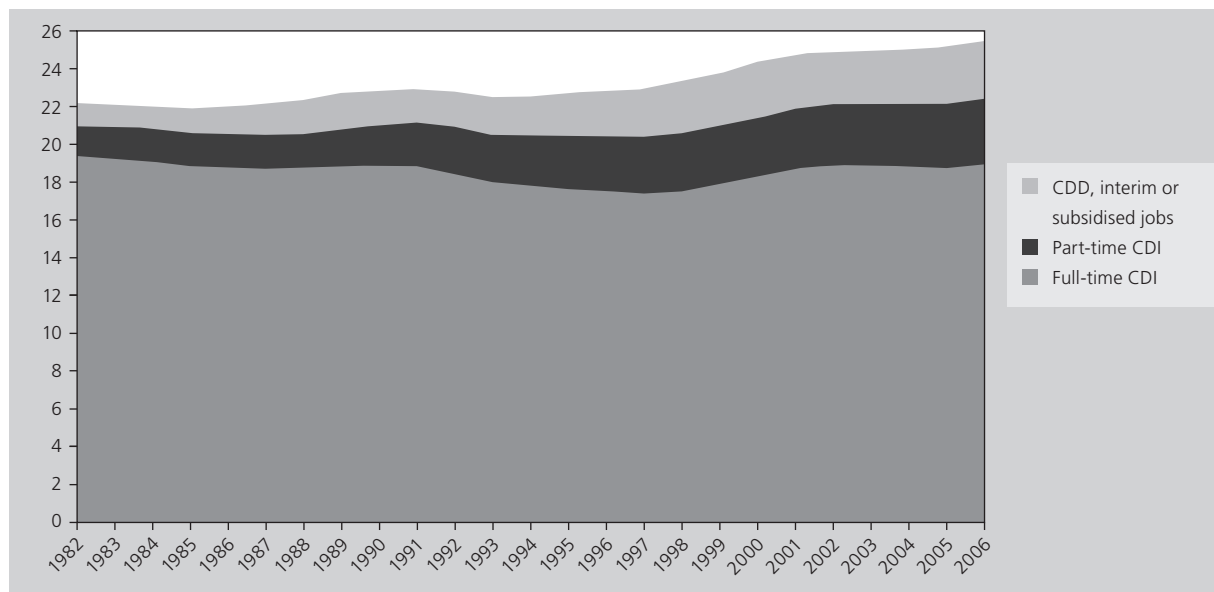
Temporary work and fixed-term contracts (CDD) are more frequent today, but lead less frequently than in the 1980s to a permanent contract (CDI). The CDD-to-CDI conversion rate (fixed-term to indefinite contracts) is decreasing. Only one-quarter of temporary workers and one-third of fixed-term contracts in 2001 had obtained a CDI one year later (Cancé and Fréchou 2003). During the same period, the gap became wider between those with and those without qualifications. Thus the probability of obtaining a CDI, an indefinite contract, has fallen by more than 20 points for labour market entrants without qualifications but also for those with higher qualifications following a short course of study, whereas there is only a five-point drop for those with a post-graduate degree or for graduates of the *Grandes Ecoles* (Givord 2006).

It is true that observing the changes is difficult if one examines the stock of jobs. CDD (including subsidised

contracts and apprenticeship) represented only 14.4 per cent of the total number of jobs in France in 2007 and part-time contracts 17 per cent. But the flow – that is, the share of temporary contracts in new jobs – ends up eating away the stock. One can observe that the number of full-time CDI was roughly the same in 2007 as it was in 1982. In other words, the increase in the number of jobs during the period corresponds to non-standard work contracts (Figure 5).

The structural transformation of standards relates to the narrowing of the ILM, as well as to deep-rooted destabilisation. Job security, as it was guaranteed in the Fordist period, is no longer a reference. Temporary work, subcontracting, outsourcing and the fragmentation of the working class – including headcount reduction (in particular, the use of various categories of self-employed consultants instead of staff) – are now part of most employers' strategy. Given the globalisation of mass unemployment, businesses have responded to a series of exogenous shocks by diversifying their employment strategy and adapting their internal organisation to the external pressures that affect their own recruitment capacity or their ability to stabilise the labour force while attempting to maintain the level of mediation required to meet their own performance targets. Labour representatives resisting the pressure of competition behind the walls of their

Figure 5: Types of work contract, 1982–2007 (millions of jobs)



Source: INSEE, employment survey in IRES (2009), *La France du travail*, L'Atelier.

citadel have found it difficult to fight the development under way during the past 30 years, both in terms of work itself (deterioration of working conditions, stress, the pressure of flexitime, profitability constraints, clients and so on) and also save jobs. The idea that a CDI provides security has now become an illusion. Holders of tenuous CDIs – those who admit that they fear for their jobs in the next 12 months – now represent 10 per cent of the workforce; one must also add the 5 per cent of underemployed CDIs (Rouxel 2009). Layoffs, although fewer in number as a cause of unemployment than the end of a fixed-term contract, nonetheless remain particularly and durably stigmatising and can lead to a drying up of employment in an entire region if the business played the role of an economic engine.

4.2 Flexicurity: A Mirage?

For many years now, a theory often supported by international economic organisations would have it that the rigidity of the French labour market is the cause of the persistent difficulties of young people trapped in certain types of employment. Emphasis is placed on the legal framework of the labour contract in France. Adding flexibility to this framework is seen as making it possible to better redistribute job opportunities and do away, at last,

with the inequality among generations weighed down by labour market segmentation. This principle is at the very foundation of flexicurity, adopted by the European Commission. However, there is little or no empirical proof of its effectiveness. Even the OECD in its annual *Employment Outlook* in 2004 pointed out that no econometric study has been able to prove the existence of a correlation between the degree of severity of job-protective legislation and the level of job creation. And yet the proposal to have a single deregulated work contract flourished in official reports during the first years of the twenty-first century. The government took inspiration from the idea and developed a new youth contract. Under Prime Minister Villepin in January 2006 the government attempted to launch the »first-hire contract« for young people under 26; it was a sort of CDI but entailed major exceptions to labour law. The employer would be allowed to terminate the contract at any time during the first two years (compared to the 2–6 month timeframe for both the CDD and the CDI) and without having to justify the termination by indicating a serious or real cause. Due to the social protest movement this contract never came to be. The crisis in 2008 no doubt weakened the recommendations in favour of flexicurity. Massive layoffs occurred despite the »rigidity« of the CDI. In fact, the number of flexible contracts has accelerated unemployment, as can be seen from the Spanish case in particular. Public service

jobs, which had been so strongly criticised, are now seen as a protective firewall without which the present situation would be even worse.

5. The Impact of Public Policy on Youth Professional Integration

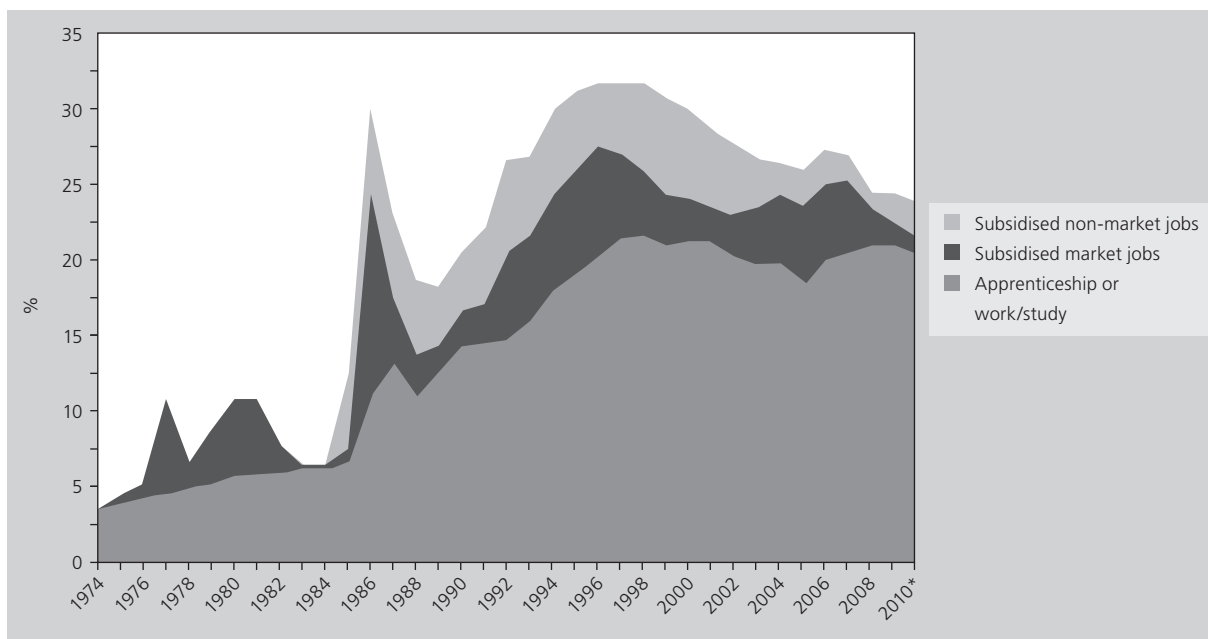
Since 1975, more than 80 different schemes have been created, replacing or adding to previous measures. Each new cabinet or each new economic crisis heralds new policies to the extent that this field of French public policy is now almost impenetrable. Surveys show that young people themselves and their families don't even know which of the different contracts they were hired under. Against the backdrop of the flurry of new acronyms there is more stability than one would think, however (Lefresne 2010). The main policy consists in special work contracts which apply to the market or non-market sector and which each represent a waiver to the legal working conditions which apply to the CDI or other non-subsidised contracts. To a certain extent, the very existence of a work contract represents progress compared to the basic status of the intern so prevalent in the schemes of the 1980s. Reverting to labour law is fundamental for sev-

eral reasons: minimum wage, eligibility for French social security (health care) and access to social rights in the workplace. However, the growing share of state-subsidised contracts in youth employment (see Figure 6) has contributed to temporary work having now become the main access pathway to the job market; it is regarded as commonplace. Employment policy has thereby contributed to the undercurrent of destabilising work contract standards (IRES 2009; Supiot 2009). In today's context of tighter fiscal policy one could question whether or not state subsidised financial incentives are appropriate since that seems to imply that youth unemployment is mainly caused by high labour costs.

5.1 Different Measures, Different Targets

The most numerous group of measures relates to market sector access. Small businesses (fewer than 10 employees) most frequently avail themselves of these government-subsidised contracts. It is important to distinguish between subsidies as an incentive to employers (reduced social charges for hiring part-time employees or for low wage jobs) and measures that target certain categories (the young, long-term unemployed, unskilled young

Figure 6: Share of subsidised jobs as a percentage of the employed under 26 years of age



Note: * Provisional numbers.

Source: DARES estimates, 31 December, on subsidised employment, INSEE employment survey 1974–2010.

people). Other measures are mixed and combine wage subsidies with employer-financed training. Work-study contracts, which come under the «mixed» category have gone by various names: *contrat de qualification* and *contrat d'adaptation* created in 1983, then replaced in 2005 by the *professionalisation contract* under the Social Cohesion Law. These contracts provide for training that could lead to certification and justify the low wages paid to young people under the work/study contract. These measures co-exist in parallel with apprenticeships which have for some time been an avenue for integration in certain sectors, such as construction and cottage industries. Despite legislative incentives, apprenticeships were looked upon with scorn until recently, when they began to develop in new sectors such as large industrial corporations, service industries as well as higher education, where 25 per cent of apprenticeship contracts can now be found. The history of employment policy abounds with recurrent measures of the first category that are based on reduced social charges (without a training component) and sometimes come into competition with work/study programmes. Since 2010, the CUI (Contrat Unique d'Insertion – Single Integration Contract) that goes by the name CIE in the market sector is a good example. The CUI/CEI is a fixed-term or a non-fixed-term contract (6–24 months) on the basis of which the employer pays reduced social charges up to the value of 47 per cent of the gross minimum wage (SMIC)

The measures that apply to the non-market sector suffer from dual objectives, which are difficult to reconcile. On one hand, emphasis is placed on job creation and unsatisfied collective requirements. On the other hand, these same measures in the non-market sector target disadvantaged groups often rejected by corporate employers. These measures have thus been an instrument in the social treatment of unemployment since the 1980s. The numerical targets aimed for by those in favour of such measures are incompatible with the declaration in the law that the measures must apply to specific tasks/jobs with a training element. The probability of such tasks being transformed into real jobs is low given the fiscal constraints weighing on local and regional authorities, which represent more than half of these employers. Rather than increasing permanent jobs, many bodies in fact make permanent use of these special measures to compensate for the lack of permanent staff. A change occurred in 1997 with the *Nouveaux services emplois jeunes*, known as «*Emploi Jeune*» (Youth Jobs). This programme was based

on professional recognition of new social mediation jobs, jobs related to the environment and services to private individuals and is open to young people under 26 without any education-related constraints and corresponds to massive requirements in the regional authorities, the education system (school assistants) and the Police (security deputies). The advantages of this programme lie in the long timeframe (five-year contract), similarity with standard contract conditions (full SMIC, full-time work) and the definition of the qualifying programme in such a way that it leads to new jobs. Access is relatively limited as regards the very disadvantaged groups, however. Close to 80 per cent of the young people benefiting from the programme hold a degree equal to or higher than the Baccalaureate. This programme led to the creation of 350,000 jobs between 1997–2002 but was stopped with the change of government. The various measures that applied to the non-market sector were suspected of creating «phony jobs» and were terminated. However, the rise in youth unemployment thereafter, reaching 20 per cent in 2003, led public authorities to revise their opinion somewhat. Since 2010, the CUI-CAE has been the sole subsidised work contract in the non-market sector. Under these contracts the cost of labour is 80 per cent subsidised.

5.2 A Culture of Supporting Young People in Difficulty

Along with youth integration policy a whole culture of supporting social groups in difficulty was developed. As early as the 1980s, the Schwartz report, which led to the setting up of a youth help network *Réseau d'accueil des jeunes* (Missions locales, PAIO), emphasised overall treatment of young people in difficulty, including professional and social integration (housing, health, delinquency prevention). This approach led to a wider definition of the expression «young people in difficulty». The CIVIS programme set up in 2005 was intended to accompany unskilled youth aged 16–25 (reinforced support for this group), or for young people who had gone to an institution of higher education but had not completed the degree necessary for a «sustainable job» (CDI or CDD longer than six months other than subsidised contracts in the non-market sector); at the end of 2010, this programme involved 274,000 young people. The duration and quality of the support provided to young people are essential parameters for the success of such

programmes and have tangible effects through individual support, re-socialisation helping young people find access to public services they would not spontaneously know about (health, drug programmes). The impact on access to employment is nonetheless limited (see above), as is the impact on enabling young people to become financially independent. Youth poverty has increased considerably during the past decade; the poverty rate among 18–24 year olds – defined as 60 per cent of the median income – was 22.5 per cent in 2010 compared to 13 per cent for the entire population. The particularly restrictive conditions for access to the RSA benefit for under 26s (3,600 hours worked in the previous three years) are such that only 10,000 young people could gain access as of September 2010. The *contrat d'autonomie* (contract for autonomy) set up in 2008 as part of the *Plan espoir banlieues* (Plan for hope in disadvantaged neighborhoods) included a monthly benefit to be paid to the signatories during the phase of job search or training. Experimentation with the *revenu contractualisé d'autonomie* (autonomy income contract) for 5,500 young people is under way. The goal is to measure the effects of support on youth job access.

5.3 Subsidies More and More Centred on Low Wages

Youth employment policy has contributed to making temporary work and part-time work more commonplace. Experimentation and the development of new measures were not limited to the legal form of the work contract. The principle of waiving social charges meant that employers were dispensed from their liability to co-finance social protection, thereby shifting this burden onto the shoulders of the community. The waiver is massive for low-paying jobs: 26 per cent at the level of the SMIC (28 per cent for companies with up to 20 employees), then declining gradually up to the limit of 1.7 times the SMIC. This amounted to 23 billion euros in 2008 (Roguet et al. 2011). If we add the waivers related to overtime hours initiated in 2007, and other measures (in favour of jobs in certain geographical areas, the hotel-restaurant business and so on) the so-called general reductions of job-related social charges amounted to 39 billion euros in 2008 (much higher than the accumulated deficit of the social security system in 2010) compared to 7 billion euros for subsidised contracts, which target specific groups. Since the middle of the 1990s, the share of so-

called targeted expenditures has decreased to the benefit of general reductions, although evaluations have shown that these measures have a limited effect on the volume of available jobs. This tendency continues to encourage the hiring of young graduates in low-paying jobs, thereby accentuating their social demotion and excluding even more less-skilled young people from the job market. The question arises concerning the validity of public policy incentives to create unskilled jobs whose level has returned to that of the 1980s (Amossé and Chardon 2006). On one hand, low quality jobs tend to contribute to various forms of employment-unemployment rotation rather than long-lasting employment. Situations in which people are mired in insecure jobs are far from marginal and vary with the level of qualification (Fougère 2008). The crisis has merely accentuated the amplitude. On the other hand, the rise in unskilled jobs makes one wonder about the limits of productive effectiveness of these job market access models in light of the stakes in Europe: in other words, the construction of a highly competitive knowledge society.

These tendencies highlight highly contradictory phenomena: the construction of solid social expertise in supporting young people in difficulty, on one hand, and fiscal choices in favor of competition between groups to the detriment of job quality, on the other.

5.4 Limited Correction of Inequality through Qualifications

Not all of these measures are equivalent in terms of job access. There are major differences between the market and non-market sectors. The *Contrats de professionnalisation* (professionalising contracts) in the market sector represent the top category in terms of job access. Other measures, such as the *Contrat d'accompagnement dans l'emploi*, lead to lower levels of integration and greater adherence of beneficiaries to subsidised employment (economists refer to a «trap effect»).

Measures that apply to the market sector give better results because they target better skilled groups: 71.5 per cent of the beneficiaries of the *contrats de professionnalisation* have completed more than a Baccalaureate (high school degree) (Sanchez 2011), while the most vulnerable are excluded although they would benefit most from the stepping stone the measure could provide. They

can only benefit from the other measures that stigmatise those subject to them and keep these young people from »normal« employment. (Many young people refrain from mentioning the fact that they had non-market sector subsidised jobs during a job interview.) Employment policy functions as a selection mechanism, very much like the school system itself: those who have the best training will benefit from jobs close to market conditions, while those who are less skilled will be left with the non-market sector and more than uncertain integration potential.

This highlights one of the main limits of employment policy, which leaves operators faced with the following paradox: the less targeted the measure is, the more it will be influenced by market selection and the greater will be the disqualifying effect on the most vulnerable, who remain excluded. Similarly, the more the measure is targeted to the disadvantaged, the greater the risk of producing a dual effect of stigmatisation, thereby confining the disadvantaged to a series of insecure jobs, interspersed with unemployment. (Some employers actually sort job applications in part on the basis of the »negative« signal of whether the applicant has benefited from certain measures, in particular in the non-market sector.) Given this delicate balance, public authorities tighten or loosen the targeting depending on economic trends while taking account of the fluctuations of the employment rates. All in all, it is an uphill battle for employment policy to counter job market selection; the same effects are reproduced while simply moving the cursor to the detriment of youth as mass unemployment becomes ever more prevalent. Thus a minority – although ever-growing – number of CIVIS beneficiaries are secondary school graduates (24 per cent in 2007). Strongly encouraged to avail themselves of the »Mission locale« offices during the 2008 crisis, young graduates with the Bacalaureate represented two-thirds of the increase in the number of young people in the programme in 2009 (Bonnevialle 2011). Downstream, the effects of the support provided were far from negligible (re-socialisation, access to health care and work experience), but close to half of the young people remained inactive or unemployed when they left the programme in 2007 (Bonnevialle 2008) and the number rose even more in 2009.

5.5 Employment Policy Was Not an Effective Shock Absorber with regard to the Effects of the Crisis

Contrary to the situation observed in Germany, where youth unemployment has not increased since 2007, employment policy in France has not had a counter effect during the crisis. Subsidised contracts fell in number during the 2007–2009 period. In the market sector, the *contrats de professionnalisation* for those under 26 went from 173,000 at the end of 2007 down to 141,500 in June 2011, whereas youth unemployment increased by 5 points during the same timeframe. In the non-market sector, the number of subsidised contracts for those under 26 increased from 51,000 at the end of 2007 to 55,600 in June 2011, with a trough of 30,000 in 2008. The ambitious goal of the public authorities to promote apprenticeships has not come to fruition. The emergency plan in favour of young people adopted in April 2009 referred to a target of »320,000 apprentices to be hired between 1 June 2009, and 1 June 2010«, whereas in fact there was a slowdown in the number of new apprentices during that period. Between 2007 and 2011, the number of apprentices went down from 418,000 to 390,000.

As is the case for subsidised contracts in the market sector, work-study programmes malfunction during a recession. When employers' orders slacken off, they hesitate to hire apprentices. The emergency plan did reinforce financial advantages for employers until June 2010, however, granting a total waiver of social charges for employers providing training along with an additional incentive of 1,800 euros to companies with fewer than 50 employees who hired an apprentice. The success of apprenticeship is not measured only in terms of the number of hires, however. One-quarter of the contracts were terminated early. The reasons were various: error in orientation for the young people, poor acceptance in the workplace, insufficient basic knowledge, financial considerations and transportation or housing problems.

The question remains as to how to fight this dropout rate. This highlights one of the fundamental differences with Germany with regard to apprenticeships, where it represents two-thirds of each cohort and exists throughout all business sectors. In Germany, priority is given to vocational training on the basis of a partnership built up since 1969 guaranteeing a mutual commitment on the part of both young person and employer until the

completion of the course; the value of the qualification is equally recognised throughout the country. Social partners regulate each branch of activity and on the basis of economic and technical constraints determine quantitative and qualitative goals in initial training for each sector, so that the training offer is maintained even during an economic slowdown.

6. Conclusion: Today's Young People Give Us a Preview of Tomorrow's Labour Market

The acronyms used in professional integration have come and gone with political platforms and economic ups and downs, but the content remains fairly constant. The fall in labour costs has been the main common denominator with no commitment on the part of employers to avoid the windfall or deadweight effect (jobs that would have been created anyway without the subsidy or social charge waiver), or to enable these first jobs to become part of a real upwardly mobile career path for young people. Subsidised employment has not really had an effect on the level of youth unemployment, which has remained on average 2 to 2.5 times higher than for the whole active population and has reached a critical threshold in the recent crisis but represents for a large portion of young graduates the primary means of access to the labour market with no guarantee of stabilisation. The most fragile young people – in particular, the 130,000 drop-outs without qualifications – are not able to gain access to subsidised jobs in the market sector. It would appear that using financial incentives alone is insufficient if the goal is to profoundly modify employers' hiring and labour management behaviour. Nevertheless, that is what was again suggested in a report submitted to the President of the French Republic in January 2012, proposing new social charge waivers to be financed by the redeployment of existing measures such as the tax credit. Why is it that the state (or in fact the regional authorities) do not avail themselves of the possibility of negotiating with employers the actual content of the job and training given to young people in exchange for the substantial subsidies granted to employers? Social partners have often strayed away from this area of public policy with the exception of work-study programmes that include major financial incentives in the training component. The crisis changes nothing in the diagnosis: initiatives targeting young people come mainly, if not exclusively from the state: the


»emergency plan for youth employment« (April 2009), then the »action for youth plan« in September 2009.

Starting in 2011, however, the social agenda defined by the social partners included youth employment as a priority theme and four agreements were signed on job and qualification access issues (Freyssinet 2011). Although the scope of these agreements remains limited in light of the structural issues at hand, the development of social negotiation in the area is an innovation. Young people and women in France, as in many other countries, have borne the brunt of insecurity during the past 30 years. Although with the increase in age the proportion of part-time or temporary jobs tends to decrease, the deeper structural effects of these long periods of work under sub-standard contracts must be stressed. Each generation occupies fewer stable jobs than the previous generation. In other words, the structural effects of today's youth job market give us a preview of what lies ahead (Lefresne 2010).

What employment policy can be recommended in today's context? Subsidised contracts could be concentrated on the most disadvantaged groups and governed by collective bargaining agreements in order to ensure that these contracts remain statutorily transient and exceptional. Indeed, for these young people without skills or qualifications, the real challenge lies in the school system. The contract between generations to be implemented by the new government following the recent Presidential elections could be considered an incentive for employers to train young people using their senior employees (see box). However, it would no doubt be risky to continue extending substandard work contracts and insecurity to a population with a higher and higher level of education. The main challenge for employment policy in today's crisis is to invent and promote a new professional status for the entire body of active people based on quality employment, the value of work and more secure professional pathways.

The contract between the generations resulting from the election of François Hollande as President of the Republic

According to this measure, a contract would be signed between an employer and two employees: a young person under 30 and a senior over 55. The employer would



commit to training the young employee, benefiting from the experience of the senior. The senior would spend part of his/her time (25 or 30 per cent) training, mentoring and guiding the young employee. The senior would teach his/her job to the young person. The measure would be reserved for young graduates, although the precise level has not yet been discussed with the social partners. The goal of this measure is to act as an incentive to employment in industry avoiding the demotion of qualifications for young people who have difficulty finding jobs when they graduate.

The contract between the generations would be signed for a period of five years or for a period up until the 30th birthday of the young person, whichever is shorter. The two employees would draft a joint report every 6 months describing the participation of the senior and noting the progress made by the young person. The report would be available to the Labour Inspectorate who could then check the validity of the training provided. Each year the employer would report on the contracts between the generations in a public report as an annex to their annual report filed with the Tribunal du Commerce. By way of incentive the state would grant financial aid throughout the duration of the contract. The amount could be 2,000 euros/month.



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Table of Abbreviations and Acronyms

French Acronym	Meaning in French	Rough equivalent in English
BEP	Brevet d'études Professionnelles	Professional Certificate
BTS	Brevet de Technicien Supérieur	Higher Technician Certificate
CAE	Contrat d'accompagnement dans l'emploi	Job support contract – subsidised work contract
CAP	Certificat d'aptitude professionnelle	
CDD	Contrat à durée déterminé	Fixed-term contract
CDI	Contrat à durée indéterminé	Permanent contract
CEREQ	Centre de recherche et d'étude sur les qualifications	Research and study centre for qualifications
CIE	Contrat initiative-emploi	Job initiative contract – subsidised work contract
CIVIS	Contrat d'insertion dans la vie sociale	Social integration contract
CONTRAT DE GENERATION		Intergenerational contract
CUI	Contrat unique d'insertion	Integration contract (subsidised work contract)
DARES	Direction de l'animation de la recherche, des études et des statistiques	Labour Ministry Directorate for Research, Study and Statistics
DEPP	Direction de l'évaluation, de la prospective et de la performance	Education Ministry Directorate for Evaluation, Outlook and Performance
DEUG	Diplôme d'études universitaires générales	2-year university degree after the Baccalaureate
DUT	Diplôme universitaire de technologie	Technology diploma
INSEE	Institut national de Statistiques et d'Etudes Economiques	French National Statistics Institute
IRES	Institut de Recherche économique et social	Social and Economic Research Institute
PAIO	Permanence d'accueil, d'information et d'orientation	Information, orientation and walk-in office for young people
RSA	Revenu de solidarité active	Active Solidarity Benefit
SMIC	Salaire minimum interprofessionnel de croissance	Hourly minimum wage



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