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The composition of the Observatory

Chair: Bertrand Fragonard

7 members by right
- President of the National Council for the Fight Against Poverty and Exclusion, Bernard Sellier, senator
- INSEE (National Institute for Statistics and Economic Studies), represented by Michel Glaude
- Commissariat général du Plan (General Planning Commission), represented by Pierre Vanlerenberghe
- Direction de la recherche, des études, de l’évaluation et des statistiques (Division of Research, Studies, Assessment and Statistics), Ministry of Social Affairs, Employment and Solidarity, represented by Mireille Elbaum
- Direction de l’animation de la recherche et des études statistiques (Division of Research Organisation, Studies and Statistics), Ministry of Social Affairs, Employment and Solidarity, represented by Béatrice Sédillot
- Direction de la prévision (Forecasting Office), Ministry of Economy, Finance and Industry, represented by Jean Bensaid
- Caisse nationale des allocations familiales (National Family Allowance Fund Agency), represented by Virginie Madelin

7 academics and researchers who are recognised as experts in the field of poverty and exclusion
- Michel Autès, sociologist, researcher with the Centre national de la recherche scientifique (CNRS, National Scientific Research Centre)
- Jacques Freyssinet, professor at Université Paris I, former director of the Institut de recherches économiques et sociales (IRES, Institute for Econmic and Social Research)
- Olivier Galland, sociologist, research director at the CNRS
- Bernard Gazier, director of Matisse at the CNRS
- Jean-François Germe, economist, professor at the CNAM, director of the Centre d’études de l’emploi (Centre for Employment Studies)
- Michel Legros, director of the Politics and Institutions Department at the École nationale de la santé publique (National School of Public Health)
- Maryse Marpsat, Institut national d’études démographiques (National Institute of Demographic Studies)

7 competent individuals who have contributed or continue to contribute, by their action to integration and the fight against exclusion
- Michel Bérard, representing Voisins et citoyens en Méditerranée
- Françoise Coré, member of Atd-Quart Monde
- Patrick Henry, doctor, head of the Lutte contre l’exclusion (Combat against exclusion) department at RATP (Paris Urban Transportation System)
- Christian Hervé, doctor, Laboratoire d’éthique médicale
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- Marie-Françoise Wilkinson, former director of the European Anti-Poverty Network

Report: Blanche Guillemot
General Secretary: Marie-Thérèse Espinasse
Head of project: Dominique Aitsalem
Secretary: Salimati Daroueche
This is the third report by the National Observatory on Poverty and Social Exclusion (NOPSE). As in previous years, the Observatory is publishing two distinct volumes. The “Travaux” includes studies carried out for the Observatory, conducted under the sole responsibility of the authors.

The second volume, this report, presents the perspective of the Observatory, which comprises three sectors: representatives of social and economic administrations; qualified individuals who have or are contributing to the fight against poverty; and university professors and researchers.

The report assesses evolutions in long-term poverty and in the recent period, as stipulated by the 29 July 1998 Act for combating social exclusion, which led to the creation of the Observatory.

The Observatory has sought to determine the role of social benefits on reducing poverty, as well as the impact of recent social and fiscal reforms on the resources of poor households.

It has also continued its analysis of access to such basic rights as housing, health, education and banking services.
Evolution of long-term poverty: fewer poor people, but poverty currently affects the active population more than pensioners

In the long term, the rate of monetary poverty, or the proportion of households with a standard of living below half the median standard of living,1 decreased sharply until 1984, at which point it stabilised. More than 15 per cent of households were poor in 1970; this number dropped to 7.4 per cent in 1984 and 7.2 per cent in 1996. This considerable reduction in poverty primarily concerned pensioners. Conversely, starting in the mid-1980s, poverty among wage-earners and the unemployed worsened, a consequence of the downturn in the job market and the persistence of widespread unemployment.

From 1996 to 2001, the proportion of poor households once again decreased, but less sharply: 7.2 per cent of households were poor in 1996, 6.1 per cent in 2001. Poor people had an average standard of living that was 80 per cent of the poverty line in 2001.2

The decrease in monetary poverty noted between 1996 and 2001, a period characterised by improvement in the economic context, primarily concerned active households, whether they were wage-earners or unemployed. The evolution of the poor population is therefore extremely clear cut: the number of poor people living in an active household was reduced by nearly 740,000; on the other hand, the number of poor people without any link to a working person increased by 210,000.

During this period, the number of social minima recipients also dropped, and this decrease (which was substantial in 2000 and 2001) primarily concerned recipients of the RMI (Guaranteed Minimum Income) and the ASS (Specific Solidarity Allowance), two social minima which are strongly linked to a drop in long-term unemployment and uncompensated unemployment.

Improved growth has reduced poverty, although the link between the economic climate and poverty remains partial

There is a type of poverty which is resistant to recoveries in employment over several years; unemployment is certainly a decisive factor in poverty, yet it is not the only cause.

The recovery in employment has bypassed, either temporarily or in a more long-term fashion, unemployed individuals with a low standard of living, who often lack qualifications and are most alienated from the job market.

Finally, the persistence of poverty also affects people who are employed. People can have a job, yet be poor. The number of working poor decreased considerably between 1996 and 2001, but there were still one million poor workers in 2001.

1. Definitions of this term, and others, are given in an appendix.
2. The poverty measurement is extremely sensitive to the selected thresholds, which are based on agreements. Hence, with a threshold of 60 per cent, 7,167,000 people were poor in 2001, or twice as many as when a threshold of 50 per cent (3,557,000 poor people) is used.
Poverty has risen slightly since 2002

Since the economic slowdown which began in the second half of 2001, several indicators point to a rise in the poverty rate.

The change in the number of RMI recipients confirms this trend, with an increase of 1.4 per cent in 2002. The fact that this increase was small can be explained by an improvement in the coverage rate of the unemployment compensation system. The difference was much greater in 2003, with an increase of 4.9 per cent.

In 2004, reforms in the unemployment insurance scheme and the ASS, which became effective on 1 January, should bolster this trend.

The concept of persistent poverty does not mean that the same people remain poor

Half of the households experiencing difficulties in their living conditions for one year are in the same situation the following year; half of them are not. This “rotation” is also observed for social minima recipients. Hence, from 2001 to 2003, slightly more than one-quarter of ASS, RMI and API (Single Parent Allowance) recipients were no longer eligible for the minimum social benefits they had received the preceding year.

Public opinion continues to take a harder line, despite difficulties linked to the economic climate

Among the causes that could explain poverty, “lack of work available” is cited less and less by people surveyed during opinion polls, while “refusal to work” is more often suggested. Since 2000, a majority of people consider that “the RMI may encourage people to grow complacent”. The views of people who have no direct contact with poverty increasingly diverge from those who are facing poverty (either they themselves or someone in their entourage).

The major role of social benefits in reducing poverty

Social benefits are an important component in the final income of poor households. They have played an essential role in compensating for changes in the economy, and have partially offset negative effects. Thus, the proportion of poor households with wage-earners or unemployed individuals, before factoring in the benefits, rose by four points from the early 1980s to the late 1990s. Social benefits have, in part, offset increased poverty among wage-earning incomes.

Social benefits have had a stronger impact on households with the lowest incomes. These represented more than 50 per cent of the income of the poorest households in 2002. Targeted benefits (means-tested allowances, social minima) represented more than 40 per cent of their income, while family allowances not subject to means-testing, nearly 12 per cent. Although the housing allowances are less specifically targeted than the social minima, their impact is nearly as great.

The impact of social benefits in terms of reducing poverty is particularly significant for large families with four or more children and for single-parent families. For
these people, the initial standard of living before factoring in the benefits is considerably lower than that of all households. But with the accumulation of benefits and deductions, their poverty rate is considerably reduced.

**Benefits that are effective despite their complexity**

The social minima ensure that a broad sector of the French population is covered. The system of minimum incomes is complex and is a result of eight different kinds of social assistance, each targeted to a different need. When all else is equal in a given situation, the specific minimum social benefit varies depending on the guaranteed minimum incomes, the type of resources taken into account and the additional benefits associated with them.

**The dynamics of change for benefits is complex and sometimes incoherent**

The methods of indexing the different social benefits are far from equitable or uniform. Yet they play a major role in the evolution of incomes in poor households, which depend on them to a large extent.

Some social benefits are indexed to consumer prices, which increase less than the average salary or the SMIC (Minimum Wage). This indexing method does not exclude “boosts” (special solidarity measures) or their opposite, freezes.

Housing allowances, which play an essential role in the incomes of poor households, are indexed according to a specific model and a method that has little to do with the actual rise in rents. As a result, their contribution to solvency has increasingly waned.

**A widening gap in resources between minimum incomes and low incomes**

Several reforms were recently adopted to improve the situation of wage-earning households and to make employment more financially attractive. The specific measures of these reforms aim, on the one hand, to reduce or eliminate the loss of income or advantages linked to benefits (notably exemptions granted to social minima recipients), and on the other, to offset the costs associated with a return to employment or of maintaining a job.

Beyond their impact on a return to employment, these reforms have increased the available income of poor households. This is particularly true of the housing allowance reform, while the PPE (Earned-Income Tax Credit) was effective at a much higher income scale.

With all the reforms which have been adopted since the creation of the RMI to date, the gap between low incomes and the RMI has generally widened, but in varying proportions, depending on family configurations and the amount of time worked in households with a wage-earner.

**Social benefits and access to employment:**

**two complementary tools in combating poverty**

Although reforms have aimed for greater coherency in the social and fiscal system, resulting in an improvement in the financial situation of recipients of
minimum incomes who find employment, we do not have enough distance to objectively assess how they may have modified behaviour.

**A return to employment is not motivated by financial incentive alone**

The social minima and their associated benefits are so complex that any monetary gain or loss incurred by returning to work may be somewhat difficult to assess. It seems doubtful that the people concerned could obtain complete and straightforward information, and therefore make well-informed choices with respect to economic options.

Surveys conducted among social minima recipients (in 1998 and in 2003) tend to put purely monetary approaches into perspective. They confirm that financial incentives to employment do not constitute a decisive factor defining behaviour in terms of employment, in view of the long-term outlook and status which employment can offer. Thus, in 1998, one-third of benefit recipients who had returned to work stated that it offered no financial benefit, while 12 per cent considered themselves worse off. In 2003, nearly one-quarter of the individuals receiving the RMI, API or ASS in December 2001 held a job. These jobs were most often temporary or were compulsory part-time jobs.

Finally, we must, of course, mention that a return to employment for social minima recipients depends to a large extent on the conditions of the job market and the employment on offer within this market.

**The major role of employment policies in facilitating the access or return to employment for people experiencing difficulties**

Since 1998, these policies have been readjusted to benefit people deemed to have priority, notably RMI and ASS recipients. Between 1998 and 2002, the proportion of RMI and ASS recipients who received targeted benefits rose from 34 per cent to 38 per cent. Yet despite this readjustment, the overall volume of assisted jobs declined from 1998 to 2002 (a decrease in 330,000 jobs). As a result, the number of jobs offered to RMI and ASS recipients fell by 85,000 between these two dates.

Overall, the impact of these measures on the return to employment was positive, especially for jobs in the sales sector. Thus, 72 per cent of recipients of the CIE (Employment Initiative Contract) and 80 per cent of people with work/study employment in late 1999 held a job in the spring of 2002. Assisted contracts in the non-sales sector (CES: Employment Solidarity Contract and CEC: Consolidated Employment Contract) recorded lower long-term employment insertion rates, but these recipients were far less qualified and had been unemployed for a longer period.

**Access to basic rights**

All of the studies conducted by the Observatory lead to the same assessment of cumulative and recurrent difficulties experienced by poor people. The interaction between health, employment, housing and education calls for a transversal analysis of access to basic rights.
Poverty characterised by an accumulation of problems

In 2003, more than half the social minima recipients (API, RMI, ASS), particularly RMI recipients, were actively seeking employment. Yet for nearly two-thirds of the recipients, job-seeking was hindered by financial and material obstacles such as the cost or lack of transportation and childcare difficulties, notably for women raising children alone.

These difficult living conditions are often compounded by health problems, which may be the original source of the problems in obtaining employment or integrating social life. A contrario, problems linked to precarious living conditions and their possible consequences may cause or exacerbate illnesses.

Problems that worsen in terms of housing

Although access to decent and independent housing constitutes a basic right, problems arise over whether this right is actually implemented. The current housing situation, as noted by many organisations (CES: Social and Economic Council, Abbé Pierre Foundation), has disturbing consequences on the condition of the extremely poor.

The discrepancy between the offer and demand for housing is growing; although this phenomenon affects the entire population, the difficulties have worsened for the poorest people. The options for choosing a place to live and its location are increasingly limited, and housing situations are characterised by sudden and dramatic events or people being relegated to bad neighbourhoods with little hope of mobility.

Most poor households nevertheless have a place to live and are, for the most part, renters. The HLM (Low-Rent Social Housing) sector accommodated one-third of poor households in 2002, as opposed to 20 per cent in 1988. The private sector accommodated 24 per cent of poor households in 2002, as opposed to 19 per cent in 1988.

The increase in rents and the diminishing impact on solvency of housing allowances means that housing expenditure takes up an increasingly large share of the budget of poor households.

From 1988 to 2002, rents for poor households increased by nearly 80 per cent, while income grew 30 per cent.

The net expenditure rose from 13 per cent in 1988 to 16 per cent in 2002. It reached 26 per cent in the private sector, where rents increased 100 per cent between 1988 and 2002.

During the period, the impact of housing allowances on solvency was reduced. It remains strong in the social housing sector as it lowers the outlay of poor households to below that of other households. The situation is the opposite in the private sector, where the net expenditure of poor households is currently 26 per cent, or 8 points greater than that of other households.

The rising rents in the private sector have greatly increased pressure on the social housing sector. While the latter increasingly accommodates poor households, it does not nearly meet the demand for housing, which has risen sharply in recent years: the number of housing requests rose from 855,100 in 1966 to 1,042,700 in 2002.
Fewer inequities concerning healthcare access, yet problems remain in terms of individual health

The complementary CMU (Universal Sickness Insurance) has reduced the number of people who forego medical treatment for financial reasons, yet a certain number still do so. For an identical age group, the number of people foregoing medical treatment for financial reasons remains larger among CMU recipients than among individuals receiving another complementary insurance. Nevertheless, seven out of ten new CMU recipients—nearly half of whom had foregone medical care prior to their affiliation—have received healthcare since obtaining benefits.

In addition to the single criterion of access to medical care, recent studies on the health of people in precarious situations reveal a higher risk of poor health or death for the entire social scale concerning the quasi-totality of diseases and work-related accidents. Differences in health based on social origin are reflected in a prevalence of illnesses, deficiencies and accidents, as well as the accumulation of pathologies. Epidemiological studies conducted among population groups affected by different forms of social and economic vulnerability corroborate this assessment of worsened health conditions. It explains the different levels of health consultations among recipients of the CMU and other beneficiaries.

Access to education: inequities which are sometimes exacerbated

Despite widespread access to education, which has reduced discrepancies in the length of schooling based on social origins, social inequities are still pronounced. The combination of academic failure and social exclusion appears to result from a continuum of inequities in terms of schooling and the existence of specific phenomena of crises and exacerbating circumstances, which are sometimes the only factors taken into account in an analysis. Hence, differences in education levels appear very early on. Differences in the acquisition of verbal skills can be detected as early as in nursery school, and the disparities increase from this age on.

Young people leaving school without any qualification still constitute a highly concentrated social phenomenon, which is highest among households of labourers and the non-working population.

The link between difficulties in school and monetary poverty has rarely been studied. Nonetheless, available studies reveal a strong correlation: the percentage of children who are behind in their class by the time they reach the sixth grade is 35 per cent for the poorest families, as opposed to 12 per cent among the wealthiest.

Among the specific problems that exacerbate inequities, illiteracy—a factor of academic, social and economic exclusion—has long been underestimated.

Social inequities as well as academic exclusion are more often described than explained. Actions taken to eliminate the causes which reproduce these inequities or crises in schooling are difficult to define. The effects of specific measures implemented by the French National Education system for students experiencing academic problems or who are considered disruptive elements should be better quantified and evaluated.
**Temporary yet penalising problems: financial and banking exclusions**

Total exclusion from all banking services and accounts affects only 1 per cent of French households, but problems relating to the access and use of these services concern a broader sector of the population. Banking exclusion is manifested through different types of obstacles to accessing banking services which prevent the individual from leading a normal social life. In practice, there are “bankers of last resort” who ensure minimum access to banking services. But the services available to poor households are limited. Thus, 54 per cent of social minima recipients have a chequebook (as opposed to 96 per cent for the entire population), and 40 per cent have a debit card (79 per cent for the entire population).

To meet short-term financial problems for which banks cannot provide adequate solutions, people frequently have recourse to outside financing solutions by mobilising friends and families, or by using consumer loans (notably revolving credit solutions). The ease of access to these loans and their simplicity are equalled only by their exorbitant interest rates. The particular contribution of revolving credit to the burden of excessive debt is symptomatic in this respect. More than 80 per cent of the cases registered with the Commissions for excessive debt include revolving credit situations, with an average of four loans per case.
Chapter 1

Economic climate and the evolution of poverty: a series of intricate relationships

In its 2001-2002 report, the National Observatory on Poverty and Social Exclusion (NOPSE) explored the relationship between economic climate and the evolution of poverty. Drawing on the most recent estimates available, it noted that poverty levels remained stable despite an economic recovery and a drop in unemployment.

Current data sheds more light on this issue: poverty is influenced by the prevailing economic climate, but that influence is only partial. Poverty encompasses a variety of factors which cannot be reduced merely to inadequate income due to unemployment. Economic growth and employment, and policies that aim to bolster economic growth and employment, fortunately have a bearing on poverty, although the latter is somewhat impervious to recoveries in economic activity and national wealth. This is another reason for trying to better understand the factors which lead to poverty, or on the other hand make it possible to move out of poverty.

Poverty indicators

Before addressing the evolution of poverty and its relationship to economic climate, let’s look at the various poverty indicators traditionally used.

Three ways of measuring poverty

Three numerical poverty measures are used: monetary poverty; poverty measured by “living conditions”; and the number of recipients of minimum social benefits. The three approaches, which each comply with particular agreements, are complementary.
Poverty in monetary terms

- The poverty rate

Poverty in monetary terms measures the number of individuals or households whose standard of living is below a given threshold, otherwise known as the poverty line. A household is considered poor if its standard of living (its disposable income per consumption unit) is inferior to the poverty line. A person is considered poor if he or she lives in a poor household.

In France, the poverty line is set at half the median standard of living, the median being defined as a standard of living exceeded by half of the individuals. The INSEE (National Institute for Statistics and Economic Studies) provides this indicator based on a Taxable Income Survey, the standard reference for income. The poverty line is based on available income (total income minus taxes and social charges).

In 2001, the most recent Taxable Income Survey year available, the poverty line based on this definition (50 per cent of the median standard of living) was 602 euros per month for a single person, 903 euros for a couple, 1,265 euros for a couple with two children under age 14, and 783 euros for an adult living alone with a child under age 14.

Table 1
Poverty line at 50 % of median standard of living for the year (in 2001 euros per month)

<table>
<thead>
<tr>
<th>Year</th>
<th>Single individual</th>
<th>Couple</th>
<th>Child under age 14</th>
<th>Child age 14 and older</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>602</td>
<td>903</td>
<td>181</td>
<td>301</td>
</tr>
</tbody>
</table>

Scope: individuals living in a household in which the reference person is not a student.

In 2001, there were nearly 3.6 million people in France whose standard of living was below the poverty line, or 6.1 per cent of the total population.

The choice of the cut-off point in establishing a threshold is inevitably arbitrary or subjective.

The poverty rate varies considerably according to the threshold used. The threshold used as a means of comparison on the European level is 60 per cent of the median standard of living. The poverty rate in France was 12.4 per cent based on that threshold in 2001, twice the level in comparison to the 50 per cent threshold. It was nearly three times lower with a 40 per cent threshold.

---

1. The first adult in the household counts for one consumption unit; others 14 years or older count for 0.5, while each child under age 14 counts for 0.3.
2. Since the 2000 Taxable Income survey, the threshold and the poverty rate are both calculated with respect to individuals, and no longer households.
3. The poverty rate for households (not individuals) is 6.2 per cent.
Table 2
Number of poor people and poverty rate based on thresholds of 40, 50, 60 and 70%

<table>
<thead>
<tr>
<th>Threshold at</th>
<th>Rate (in %)</th>
<th>Number of poor (in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>40 % median standard of living</td>
<td>2.3</td>
<td>1,324</td>
</tr>
<tr>
<td>50 % median standard of living</td>
<td>6.1</td>
<td>3,557</td>
</tr>
<tr>
<td>60 % median standard of living</td>
<td>12.4</td>
<td>7,167</td>
</tr>
<tr>
<td>70 % median standard of living</td>
<td>20.8</td>
<td>12,088</td>
</tr>
</tbody>
</table>

Scope: individuals living in households in which declared income is positive or nil and in which the reference person is not a student.

- Poverty intensity
  Whatever the threshold established, measuring the poverty rate is not enough to determine monetary poverty; the standard of living for some poor people may hover around this threshold. As a result, measuring the poverty rate is associated with measuring the rate of poverty intensity. This is defined as the gap between the median standard of living of poor people and the poverty line.

  In 2001, the poor had an average income of approximately 480 euros per month, or 80 per cent of the poverty line. This level may appear low with respect to the standard of living guaranteed by the RMI, or Guaranteed Minimum Income, for a single person receiving APL (Housing Grant) benefits (cf. chapter 2), which is equal to 97 per cent of the poverty line. The difference lies, in part, in poor households that do not receive housing benefits (homeowners, people living with relatives or friends, isolated homeless individuals), or just under half of all poor households. As the advantage of being a homeowner is not taken into account, resources for poor homeowners (28 per cent of poor households, according to a 2002 housing survey) are underestimated in comparison to those of other poor households.

- The relative nature of monetary poverty must be underscored
  The poverty line is not fixed over time: it fluctuates with the country’s overall standard of living and with respect to the development of income distribution. The poverty rate is in particular an indicator of the inequity of living standards.

  Just as the median standard of living evolves over time with respect to national wealth, the poverty rate undergoes an evolution that is virtually parallel. Income at this threshold rises in constant euros. People below the threshold are still poor relatively speaking, despite the fact that their standard of living has improved.

  It is therefore useful to complete this standard approach by measuring a time-adjusted poverty rate, which provides a more direct measurement of the evolution of the number of poor people who have never experienced an improvement in their situation despite a general rise in the standard of living.

  To measure the evolution of this poverty rate, fluctuations of consumer prices are applied to the poverty line from a given year.

  Therefore, in 2001, 4.2 per cent of the population were living below the 1997 poverty line adjusted for inflation, two points lower than the poverty rate as measured by the 50 per cent threshold of the median standard of living for 2001.
Poverty measured by “living conditions”

Poverty measured by living conditions is a way to complete this monetary approach by measuring the various difficulties of everyday life experienced by households.

The INSEE Continuous Survey on Households Living Conditions annually seeks to measure 27 criteria of everyday life, clustered together into four poverty-related subdivisions: budget problems; restricted consumption; late payments; and housing conditions. Households which experience a series of eight difficulties or more are considered poor.

In 2003, 11.5 per cent of households surveyed were considered poor based on this definition.
Table 3
Indicators of difficulties of living conditions in % of households surveyed from 2001 to 2003

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>I</td>
<td>Budget problems</td>
<td></td>
<td></td>
</tr>
<tr>
<td>I-1</td>
<td>Portion of income used for reimbursement (over one-third)</td>
<td>3.5</td>
<td>3.3</td>
</tr>
<tr>
<td>I-2</td>
<td>Bank overdraft (very frequent)</td>
<td>7.7</td>
<td>8.3</td>
</tr>
<tr>
<td>I-3</td>
<td>Covering expenses with income difficult</td>
<td>17.1</td>
<td>16.6</td>
</tr>
<tr>
<td>I-4</td>
<td>No savings available</td>
<td>26.7</td>
<td>25.5</td>
</tr>
<tr>
<td>I-5</td>
<td>Have to draw on savings</td>
<td>22.0</td>
<td>21.0</td>
</tr>
<tr>
<td>I-6</td>
<td>On standard of living: “It’s difficult and requires going into debt to make ends meet”</td>
<td>15.6</td>
<td>14.3</td>
</tr>
<tr>
<td>II</td>
<td>Late payments</td>
<td>6.5</td>
<td>6.8</td>
</tr>
<tr>
<td>II-1</td>
<td>Bills (electricity, gas, telephone…)</td>
<td>5.2</td>
<td>5.3</td>
</tr>
<tr>
<td>II-2</td>
<td>Rent and maintenance charges</td>
<td>2.5</td>
<td>3.2</td>
</tr>
<tr>
<td>II-3</td>
<td>Tax payments</td>
<td>1.2</td>
<td>1.0</td>
</tr>
<tr>
<td>III</td>
<td>Restricted consumption</td>
<td>9.7</td>
<td>10.1</td>
</tr>
<tr>
<td>III-1</td>
<td>Maintain dwelling at a comfortable temperature</td>
<td>11.5</td>
<td>12.3</td>
</tr>
<tr>
<td>III-2</td>
<td>Afford a week’s holiday once a year</td>
<td>29.6</td>
<td>30.1</td>
</tr>
<tr>
<td>III-3</td>
<td>Replace furniture</td>
<td>30.9</td>
<td>30.5</td>
</tr>
<tr>
<td>III-4</td>
<td>Purchase new clothing</td>
<td>7.9</td>
<td>8.1</td>
</tr>
<tr>
<td>III-5</td>
<td>Eat meat every two days</td>
<td>5.2</td>
<td>5.5</td>
</tr>
<tr>
<td>III-6</td>
<td>Entertain guests</td>
<td>8.8</td>
<td>8.2</td>
</tr>
<tr>
<td>III-7</td>
<td>Give presents</td>
<td>9.1</td>
<td>9.6</td>
</tr>
<tr>
<td>III-8</td>
<td>Own two pairs of shoes</td>
<td>4.8</td>
<td>5.8</td>
</tr>
<tr>
<td>III-9</td>
<td>Not having eaten a full meal during one day over the last two weeks</td>
<td>2.6</td>
<td>3.6</td>
</tr>
<tr>
<td>IV</td>
<td>Housing problems</td>
<td>11.9</td>
<td>11.9</td>
</tr>
<tr>
<td>IV-1</td>
<td>Moderate or serious overcrowding</td>
<td>9.1</td>
<td>9.5</td>
</tr>
<tr>
<td>IV-2</td>
<td>No bathroom inside dwelling</td>
<td>2.6</td>
<td>1.9</td>
</tr>
<tr>
<td>IV-3</td>
<td>No toilets inside dwelling</td>
<td>2.0</td>
<td>1.8</td>
</tr>
<tr>
<td>IV-4</td>
<td>No hot water</td>
<td>1.0</td>
<td>1.1</td>
</tr>
<tr>
<td>IV-5</td>
<td>No heating system</td>
<td>10.6</td>
<td>9.7</td>
</tr>
<tr>
<td>IV-6</td>
<td>Dwelling is too small</td>
<td>19.8</td>
<td>19.3</td>
</tr>
<tr>
<td>IV-7</td>
<td>Dwelling is difficult to heat</td>
<td>25.1</td>
<td>25.5</td>
</tr>
<tr>
<td>IV-8</td>
<td>Dwelling is damp</td>
<td>14.1</td>
<td>13.7</td>
</tr>
<tr>
<td>IV-9</td>
<td>Dwelling is noisy</td>
<td>22.2</td>
<td>21.9</td>
</tr>
<tr>
<td>Total score</td>
<td>11.6</td>
<td>11.8</td>
<td>11.5</td>
</tr>
</tbody>
</table>

Interpretation: 8.5 % of households surveyed in 2003 declare a very high occurrence of bank overdrafts. 7.7 % were in this situation in 2001.
Recipients of minimum social benefits

Social minima allow individuals and households without income, or with income levels below a given ceiling, to reach a minimum resource threshold, which varies according to the allowances.

This measurement of poverty is clearly influenced by developments in social legislation: the number of recipients fluctuates according to any changes in benefits scales and eligibility conditions.

In December 31, 2002, nearly 3.3 million people received minimum social benefits.

Table 4
Social minima, eligibility conditions, scales and number of recipients

<table>
<thead>
<tr>
<th>Eligibility conditions</th>
<th>Monthly scale on 1 January 2004</th>
<th>Number of recipients 31/12/2002 (in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Guaranteed Minimum Income (RMI)</td>
<td>Created in 1988. For people aged 25 or over. The age condition is not required for those with at least one child or expecting a child. Allowance for which the sum granted is differential—difference between the guaranteed threshold and the amount of resources of recipient household taken into account in the calculation (&quot;resource&quot; basis).</td>
<td>Resource threshold and guaranteed allowance&lt;br&gt;Single 0 child: 417.88 €&lt;br&gt;Single 1 child: 626.82 €&lt;br&gt;Single 2 children: 752.18 €&lt;br&gt;Couple 0 child: 626.82 €&lt;br&gt;Couple 1 child: 752.18 €&lt;br&gt;Couple 2 children: 877.54 €&lt;br&gt;+167.15 € per additional child (after the 3rd).</td>
</tr>
<tr>
<td>Single Parent Allowance (API)</td>
<td>Created in 1976. For people raising dependent child(ren) alone. Includes pregnant women; attributed until the 3rd birthday of the youngest child or for a one-year period following isolation.</td>
<td>Resource threshold and guaranteed allowance&lt;br&gt;Pregnant woman: 530.39 €&lt;br&gt;Single 1 child: 707.19 €&lt;br&gt;+176.80 € per additional child.</td>
</tr>
<tr>
<td>Old-Age Supplementary Allowance (ASV)</td>
<td>Created in 1956. Aims to raise the income of those 65 and older to the minimum old-age sum (60 years in case of inability to work); this applies to those who have one or several basic allowances attributed by obligatory old-age schemes or the special benefit provided by the Special Old-Age Allowance Service (SASV).</td>
<td>Resource threshold&lt;br&gt;Single individual: 601.95 €&lt;br&gt;Couple: 1,054.36 €&lt;br&gt;Guaranteed allowance&lt;br&gt;Single individual: 587.74 €&lt;br&gt;Couple: 1,054.36 €</td>
</tr>
</tbody>
</table>
Table 4 (cont.)
Social minima, eligibility conditions, scales and number of recipients

<table>
<thead>
<tr>
<th>Eligibility conditions</th>
<th>Monthly scale on 1 January 2004</th>
<th>Number of recipients 31/12/2002 (in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Specific Solidarity Allowance (ASS)</strong></td>
<td>Created in 1984 for unemployed people whose eligibility for the downward sliding unemployment benefit had run out, having at least five years’ salaried employment over the ten years preceding the end of the contract which gave access to unemployment insurance.</td>
<td>Resource threshold (allowance included without increased allowance) Single individual: 963.20 € Couple: 1,926.40 € (attributed before 1/1/97) or 1,513.60 € (attributed since 1/1/97) Guaranteed allowance * Within the limit of these resource thresholds, and if the seeker’s resources are less than or equal to 550.40 € for a single individual and 1,513.60 € (attributed before 1/1/97) or 1,100.80 € (attributed since 1/1/97) for a couple, the allowance granted is: 412.80 €/ month at the normal rate (under age 55) and 592.80 €/ month at the increased rate (over age 55 ans). * If not, the allowance is differential. It is thus equal to the difference between the resource threshold and the benefit seeker’s resources.</td>
</tr>
<tr>
<td><strong>Widowhood Allowance (to be eliminated in July 2004)</strong></td>
<td>Created in 1980 to guarantee minimum resources to the surviving spouse when the deceased spouse was a social insurance recipient; younger than age 55 and having raised a child for nine years prior to his sixteenth birthday, or raising a child when became a widow.</td>
<td>Threshold : 649.32 € Guaranteed allowance: 519.46 € the first and second year and beyond if maintained until age 55.</td>
</tr>
<tr>
<td><strong>Supplementary Invalidity Allowance</strong></td>
<td>Metropolitan France 105.6</td>
<td>Same amounts as the Supplementary Old-Age Allowance.</td>
</tr>
<tr>
<td><strong>Integration Allowance (AI)</strong></td>
<td>Created in 1984, it has been reserved to specific categories of the population since 1992 (released offenders, stateless persons, repatriated persons, asylum-seekers in France).</td>
<td>Resource threshold (allowance included) Single individual: 872.10 € Couple: 1,744.20 € Guaranteed allowance *Within the limits of these resource thresholds, the allowance attributed is 290.70 € per month if the benefit seeker’s resources are less than or equal to 581.40 € for a single individual and 1,453.50 € for a couple. * If not, the allowance becomes differential. It is thus equal to the difference between the resource threshold and the benefit seeker’s resources.</td>
</tr>
<tr>
<td><strong>Allowance for Disabled Adults (AAH)</strong></td>
<td>Created in 1975 for disabled people with no resources and can prove they are incapacitated by 80 % or by 50 % if the incapacity is recognised by the COTOREP (Technical Committee of Orientation and Vocational Placement), 20 years of age or older (16 years for children not calculated as granting rights to family allowances).</td>
<td>Resource threshold 6,997.74 € per year: single 13,995.48 € per year: married +3,498.87 € per dependent child Guaranteed monthly amount 587.74 € AAH complement: 94.04 € (granted under certain conditions).</td>
</tr>
</tbody>
</table>

Data: BDMS-DREES, CNAF, MSA, UNEDIC, CNAVTS and other retirement agencies.
Limitations of these numerical indicators

There are several limitations to any statistical analysis of poverty. Surveys conducted by the INSEE include households in “ordinary” housing situations. The surveys do not take into account people living in accommodation units, hostels, retirement homes, long-stay hospitals and prisons, representing approximately 2 per cent of the total French population. To compensate for some of these oversights, other more specific surveys have been carried out, notably of individuals relying on hostels or shelters and soup kitchens.

In addition, these statistical measures remain insufficient to encompass every form of poverty, for example, the irregularity of income over the course of a given year, or the differences between poor households based on expenses actually incurred (notably housing).

Lastly, a poverty line is insufficient to describe the reality of difficulties experienced by the poor. Poor people live more or less well depending on support from family, friends or community; personal experience; health conditions; and the collective support systems offered by the surrounding community. Tapping into these various qualitative factors which influence living conditions is complementary to numerical indicators.

Exiting poverty, becoming poor and remaining impoverished: pathways that are still not fully understood

Beyond the poverty rate at a given moment in time, it is important to measure the extent to which households and individuals remain mired in poverty. Are the poor people the same from one year to the next or do some exit poverty while others become impoverished?

Standard statistical tools do not easily pinpoint these transitions and discontinuities, as they often fail to incorporate longitudinal analyses of recipient panels from one year to the next.

The only available data in terms of income poverty comes from the European Community Household Panel (ECHP).

Available data for the period 1994-1998 reveals that approximately one-third of poor households are no longer poor the following year (poverty being defined in the monetary sense, for a poverty line set at 60 per cent of median income per adult equivalent). Using a 50 per cent threshold, the poverty exit rate would be higher (42 per cent). Exit rates feature high variations in standards of living and employment is a determining factor in poverty exit. But poverty exit is frequently transitory; one-half of households who exit poverty become poor once again in the next two years.

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4. Observatory 2001-2002 report, which includes the results of this survey on the homeless.
6. Those moving out of poverty cannot therefore be interpreted as a mere threshold effect.
that follow. Conversely, one half of households which fall into poverty one year exit from poverty the following year, and one-quarter do so the year after that.

The INSEE Continuous Survey on Households Living Conditions also suggests that poor households rotate to a great extent. Only one-half of all households surveyed experiencing difficult living conditions one year find themselves in the same situation the following year. The evolution in difficulties from year to year can be partially explained by changes in the work situation of one of the household members. This relationship has varying levels of intensity according to the type of indicator used. As a result, budgetary difficulties seem to be more reactive to the household’s employment situation than housing difficulties are.

Lastly, there is a great deal of mobility among recipients of minimum social benefits.

For example, 30 per cent of those receiving RMI benefits in December 2001 were no longer receiving them by early 2003. Approximately one-half of those who leave the RMI scheme do so because either they (the beneficiaries) or their spouses go back to work; approximately one-fifth do so because they become recipients of other benefits. This mobility must not mask the fact that no longer receiving minimum social benefits is not necessarily equated with moving out of poverty. And not all beneficiaries are mobile: nearly 4 per cent of RMI recipients have been receiving benefits since the RMI was created in 1989, and 32 per cent of beneficiaries have been in the system for five years or more.

**Graph 1**

Situation of RMI recipients during the first trimester of 2003

Source: Survey of recipients of four minima - DREES.

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7. One quarter become poor once again the following year, another quarter two years later.
9. Belleville A., *Situations et trajectoires des allocataires de minima sociaux* (Situations and trajectories of social minima recipients), a survey of recipients of four social minimum benefits (AAH, RMI, ASS, API).
The situation is much more stable with other social minima given their nature: over 90 per cent of beneficiaries receiving AAH (Allowance for Disabled Adults) in December 2001 were receiving it a year later.

Whether poverty is measured in monetary terms or according to living conditions or by changes in the situation of recipients of minimum social benefits, the reality is much more complex: there is both a high rotation of households considered poor, and a high recurrence of poverty. But given the dearth of panels that have been analysing the situation for sufficient periods of time, these phenomena remain yet to be fully explored.

In the long term, poverty has changed in appearance and today affects those in the work force more than pensioners

A decline in poverty until the mid-1980

From 1970 to 1984, the proportion of households living below the poverty line (set at 50 per cent median standard of living) declined from 15.3 per cent to 7.4 per cent. This proportion then remained relatively stable, with a slight downward trend.

### Table 5
Proportion of households\(^10\) living below the poverty line for long-term periods

<table>
<thead>
<tr>
<th>Year</th>
<th>All households*</th>
<th>Wage earning households**</th>
<th>Pensioner households</th>
</tr>
</thead>
<tbody>
<tr>
<td>1970</td>
<td>15.3</td>
<td>3.9</td>
<td>27.3</td>
</tr>
<tr>
<td>1975</td>
<td>12.3</td>
<td>3.8</td>
<td>17.6</td>
</tr>
<tr>
<td>1979</td>
<td>8.7</td>
<td>4.6</td>
<td>9.9</td>
</tr>
<tr>
<td>1984</td>
<td>7.4</td>
<td>4.6</td>
<td>3.7</td>
</tr>
<tr>
<td>1990</td>
<td>6.8</td>
<td>4.5</td>
<td>5.6</td>
</tr>
<tr>
<td>1997</td>
<td>6.4</td>
<td>6.1</td>
<td>3.1</td>
</tr>
<tr>
<td>2001</td>
<td>6.2</td>
<td>5.4</td>
<td>3.8</td>
</tr>
</tbody>
</table>

Scope: households for which declared income is positive or nil and whose reference person is not a student.
Interpretation: in 1990, 6.8 % of households had a standard of living per consumption unit below the poverty line (half the median standard of living of individuals).
* In addition to wage earners and pensioners, the “total household” category includes independent workers and other inactive persons.
** Unemployed persons having worked are included in this category of wage earners.

A reduction of poverty benefiting primarily pensioners

Pensioners are the main beneficiaries of the decline in poverty over the past 30 years.

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\(^{10}\) This refers to the proportion of poor households and not poor individuals, but the poverty line is established using the standard of living of individuals (hence the differences with respect to figures published during previous years on the long-term poverty rate of households).
In 1970, nearly 30 per cent of pensioners were living below the poverty line, in comparison to under 4 percent in 2001, due to the full implementation of the répartition (horizontal solidarity) or “pay as you go” scheme.

Conversely, as a result of the dramatic deterioration of the job market and the persistence of chronic unemployment, the poverty of wage-earning and unemployed households worsened during the 1990s and surpassed, proportionally, the poverty of pensioner households, despite an improvement towards the end of the period (between 1997 and 2001).

The long-term reduction in poverty was therefore accompanied by the development of a new form of poverty: the working poor.

The working poor

In 2001, approximately one million people employed were unable to keep themselves or their families above the poverty line: these are the “working poor”, defined by the INSEE as people actively employed for over six months of the year, having been employed for at least one month and living in poor households in the monetary sense.\(^{11}\)

Among the million poor workers in 2001, over 60 per cent had worked all year long, either in salaried jobs (400,000) or as independent workers (230,000). Others were present on the job market all year long, but alternatively experienced employment and unemployment (370,000). Those who had stable employment were therefore subjected to poverty as well.\(^{12}\)

The situation of “working poor” can be highly diverse, as being poor while working is due to a combination of several factors: factors explaining the low yearly salary (low hourly wages, compulsory part-time employment, episodes of employment and unemployment) and family factors (high number of dependents, eventual resources from spouses). The family situation can either attenuate or exacerbate the risk of poverty to which low-salaried workers are exposed. All salary conditions being equal, when young people live alone or with their parents, the risk of poverty is reduced. Having a spouse who does not work or several children as dependents, including at least one young adult, raises the risk. The number of dependents explains why there are some full-time workers receiving the SMIC (Minimum Wage) among the working poor. For other poor workers, compulsory part-time employment or alternating periods of unemployment and employment lead to a low annual salary, a prime source of poverty, the intensity of which is ultimately exacerbated by family factors.

\(^{11}\) Poor workers have been counted only since 1996, the year when the Employment and Taxable Income surveys were paired together.

The sensitivity of poverty to the recent economic climate: 
a real yet partial link

From 1997 to 2000, the French economy grew an average 3.1 per cent annually, after several years of low growth (and a recession in 1993).

The economic recovery led to the creation of additional jobs and a drop in unemployment, which went from 12.1 per cent of the working population in December 1996 to a low-point of 8.6 per cent in June 2001. At the same time, “compulsory part-time employment”—which is a good indicator of underemployment, as it involves people working part-time who wish to work more—underwent a positive development: the proportion went from nearly 40 per cent of people working part-time in 1997 to 35 per cent in 2000.

The rhythm of economic growth decreased during 2001 to 2.1 per cent, with a concomitant slowdown in the creation of additional jobs. This slowdown was followed by a deterioration of the job market in 2002 and 2003; salaried employment decreased as well during the latter year. The unemployment rate thus increased by one point, to 9.7 per cent in December 2003. Until 2001, the numerical measures of poverty indicated a clear decrease in poverty, but poverty was only partially sensitive to the economic climate. The reversal in mid-2001 was probably accompanied by a rise in poverty, even if it is too early to measure it with any degree of certainty.

During the period 1996-2001, a decrease in monetary poverty in synch with the economic recovery and growth in employment

From 1996—the first year for which we have a precise annual measurement for individual income distribution in France13—to 2001, monetary poverty decreased14.

Table 6
Poverty rate at 50 % and 60 % of the median standard of living and the number of poor people from 1996 to 2001

<table>
<thead>
<tr>
<th>Year</th>
<th>Threshold at 50 % of the median</th>
<th>Threshold at 60 % of the median</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Poverty rate in %</td>
<td>Number of poor people (in thousands)</td>
</tr>
<tr>
<td>1996</td>
<td>7.2</td>
<td>4,089</td>
</tr>
<tr>
<td>1997</td>
<td>6.9</td>
<td>3,925</td>
</tr>
<tr>
<td>1998</td>
<td>6.7</td>
<td>3,806</td>
</tr>
<tr>
<td>1999</td>
<td>6.4</td>
<td>3,641</td>
</tr>
<tr>
<td>2000</td>
<td>6.5</td>
<td>3,742</td>
</tr>
<tr>
<td>2001</td>
<td>6.1</td>
<td>3,557</td>
</tr>
</tbody>
</table>

Source: INSEE, Taxable Income Survey.

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14. Dell F., Legendre N., “De 1996 à 2000: une baisse de la pauvreté qui s’estompe” (From 1996 to 2000: a decrease in poverty that tapers off), Travaux de l’Observatoire 2003-2004, La Documentation française. This text was completed before the 2001 data was definitive. The main results for 2001 were thus updated for the report, but not for the Travaux.
A marked decrease in monetary poverty at the 50 per cent threshold

The proportion of poor people in the population dropped from 7.2 per cent in 1996\textsuperscript{15} to 6.1 per cent in 2001. The number of poor people decreased by approximately half a million over the same period, from 4 million to just over 3.5 million.

The average standard of living for those below the poverty line rose from 77 per cent to 80 per cent of this threshold between 1996 and 2001. The poverty intensity was therefore reduced.

This drop in poverty is even more significant if we refer to the time-adjusted poverty line which tracks fluctuations in spending power of people whose standard of living was below the poverty line in 1996 (the threshold was established at the 1997 value and adjusted for inflation). Based on this definition, the proportion of poor people fell from 7.2 per cent in 1996 to 4.2 per cent in 2001. This more positive development of poverty underscores the fact that the median standards of living rose more than inflation did during this period.

\begin{table}[h]
\centering
\begin{tabular}{|c|c|c|c|}
\hline
Year & Threshold at 50 \% & Threshold at 60 \% \\
\hline
1996 & 7.2 & 13.4 \\
1997 & 6.9 & 13.4 \\
1998 & 6.0 & 11.9 \\
1999 & 5.3 & 10.7 \\
2000 & 4.8 & 10.2 \\
2001 & 4.2 & 9.1 \\
\hline
\end{tabular}
\caption{Time-adjusted poverty rate}
\label{tab:time-adjusted-poverty}
\end{table}

\textsuperscript{15} Data for 1996 was less precise than data for the following years.

Scope: individuals living in households in which the reference person is not a student.

A less marked decrease at the 60 per cent threshold

Using a threshold of 60 per cent of median standard of living, there is some decrease in the poverty rate yet it is much less pronounced. The proportion of people living below the poverty line drops from 13.5 per cent to 12.4 per cent (cf. table 6).

The limited sensitivity of monetary poverty to economic climate

The decrease in monetary poverty recorded in recent years has in particular involved those people closest to the job market; this is logical within a favourable economic context in terms of employment. But the drop in unemployment is not enough to bring about a reduction of all forms of poverty.

To analyse the situation with respect to the employment and activity of poor people, the INSEE distinguishes between the working population, who have a job or are seeking employment at least six months a year, and the non-working population.
Among the employed, poor workers, who worked at least one month, are distinguished from those seeking employment all year long.

Table 8
Poor population according to individual activity (in thousands)

<table>
<thead>
<tr>
<th>Threshold variable at 50 %</th>
<th>1996</th>
<th>1997</th>
<th>1998</th>
<th>1999</th>
<th>2000</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Persons active 6 months or more, including:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaried job 12 months (S)</td>
<td>1,724</td>
<td>1,628</td>
<td>1,524</td>
<td>1,439</td>
<td>1,436</td>
<td>1,373</td>
</tr>
<tr>
<td>Salaried job and unemployment (SC)</td>
<td>465</td>
<td>424</td>
<td>362</td>
<td>385</td>
<td>386</td>
<td>400</td>
</tr>
<tr>
<td>All wage earners (S + SC)</td>
<td>413</td>
<td>390</td>
<td>409</td>
<td>400</td>
<td>423</td>
<td>368</td>
</tr>
<tr>
<td>Non-salaried job 12 months (NS)</td>
<td>878</td>
<td>814</td>
<td>771</td>
<td>785</td>
<td>809</td>
<td>768</td>
</tr>
<tr>
<td>All workers (NS + S + SC)</td>
<td>344</td>
<td>308</td>
<td>286</td>
<td>238</td>
<td>237</td>
<td>232</td>
</tr>
<tr>
<td>Unemployment 12 months (C)</td>
<td>1,222</td>
<td>1,122</td>
<td>1,057</td>
<td>1,023</td>
<td>1,046</td>
<td>1,000</td>
</tr>
<tr>
<td>Inactive or active less than 6 months, including:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Students age 16 or older</td>
<td>2,365</td>
<td>2,297</td>
<td>2,282</td>
<td>2,201</td>
<td>2,306</td>
<td>2,184</td>
</tr>
<tr>
<td>Inactive persons age 17 to 59 who are neither students nor pensioners</td>
<td>409</td>
<td>409</td>
<td>362</td>
<td>337</td>
<td>325</td>
<td>287</td>
</tr>
<tr>
<td>Pensioners and inactive persons age 60 or older</td>
<td>528</td>
<td>569</td>
<td>555</td>
<td>536</td>
<td>578</td>
<td>555</td>
</tr>
<tr>
<td>Children under age 16</td>
<td>430</td>
<td>378</td>
<td>457</td>
<td>455</td>
<td>471</td>
<td>437</td>
</tr>
<tr>
<td>Total</td>
<td>4,089</td>
<td>3,925</td>
<td>3,806</td>
<td>3,641</td>
<td>3,742</td>
<td>3,557</td>
</tr>
</tbody>
</table>

Scope: individuals living in households in which the reference person is not a student.
Interpretation: 42 % (1,724/4,089) of the population who are poor at the 50 % threshold of the 1996 median standard of living had been active (in a job or unemployed) for at least six months between April 1996 and March 1997.
Note: the SC category includes individuals who worked at least one month during their 6 months of declared activity. People who declared themselves active persons for at least 6 months, without any unemployment occurring during this period, are included in the C category.

The decrease in poverty during the period 1996-2001 concerned the active population (a 20 per cent drop) more than it did the non-working population (an 8 per cent drop).

The decline in the number of poor workers was linked to a continuing decrease for two categories: the number of poor unemployed (notably among young people) decreased globally at the same rate as that for all the unemployed during this period. The number of poor workers fell from 1.2 million in 1996 to 1 million in 2001.

From 1996 to 2001, the number of children and students living below the poverty line decreased: they benefitted from an improvement in their family’s situation. On the other hand, the number of poor pensioners rose, primarily because the threshold for old age minimum benefits fell below the poverty line between 1997 and 1998. The poverty rate for pensioners remained low, however (4 per cent of the population of pensioners). The number of other non-working adults who were not students (single parent families, non-working handicapped adults, for whom the poverty rate is high—15 per cent) also rose during this period.

The decrease in monetary poverty involved the working population in particular. This development is even more pronounced if a distinction is made between people...
living in poor households in which there is at least one working person, and those living in poor households in which no one works. The evolution of the poor population is therefore very clear-cut: the number of poor people living in households in which someone is working was reduced by nearly 740,000; on the other hand, the number in households in which no one works rose by 210,000.

Certain forms of poverty therefore demonstrate “resistance” for several years to a recovery in employment.

Unemployment is not the sole cause of poverty. In addition, during a recovery in employment, the probability of moving out of unemployment depends not only on classic factors such as age, length of unemployment and level of education, but also on the income of the unemployed person and his or her spouse, when applicable\(^{16}\). Within a given age group, unemployed people with low resources have greater difficulty and take more time finding employment. A recovery in the job market benefits the unemployed with the most favourable “employability” characteristics; those unemployed with low standards of living, lacking qualifications and alienated from the job market (many years on unemployment, residence in a household in which no one works, etc.) fail to benefit from the recovery, momentarily or for greater lengths of time.

Forms of persistent poverty can also affect people within the job market, as moving out of unemployment over the course of a year can be temporary, and having a job does not always guarantee a standard of living above the poverty line.

It is significant that, over the same period of time, the number of people declaring difficulties in living conditions did not really fluctuate. This indicates that, despite an improvement in the economic climate, everyday difficulties can persist, and even worsen, for households.

The decrease in the number of minimum social benefits recipients between 1996 and 2001

The number of minimum social benefits recipients also decreased during this period of economic improvement, although this decrease did not occur until later on. The number of minimum social benefits recipients rose more slowly in 1998 and 1999, then decreased during the next two years (a 3 per cent drop in 2000, followed by a 1.5 per cent drop in 2001).

This development is highly differentiated according to the type of minimum involved, as illustrated by the following graph\(^{17}\).

The number of people receiving FSV (Old-Age Solidarity Fund) benefits continued to fall, in line with a trend launched many years ago. The number of AI (Integration Allowance) recipients rose sharply in light of a rise in requests for asylum. The number of people receiving the AAH, which represent nearly one-

\(^{16}\) Hourriez J.-M., Rouv V., “Les chômeurs les plus pauvres retrouvent difficilement un emploi” (The poorest job-seekers have great difficulty finding new employment), France, Portrait social 2003-2004, INSEE.

quarter of minimum social benefits recipients, continued to increase at a relatively rapid rate. The number of API (Single Parent Allowance) recipients also rose.

Graph 2
Social minima recipients in metropolitan France from 1990 to 2002

The decrease in the number of social minima recipients in 2000 and 2001 was attributed notably to a drop in the number of people receiving the ASS (Specific Solidarity Allowance) and the RMI. Both minima are particularly influenced by the long-term drop in unemployment and the decrease in unemployment not covered by unemployment insurance.

Table 9
Number of RMI recipients

<table>
<thead>
<tr>
<th>Date</th>
<th>Cnaf metropolitan France</th>
<th>Annual evolution in %</th>
<th>Cnaf Overseas départements</th>
<th>Total Cnaf</th>
<th>Msa</th>
<th>Ensemble Cnaf + Msa</th>
<th>Annual evolution in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996</td>
<td>882,047</td>
<td>7.6</td>
<td>106,668</td>
<td>988,715</td>
<td>21,757</td>
<td>1,010,472</td>
<td>6.8</td>
</tr>
<tr>
<td>1997</td>
<td>933,998</td>
<td>5.9</td>
<td>111,305</td>
<td>1,045,303</td>
<td>22,598</td>
<td>1,067,901</td>
<td>5.7</td>
</tr>
<tr>
<td>1998</td>
<td>969,039</td>
<td>3.8</td>
<td>118,822</td>
<td>1,087,861</td>
<td>24,247</td>
<td>1,112,108</td>
<td>4.1</td>
</tr>
<tr>
<td>1999</td>
<td>993,075</td>
<td>2.5</td>
<td>127,176</td>
<td>1,120,251</td>
<td>24,772</td>
<td>1,145,023</td>
<td>3.0</td>
</tr>
<tr>
<td>2000</td>
<td>940,587</td>
<td>-5.3</td>
<td>131,671</td>
<td>1,072,258</td>
<td>24,593</td>
<td>1,096,851</td>
<td>-4.2</td>
</tr>
<tr>
<td>2001</td>
<td>916,738</td>
<td>-2.5</td>
<td>134,987</td>
<td>1,051,725</td>
<td>21,721</td>
<td>1,073,446</td>
<td>-2.1</td>
</tr>
</tbody>
</table>

Source: CNAF, FILEAS dossier and MSA (note: since 2001, beneficiaries affiliated with the MSA are counted using a new Sisprfal system).
From 1996 to 2001, the number of RMI recipients decreased only during 2000 and 2001, which, given the strong employment figures from 1998 to 2001, can be seen as delayed in reaction and low in volume. This evaluation needs to take into account the complexity of factors influencing the number of recipients.

Box 1
Factors influencing the number of RMI recipients

Economic climate factors at a given point in time: notably growth in employment
The econometric model developed by DREES (Division of Research, Studies, Assessment and Statistics) shows that a high number of new jobs—310,000—are required to reduce the number of RMI recipients. This threshold was reached in 1998, 1999, 2000 and 2001.

Economic climate factors from the past
As a high growth period ends, workers hit by unemployment have high work references (notably with respect to duration). Their compensation by ASSEDIC (Association for Industrial and Commercial Employment) is relatively high. In contrast, when the economy has been deteriorating for prolonged periods of time, new entries to the unemployment scheme have less favourable references and begin receiving RMI more frequently and earlier. This occurred during the first two years of the period, when the impact of the improvement in the job market was partially neutralised by the impact of the unemployment benefits coverage rate, which had reached a low-point for the decade. As a reminder, this coverage rate compares the number of unemployed people receiving benefits to the number of job-seekers "entitled to compensation".

Regulation factors
Evolution of the scale. Special solidarity measures (notably for large families) have had a positive effect (households are considered “below the RMI threshold” due to the sole fact that the scale has been readjusted). The Christmas bonus—for an isolated individual the equivalent of a 3 per cent increase in benefits received for a year—had no effect.

Regulation for receiving the RMI and a salary concurrently. It is now less restrictive (notably in terms of duration), yet the number of recipients moving out of the RMI scheme is decreasing, all else being equal. Those concerned certainly have incomes higher than the RMI, yet remain recipients. Thirteen per cent of beneficiaries were receiving the RMI and a salary concurrently on 31 December 2002.

Evolution of unemployment compensation.
Three characteristic steps
Beginning in 1992, the joint unemployment benefits system grew considerably more restrictive due to financial difficulties within the scheme: introduction of a sliding scale for benefits, reduction of compensation time for the unemployed with weak work references, reform of ASSEDIC’s social funds. At the same time, the public benefit system also became more restrictive: more restrictive access to the AI, which meant that young people were excluded from the scheme, and the ASS was not upgrading until 1997; the entitlement ceiling was lowered; and periods of unemployment were no

18. Demailly D., Gilles C., Loisy C., op. cit. The impact of the benefits scale on the number of recipients is negligible, except in 1999, due to a “boost” or special solidarity measure.
19. The number of job-seekers entitled to compensation or “potentially entitled to compensation” includes job-seekers in categories 1, 2, 3, 6, 7 and 8 and people exempt from looking for work.
Since the economic slowdown in mid-2001, a likely rise in poverty

Ever since the economic slowdown in mid-2001, the job market has deteriorated, and in two years, the number of job-seekers registered with the ANPE (National Employment Agency) rose by 15 per cent (315,000 people).

The consequences of this deterioration on monetary poverty have not been measured with absolute certainty. The measurement of evolutions in monetary poverty, as well as the Taxable Income sources, were only available until 2001. Based on the Observatory’s experience in diagnosing the development of poverty, great caution must be used in relying on “situational” income data.

Although no definitive measurement of the poverty rate is available, several indicators suggest that this deterioration of the job market had an impact on monetary poverty. In particular, the simulation of the impact of fluctuations in the job market on income, carried out using the INES model, indicate that monetary poverty would have increased in 2002. The poverty rate measured using permanent surveys of Living conditions corroborates this.

This diagnosis is confirmed by the evolution in the number of RMI recipients.
If in 2002, the impact of the improvement of unemployment coverage limited the rise in the number of RMI recipients, in 2003, this increase is much more pronounced.

The evolution of the number of RMI recipients is highly significant: it rose by 1.4 per cent in 2002 and by 4.9 per cent in 2003, reversing the decrease recorded in 2000 and 2001.

Box 2
The need to use several complementary indicators for the most recent period

When poverty by definition concerns but a minority of the total population, any kind of statistical approach requires great precision in observations made, especially if we wish to study its development from one year to the next. As these evolutions are slight, only a highly accurate source can guarantee reliable results. With respect to France, a sampling of fiscal data, the so-called annual “Taxable Income Survey”, is the reference source on income. Yet this data is not available until after a lengthy time lag. In early 2004, the latest available information dated from 2001, and it had just been made public. During the drafting of the previous report, in 2002, the last observation year for fiscal income was 1997.

The Observatory therefore chose to base its diagnosis on a measurement of monetary poverty issued from a much less in-depth statistic source that was available earlier: the PCV (Living Conditions Poverty) Survey, from the period 1998 to 2001. Yet it is a much less reliable source for income. In addition, while we currently note a significant drop in poverty between 1998 and 2001 in Fiscal Income, in 2002, the PCV Survey data did not reveal the substantial evolution in the poverty rate over the same given period. In reality, the poverty rate fluctuated only a few tenths of a percentage point each year, while the accuracy of this source was limited to little more than close to one per cent\textsuperscript{20}. This apparent stability may come as surprising, given the strength of the economic recovery between 1998 and 2000. A posteriori, this illustrates well the distance required to fully assess any developments in relative monetary poverty. In fact, statistical data on income which can be put together in relatively short periods of time are not precise enough to be used in any quantitative or even qualitative diagnosis, as illustrated in the example of the period 1998 to 2001.

A relatively accurate diagnosis of developments in monetary poverty is therefore feasible only after a substantial period of time, currently about three years, perhaps a bit less in future years. It is therefore important to complete this relatively accurate diagnosis—if somewhat dated—with qualitative elements using other indicators for the more recent period. These elements are of course less reliable, but the combination of several complementary indicators can nevertheless be helpful. This is the procedure undertaken for this report.

\textsuperscript{20} In the Taxable Income Survey, the poverty rate is given at \( \pm 0.3 \) points.
**Table 10**

Number of RMI recipients in metropolitan France (not including MSA)

<table>
<thead>
<tr>
<th>Date</th>
<th>Cnaf metropolitan</th>
<th>Annual evolution in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>929,300</td>
<td>1.4</td>
</tr>
<tr>
<td>2003</td>
<td>975,300</td>
<td>4.9</td>
</tr>
</tbody>
</table>

Source: CNAF fichier FILEAS.

The 1.4 per cent increase in 2002 may appear relatively low in comparison to the major deterioration in the job market. This is explained by the significant rise in the coverage rate for unemployment compensation, which made up for the negative impact of developments in the job market.

The continuous decrease in the coverage rate for unemployment compensation in reality was reversed since 2000, and the coverage rate improved and in 2002 reached the same level it was at in 1992.

**Graph 3**

Coverage rate for compensation entitlement for insurance and solidarity schemes, on 31 December (from 1992 to 2002)

This recent evolution is concomitant with the implementation of the new unemployment insurance agreement of 1 January 2001; the agreement did away with the sliding-scale allowance system and introduced better benefits-payment channels. But the improvement in the coverage rate is linked less to the implementation of the new agreement (on 1 July 2001), than to the fact that the increase in unemployment at the time affected those who had accumulated significant compensation rights (the “new” job-seekers had been working for a greater number of years and had better reference salaries). As a result, in 2001 and 2002, the number of people entitled to unemployment insurance rose more than the number of job-seekers receiving compensation; the total cost of the most long-term social minima grew heavier, hence the improvement in coverage.
In addition, the end of the sliding-scale allowance system had a slight impact on the average amount of benefits granted by the unemployment insurance scheme, which rose, in current euros, by 8.5 per cent in 2002 in comparison to 2001. Likewise, the average gross replacement rate, namely the relationship between the benefits granted and previous gross salary, rose for all unemployment insurance recipients (an increase of two points compared to the preceding year). Once again, this stemmed from the consequences of eliminating the AUD (Downward Sliding Unemployment Benefit), which had a bearing on the replacement rate for the long-term unemployed.

At the same time, the solidarity scheme continued to benefit from a drop in the number of long-term unemployed. The number of ASS recipients thus fell from 490,000 in late 1998 to 370,000 in late 2002, and to 354,000 in late 2003. Despite the turnaround in the job market in 2001, the number of long-term unemployed (more than three years) continued to decrease at a sustained rate (minus 12 per cent annual rate, in June 2003), while unemployment of more than one or two years increased beginning in mid-2001, after dropping significantly for four years.

**Outlook for 2004**

The INSEE’s economic climate assessment in December 2003 assessed the first semester of 2003 as being a low-point in economic activity within the euro zone. European and French growth, which had stagnated during the first semester, began to accelerate during the summer. In 2004, France’s economic growth would parallel the average growth within the euro zone and would return to growth levels similar to those of its long-term trend. As a result, during the first semester of 2004, total employment would rise slightly and the unemployment rate would stabilise at approximately 9.8 per cent. In comparison to the decrease in employment seen in 2003, and the continuing rise in the unemployment rate over the past two years, the job market would therefore see a more favourable development in the next few months.

In contrast, major changes in the unemployment compensation process should bring about a rise in the number of RMI recipients.

The major unemployment insurance deficit indeed resulted in a new UNEDIC (Inter-professional National Union for Industrial and Commercial Employment) agreement for 2003-2005 which reduces the number of benefits payment branches from eight to four; restricts entitlement conditions for unemployment insurance; and reduces the time in which you receive insurance benefits (cf. Box 3). This reform went into effect on 1 January 2003 for all new job-seekers, and on 1 January 2004 for recipients already receiving compensation. Certain job-seekers will be transferred into the ASS scheme earlier than foreseen or will move directly into the RMI scheme.
In addition, the ASS intended for the long-term unemployed, has also been reformed. Whereas it had up until now been attributed without any conditions on length of time, the length of time for receiving benefits was reduced effective 1 January 2004—to two years for new recipients and to three years for people already receiving compensation. The limit does not concern people over age 55, who represent some 30 per cent of recipients. Benefits increases granted to recipients over age 55, or 180 euros a month, have been eliminated for new recipients. And the entitlement threshold has been unified for all recipients living together as couples, to 110 times the daily amount for ASS."
Given the likelihood that the number of RMI recipients will increase, it will be crucial to analyse the efficiency of employment support elements for reinsertion geared for those groups experiencing the greatest difficulty.

**Images of poverty: hardening public opinion**

Since 2000, DREES has been using a barometer of public opinion in France with regards to social protection, health and inequality. A number of questions were asked on poverty, its causes and its trends, and on RMI. Its use over this three-year period reveals that public opinion is hardening with respect to the causes of poverty.

**BOX 4**

**Measuring public opinion: barometrical surveys**

Responses to public opinion surveys are by nature highly sensitive to the way in which the questions are formulated and to other factors, such as their position within the questionnaire. The publication of “levelled” figures are therefore only of limited interest and can even lead to erroneous interpretations. On the other hand, the “barometrical” nature of surveys provide relevant information on the way public opinion evolves over time, if the formulation of questions and organisation of the questionnaire remain constant from one survey to the next.

**Refusal to work: more frequently cited explanation for poverty**

Public opinion on the primary causes of poverty is remarkably stable: the item “company redundancies” always figures at the top (84 per cent in 2002), followed by “excessive debt” (81 per cent) and “lack of qualifications” (70 per cent). In the majority of cases, therefore, those polled linked poverty to the overall economic climate and to a lack of training.

The only new developments noted concern the responses “lack of work available”, which is cited less frequently, and the item “refusal to work”, which is more frequently cited. Although these reasons figure at the bottom of the list of reasons cited, their inversion is significant and indicates a hardening of public opinion.
Table 12
Proportion of those polled who claim that the reason cited is the cause of poverty and exclusion

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>They have excessive debt</td>
<td>80%</td>
<td>81%</td>
<td>+1</td>
</tr>
<tr>
<td>They do not wish to work</td>
<td>47%</td>
<td>56%</td>
<td>9</td>
</tr>
<tr>
<td>They are victims of company layoffs</td>
<td>88%</td>
<td>84%</td>
<td>-4</td>
</tr>
<tr>
<td>They lack qualifications for finding a job</td>
<td>71%</td>
<td>70%</td>
<td>-1</td>
</tr>
<tr>
<td>They are unlucky</td>
<td>62%</td>
<td>57%</td>
<td>-5</td>
</tr>
<tr>
<td>There is not enough work for everyone</td>
<td>65%</td>
<td>54%</td>
<td>-9</td>
</tr>
<tr>
<td>They did not receive help from their family</td>
<td>69%</td>
<td>65%</td>
<td>-4</td>
</tr>
</tbody>
</table>

Sources: DREES barometer, LEGOS calculation.
NB: the reasons were presented to the people surveyed in the order given above.

A similar hardening is observed by the CREDOC (Centre for Research into the Study and Observation of Living Conditions) Survey on Living Conditions and Aspirations of the French, which has included a question about the RMI since 1989. Since 2000, a majority of people claim that “the RMI risks encouraging people to grow complacent and not look for work”, while fewer feel that “the RMI provides the necessary boost to improve one’s lot”.

Graph 4
With respect to the RMI, “Do you think that…”

Source: CREDOC, Living Conditions and Aspirations of the French, for the CNAF.
When asked during a survey on social minima recipients in 2003\textsuperscript{22}, recipients expressed a different point of view on their situation: receiving benefits is seen as degrading for 40 per cent of RMI recipients and 37 per cent of ASS recipients. Nearly one RMI recipient out of four has not told his or her family or friends that he or she is receiving this benefit. A contrario, the fact of working is rated highly: it is the means of earning a living—this response topped the list for one-half of the recipients. It also brings social status, an attribute that 18 per cent of RMI recipients and 16 per cent of ASS beneficiaries rated first. Several recipients are working or in the process of looking for work\textsuperscript{23}. For API recipients, who are frequently younger and temporarily not working with very young children, work is also a way to escape isolation and the family setting, which can be burdensome. A contrario, unemployment is synonymous with a lack of money and source of anxiety: 20 per cent of recipients surveyed says that they were worried about the future.

The perception of recipients is thus different than that of people surveyed by CREDOC. These differences in opinion hark back to traditional debates over the causes of poverty, over individual responsibility and social injustice. Yet a great deal of ambivalence is involved in this hardening of public opinion; opinions on the RMI illustrate this well. Many people surveyed overestimated the amount granted, particularly when they did not know anyone in their entourage who is in a poverty situation; yet nearly seven out of ten people claim they favour an increase in the amount granted\textsuperscript{24}. The DARES (Division of Research Organization, Studies and Statistics) barometer measuring attitudes of the French as regards unemployment and employment policies\textsuperscript{25} reveals that one half of people polled on social minimum benefits feel that “if people hesitate to accept certain jobs it is not because the social minima are too high, but because the salaries offered are too low”\textsuperscript{26}. The issue thus raised involves a reality which is much more complex and underscores how important such elements as salary level and quality of work are to public opinion.

\textsuperscript{22} The following elements are based on a survey carried out in March 2003 by DREES in tandem with the National Observatory of Poverty and Social Exclusion, the CNAF, the DARES, the UNEDIC, the CDC and the CERC of 5,000 recipients of four social minima in December 2001 (AAH, API, ASS, RMI). As a result of living with a handicap, the living conditions of AAH recipients differ greatly from those of the other recipients and require a specific analysis, which has not been included here. For a global analysis of the situation of recipients of the four minima, cf. Belleville, A., op. cit.

\textsuperscript{23} Chapter two develops this point.


\textsuperscript{25} DARES, Premières informations, Premières Synthèses (Initial information, Initial summaries), n° 33.2 - August 2003.

\textsuperscript{26} This opinion was voiced by 48 per cent of people polled in 2003. Other opinions were equally divided between two possible responses: “Social minima dissuade people from looking for a job because it allows them to survive without working”: 24 per cent of those polled; “Social minima have no bearing on finding a new job”: 24 per cent of those polled.
Opinions diverge according to the degree of proximity to poverty

The use of the barometer revealed diverging opinions on poverty in previous years, the criteria being “proximity” to situations involving poverty and exclusion. These divergences were more pronounced in 2002.

The more elderly and those did not know anyone in their entourage in a poverty situation more frequently cited the responsibility of individuals (refusal to work) as a cause of poverty and saw poverty as a cluster of basic needs not being met (not enough to eat, poor housing). In contrast, people with greater proximity to poverty or professional vulnerability27 tended to attribute poverty less to deprivations and more to situations involving insufficient resources (being on unemployment for a number of years, being a RMI recipient, etc.). They cited more frequently an insufficient number of jobs as a source of poverty, and much less frequently the refusal to work.

Is this evolution linked to the economic climate?

Interpreting this hardening of public opinion is complex. An improved economic climate and decrease in unemployment inevitably influence how the causes of poverty are seen and reinforce the severity of public opinion. When many jobs are created, “refusal to work” is cited ever more frequently. Yet this harsher attitude persisted in 2002 and 2003, when unemployment was again increasing, which seems to indicate that a more profound change in attitudes has occurred. From 2001 to 2003, the DARES barometer showed an increase in the number of people who believed that minimum social benefits offered sufficient support during the job-seeking period (28 per cent of people surveyed, or an increase of 5 points since 2001). Public opinion was therefore harsher despite the poor economic climate, even if the majority polled (60 per cent) considered that this support was too low to face the difficulties engendered by unemployment.

Recent research carried out as part of a European Commission report highlighted an interesting aspect of the relationship between economic climate and how poverty is portrayed, introducing a long-term dimension and a country-by-country comparison28.

Surveyed four different times, in 1976, 1989, 1993 and 2001 using simple questions (can poverty be explained by laziness or injustice?), Europeans had a range of responses. Northern countries pointed more frequently to individual causes and placed blame more on laziness than on injustice. Poverty was construed more as a sudden blow that hit people who seemed to be protected from it. Southern countries more readily cited social reasons as a cause of poverty, which was seen as a permanent and persistent phenomenon.

Beyond differences from country to country, explanations of poverty also varied according to economic and social climate. In eight of eleven countries, citing laziness as a cause of poverty decreased slightly between 1989 and 1993, then rose between 1993 and 2001. Likewise, attributing poverty to injustice peaked in 1993 in nine out of eleven countries, when the economic context was highly unfavourable with high employment in most countries and a very low, even negative growth rate. The surveys’ results demonstrate one aspect unique to unemployment, regardless of the year or country in which the survey is conducted: when unemployment rises, the likelihood of attributing poverty to individual responsibility decreases.

This analysis allows us to verify that images of poverty are based on both permanent and structural data, linked to national contexts, yet they also vary with the evolution of the economic climate, and notably unemployment.

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**Box 5**

**Questions asked in the European barometer**

The question about the causes of poverty were formulated in the following way:

“In your opinion, why are there needy people?”

Five responses were offered:

1. Because they are unlucky
2. Because they are lazy or undetermined
3. Because there is a great deal of injustice in society
4. It is inevitable in today’s modern world
5. None of the above

The question about perceiving “inherited” or “accidental” poverty was put to people who claimed they had seen people in their neighbourhood or their village subjected to extreme poverty, poverty, or who risked falling into poverty. The question was: “Have these people always been poor or did they fall into poverty?”
Chapter 2

Reducing poverty: the crucial role of social transfers

MONETARY poverty based on final household income as evaluated above fails to shed light on how public policy impacts on initial income and the living conditions of the lowest-income households.

Poverty would be entirely different if there were no social benefits, public schools, health insurance and so on. Income stemming from transfers and benefits in kind provides a major share of the resources or the remaining funds with which the poorest people live. The Observatory set out to determine what public policy does in contributing to a reduction in poverty and exactly how it does this.

Social transfers through social benefits granted to households play a key role in reducing both the number of poor people and poverty intensity.

Furthermore, the development of benefits, in particular minimum social benefits, is pivotal to the debate over poverty traps. The debate revolves around the issue of whether or not social benefits earmarked for people deprived of employment or having very low resources create a “trap” which removes a major incentive for re-entry into the job market or longer working time. The most recent reforms targeting modest-income wage-earners were largely inspired by these theories, even if, in practice, many factors other than financial incentive come into play in decisions to return to employment. Policy measures targeting those people most alienated from the job market appear as important as the fight against poverty traps.
Social transfers: a major, albeit inconsistent, contribution in reducing the poverty rate and poverty intensity

Interest of and limits to measuring the impact of social transfers and tax contributions

The socio-fiscal system modifies the initial redistribution of income among households: tax contributions and benefits serve to redistribute income among households with varying characteristics and redistribute income from wealthier households to the most moderate-income households. It is therefore crucial to evaluate the overall impact which tax contributions and social transfers have on poverty.

Some social policies explicitly aim to combat poverty and help improve the standard of living of households facing the greatest disadvantages, due to their economic or personal situation (handicap, isolation). Others seek to fulfil goals of a different nature, the family policy, for example, which aims to compensate for the number of dependents and facilitate reconciling family and professional life. These policies are therefore less targeted towards the lowest-income households. Yet as they modify the redistribution of initial income, they do play a role in determining the poverty line, which is a relative concept. They also play a substantial role in reducing poverty for certain households. This is true for family benefits, which are paid out regardless of income to all parents with two children or more. Yet given that large families frequently have lower incomes, these benefits are concentrated on households at the lower end of income distribution. They therefore contribute to reducing poverty and inequities in terms of income.

All redistributive components involved in the socio-fiscal system need to be taken into account for this kind of assessment study. Yet available data gives only a partial idea of how various public policies act in reducing poverty. On the one hand, certain monetary social transfers, such as the social aid and action of territorial collectivities benefits or the Social Security fund, often are not included in analyses. On the other hand, policies involving benefits in kind, such as health benefits and CMU (Universal Sickness Insurance), free public schooling, and more generally, all collective goods and public services, are rarely taken into account, even though financing them requires substantial public investment—sometimes greater than financing for social benefits. Public spending for education in 2000, for example, was three times as high as that for family benefits, seven times as high as that for housing benefits, and nineteen times as high as that for the RMI (Guaranteed Minimum Income). In addition, financing for social benefits included in analyses is only partially taken into account.

Great caution must be used in interpreting the various studies available, especially as the sphere of social and fiscal tax contributions and monetary transfers accounted for in studies is generally not stabilised. In particular, they can exclude insurance-type replacement income (pensions, unemployment compensation), originally accounted for in initial income; or can include only part of it, although this
occurs more rarely. This has an impact in terms of measuring poverty before tax contributions and social transfers are factored in.

Moreover, measuring poverty based on initial income is not compatible to what poverty would be without social transfers or tax contributions, which in itself is a rather artificial situation. For the sake of convenience, the notion of poverty rate before social transfers will be used in this text, in other words, the proportion of households (or individuals, depending on data) whose initial income per consumption unit is below the poverty line, as well as that of the reduction in poverty rate.

Despite these and other limitations, measuring the impact of social transfers and tax contributions on the standard of living of households is an extremely useful tool for assessing social and fiscal policies. International comparisons provide the opportunity to assess the generosity and target populations of social services in France, as well as their impact on reducing poverty, and to put them into perspective with respect to other countries.

**Box 1**

**Access to education: a redistribution factor?**

Spending for education in France is socialised to a great extent. Ninety-four per cent of spending for education—six points above the OECD (Organization for Economic Cooperation and Development) average—is covered by public financing. On a student by student basis, education spending in France stands out by the low levels of spending earmarked for higher education as compared with other OECD countries.

Even if the initial objective of education spending is not to impact household income, the choice of a highly socialised educational spending system does have an effect on income distribution. The redistributive impact of spending takes many different forms: horizontal redistribution from households without children to households with children; vertical redistribution of the wealthiest households to the poorest households. These redistributive effects depend on the breakdown of children attending school and their level of education among households of various income deciles.

The average amount of spending on education per consumption unit is greatest for the second income decile. It then decreases given the high number of children in the lower bracket of income distribution. But taking the level of education into account provides a more nuanced picture.

Income deciles at the top of the distribution scale benefit most from spending on higher education. The three last income deciles represent 39 per cent of higher education spending versus 23 per cent for the first three deciles, the results being reversed with respect to the distribution of spending for compulsory schooling and nursery school (respectively 27 per cent and 34 per cent). There are several reasons behind this observation: social inequities for access to higher education levels are great (cf. chapter 3); the improvement of standards of living for economically active households during their career generally results in higher income when children are of the age of attending universities. More refined analyses of the cost of higher education based on the various education options would certainly underscore the regressive nature of these transfers. Education spending for a student in preparatory classes to the grandes écoles (elite higher education establishments) is twice as high.

The central role of social transfers in reducing the poverty rate and poverty intensity

Social transfers in France and in Europe

Social transfers play a key role in reducing poverty in all European countries, even if they concern a population which is much larger than that of poor single individuals. Over one-half of Europeans receive social benefits. Their impact varies from country to country, however, with respect to the level of national wealth earmarked for redistribution via social transfers and the populations these transfers target.

Table 13
Impact of social transfers (1) in Europe in 1997 on monetary poverty measured on a threshold of 60 per cent median income

<table>
<thead>
<tr>
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<td>34</td>
<td>60</td>
<td>81</td>
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<td>Portion of social transfers in available income (2)</td>
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<td>35</td>
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<td>Low-income population (3)</td>
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<td>Medium-income population (3)</td>
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<td>High-income population (3)</td>
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<td>1</td>
<td>7</td>
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<tr>
<td>Very high-income population</td>
<td>7</td>
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<tr>
<td>Impact of social transfers (ST) on poverty</td>
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<tr>
<td>Monetary poverty rate (60 % threshold) before ST</td>
<td>25</td>
<td>23</td>
<td>20</td>
<td>20</td>
<td>27</td>
<td>25</td>
<td>29</td>
<td>20</td>
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<td>Poverty rate (60 % threshold) after ST</td>
<td>12</td>
<td>6</td>
<td>12</td>
<td>19</td>
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<td>Poverty intensity before ST</td>
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<td>48</td>
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<td>Poverty intensity after ST</td>
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<td>14</td>
<td>14</td>
<td>14</td>
<td>14</td>
<td>16</td>
</tr>
</tbody>
</table>


(1) Social transfers are cash transactions only. They include unemployment allowances, sickness and invalidity benefits, family benefits, education allowances, housing allowances, social assistance, and other benefits paid out by the public authorities.

(2) Available income is the net annual household income, all sources combined, after taxes on income and Social Security contributions deducted. Income is then calculated with respect to consumption units.

(3) Low income populations are below 60 per cent of median income; medium income between 60 and 120 per cent, high income between 120 and 180 per cent, and very high income above 180 per cent of median income.

Globally, transfers reduce the poverty rate by 40 per cent (measured at a 60 per cent threshold for median income) and poverty intensity by over 30 per cent.

The contribution of social transfers in reducing the number of people below the poverty line is greatest in Denmark: from 23 per cent to 6 per cent of individuals. There is also a significant reduction in Austria, France, Great Britain, Belgium, Sweden and Ireland. This reduction is less in Germany, and far less in southern European countries. Poverty reduction due to social transfers appears to be linked
to the ratio of social transfers to national wealth. The ratio of spending for social protection (retirement pensions and illness benefits excluded) to available income for individuals varied in 1995 from 3 per cent in Italy to 14 per cent in Denmark; France was in between the two (9 per cent).

Aid targeting low-income individuals may compensate for inadequacies in overall public policies. This is the case for Ireland, for example, where 67 per cent of social transfers (pensions excluded) go to people with less than 60 per cent of median income before transfers.

**Box 2**

**The European approach to social transfers and income in the European Community Household Panel**

The data highlighted in this chapter was taken from a Eurostat analysis of results from the European Community Household Panel (ECHP). The definitions used differ from those used in French studies. The social transfers which are inventoried are cash transfers, as they are in French studies. They exclude, for example, reimbursement for medical fees by sickness insurance. But the scope differs in that it is larger than the scope covered by European approaches. In addition to the benefits taken into account in French studies, social transfers, as defined in Eurostat studies based on the ECHP, include the following:

- unemployment allowances and daily compensation for sickness (included in sickness, invalidity benefits) and maternity (included in family benefits);
- education allowances and local social aid.

European data cited by the Observatory report refers to social transfers (retirement pensions excluded).

The approach to defining initial income differs as well. In the ECHP, it corresponds to initial income after taxes; in French analyses, it is income before taxes. Moreover, initial income in French approaches includes unemployment allowances, daily compensation for sickness and maternity, and retirement pensions (the latter are also included in social transfers in European analyses). These differences in approach have an impact on the level of initial income, as well as on the distribution of this income.

The approaches also differ in terms of the nature of sources used: French analyses are generally carried out using fiscal data (Taxable Income Survey), whereas the ECHP is a survey of households (declarative).

For these different reasons, the data drawn from the ECHP should not be compared to the data figuring in the rest of the report. On the other hand, the data is relevant in giving an overview of the various systems of transfers existing within the European Union with respect to the impact on poverty.
Table 14
Portion of social transfers attributed to persons with an initial income after taxes (1) below 60 per cent of available median income

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<tr>
<td>Transfers (pensions excluded)</td>
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<td>62</td>
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<td>47</td>
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<tr>
<td>Unemployment benefits</td>
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<td>Sickness and invalidity</td>
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<td>72</td>
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<td>64</td>
<td>58</td>
<td>42</td>
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<tr>
<td>Family benefits</td>
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<td>35</td>
<td>38</td>
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<tr>
<td>Education compensation</td>
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<td>43</td>
<td>42</td>
<td>35</td>
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<tr>
<td>Housing allowances</td>
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<td>26</td>
<td>82</td>
<td>27</td>
<td>59</td>
<td>53</td>
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<tr>
<td>Social aid</td>
<td>72</td>
<td>33</td>
<td>83</td>
<td>56</td>
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<tr>
<td>Transfers (pensions excluded)</td>
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<td>63</td>
<td>43</td>
<td>48</td>
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<tr>
<td>Sickness and invalidity</td>
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<td>Family benefits</td>
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<td>Education compensation</td>
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<tr>
<td>Housing allowances</td>
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<tr>
<td>Social aid</td>
<td>36</td>
<td>94</td>
<td>30</td>
<td>12</td>
<td>56</td>
<td>83</td>
<td>75</td>
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</tbody>
</table>

Source: 1997 European Community Household Panel.
Interpretation: data for Luxembourg is from 1997. EU-15 designates the average considered.
(1) Initial income, according to Eurostat, is net income after taxes and before social transfers (pension excluded).

If we compare the impact of social transfers on the rate and intensity of poverty, four models can be delineated.

In seven countries, including France, the combined action of various transfers reduces both the number of people below the poverty line and the gap of their median income with respect to this threshold in a relatively significant way.

In a second group of countries—Denmark, Sweden, Luxembourg and Austria—social transfers have a much greater impact on the number of poor people than on poverty intensity. This is due to the high magnitude of universal benefits distributed uniformly to the poor: they reduce poverty uniformly, regardless of the level of initial income after taxes, and therefore have no impact on inequities in income within the poor population.

Ireland is the only country in which social transfers reduce poverty intensity much more than they do the number of people below the poverty line, due to a very strong targeting of aid at the poorest.

Greece, Italy and Portugal stand out from the others in the low impact of transfers on the extent of poverty and on poverty intensity.

3. Belgium, Germany, France, the Netherlands, Finland, Great Britain, Spain (the latter stands apart from the others, however, in the very limited impact of social transfers in reducing the extent of poverty and poverty intensity).
Social transfers in France have limited the impact of the gap in low job income and replacement income in France

Social transfers have played a crucial role in accompanying socio-economic evolutions and have helped offset the effects, albeit only partially.

The initial revenue of the poorest households (first decile of available income distribution per consumption unit) has grown less than that of other households since the early 1980s. The gap, moderate at first, worsened during the 1990s until the economic recovery.

The rising inequities in "market" income—job income and replacement income—are due to three factors: the job crisis and the concomitant stiffening of measures for unemployment compensation; the development of lower-paid forms of work (cf. box 3); and the evolution of family structures marked by the increase in single-parent families, who are more vulnerable than others to poverty (cf. the section on single-parent families in this chapter).

Box 3

Low-wage salaried employees and their trajectories

Distinguishing low wages depends on the definition used. For the OECD, low wages correspond to a remuneration which is lower than two-thirds of the median income of full-time employees. According to this definition, some 15 per cent of salaried employees in 1997 were in the low-wage zone. The threshold of 1.3 times the SMIC (Minimum Wage) was also used; it corresponds to the threshold often used in employment policies targeting low wages. This method leads to a substantially higher proportion of low-wage workers: this concerned 29 per cent of the ensemble of wage-earners in 1995.

For the year 2000, the reference to two-thirds the median salary equals a monthly net remuneration of 918 euros, while the threshold of 1.3 times the SMIC is equal to 1,094 euros a month.

There was an increase in the number of low-wage salaries: 12 per cent of wage-earners received payment lower than two-thirds of the median salary in 1989, compared to 15 per cent in 1997. This increase is in part due to an increase in part-time work. In 1997, 77 per cent of low-wage employees were part-time.

The fact of holding a low-wage job does not necessarily mean that the wage-earners are living in a household with a low standard of living. The link between low wages and available household resources depends on the job income of the other people in the household; the other types of resources (property income, social transfers); and the composition of the household. Approximately one low-wage worker out of ten lived in a poor household in 1995.

An analysis of the trajectories over a five-year period of persons earning low wages—defined as being those lower than 1.3 times the SMIC—demonstrated that low wages are not always linked to factors contributing to vulnerability. The majority of trajectories were characterised by a stable full-time job or were geared in the medium term towards long-lasting re-entry into the labour force; others had part-time work, either intentional or non-intentional; and still others were characterised by sustainable vulnerability characterised by alternating periods of imposed part-time fixed-term contracts and unemployment.

Among the first group (56 per cent of trajectories) are experienced labourers with low levels of initial education, working in public works and industry. For them, the low pay was not linked to a low number of hours worked nor to the precarious nature of the job, but to a low hourly wage rate. When asked about their jobs, they expressed satisfaction with the security these provide and with their working times, yet they were among the most dissatisfied with job income. The first group also includes non-qualified workers starting out their career and young, better-educated people entering the labour force in commerce or company services with low wages. For them, the proportion of full-time permanent employment contracts increases over time.

The second group (25 per cent) includes trajectories characterised by partial or total retirement from the labour force. Part-time work basically concerns women hired into CDIs (fixed-term contracts), who in two-thirds of cases have deliberately opted not to work any more. Less frequently, trajectories resulting in a total withdrawal from the labour force are characterised by difficult work conditions, part-time jobs which are frequently imposed, and low wages. This type of trajectory, which concerns women for the most part, is often linked to family responsibilities (notably, the birth of children) and is more common in work sectors such as mass market retailing, commerce, services for private individuals, and the hotel and restaurant business, where work hours are particularly demanding.

The last group of low-wage trajectories (17 per cent) is characterised by frequent periods of unemployment or a series of part-time fixed-term contracts, most often imposed, largely in the public sector (subsidised contracts) These trajectories are marked by vulnerability.

The variety of situations for low-wage employees demonstrates that a low-wage job may be a springboard to a better paid job, but the hopes of wage increases are limited for a part of the population concerned, in particular for people who alternate between low-wage jobs and periods of unemployment or economic inactivity. Low wages foster vulnerable situations for workers, exposing them to dramatic decreases in standard of living when other household resources are thrown into question (separation, unemployment, death, etc).

The proportion of wage-earning households and unemployed households whose initial income is below the poverty line thus increased by nearly four points from the early 1980s to the period of economic recovery in the late 1990s; it then decreased in the early 2000s. Social benefits have in part offset this relative impoverishment of the population of wage-earners and unemployed.
Globally, the redistribution system has evolved favourably for the lowest-income households. The development of benefits targeting the poor and moderate-income populations contributed most to bolstering the redistributive nature of the socio-fiscal system.

**Social income represents over 50 per cent of available resources of households in the first decile of initial income**

In 2002, based on the highly conventional definition used\(^7\), social benefits represented a limited proportion of initial income per consumption unit for all households (6 per cent).

Social benefits on the other hand were very high for households in the first decile, whose initial income is very low. Initial income of the poorest population (first decile) is five times lower than the initial income of the average population. It is fifteen times lower than the initial income of 10 per cent of the most advantaged households (last decile).

The level of various grants and assistance and their often highly digressive character depending on income explains their key role in reducing inequities—which is much more significant than the role of tax contributions, which tend to increase less. In all, the standard of living of the poorest households rises substantially, whereas the standard of living of the most affluent households decreases due to tax contributions. The gaps in standard of living are more limited: tax contributions and transfers reduce the gap between deciles on the extreme ends of the scale by over one-half.

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* Table 15
  Proportion of low-income households before and after benefits (1)

<table>
<thead>
<tr>
<th>Year</th>
<th>Total households before</th>
<th>Total households after</th>
<th>Households with wage-earners or unemployed before</th>
<th>Households with wage-earners or unemployed after</th>
<th>Pensioner households before</th>
<th>Pensioner households after</th>
</tr>
</thead>
<tbody>
<tr>
<td>1970</td>
<td>19.9</td>
<td>15.3</td>
<td>9.3</td>
<td>3.9</td>
<td>30.0</td>
<td>27.3</td>
</tr>
<tr>
<td>1975</td>
<td>17.9</td>
<td>12.3</td>
<td>8.7</td>
<td>3.8</td>
<td>25.0</td>
<td>17.6</td>
</tr>
<tr>
<td>1979</td>
<td>16.0</td>
<td>8.7</td>
<td>10.0</td>
<td>4.6</td>
<td>20.4</td>
<td>9.9</td>
</tr>
<tr>
<td>1984</td>
<td>15.5</td>
<td>7.4</td>
<td>10.3</td>
<td>4.6</td>
<td>16.2</td>
<td>(3.7)</td>
</tr>
<tr>
<td>1990</td>
<td>14.2</td>
<td>6.8</td>
<td>11.6</td>
<td>4.5</td>
<td>12.4</td>
<td>5.6</td>
</tr>
<tr>
<td>1997</td>
<td>14.0</td>
<td>6.4</td>
<td>13.8</td>
<td>6.1</td>
<td>8.7</td>
<td>(3.1)</td>
</tr>
<tr>
<td>2001</td>
<td>13.1</td>
<td>6.2</td>
<td>12.8</td>
<td>5.4</td>
<td>7.6</td>
<td>3.8</td>
</tr>
</tbody>
</table>

Sources: INSEE-DGI, Taxable Income Surveys from 1970, 1975, 1979, 1984, 1990, 1997, 2001. Scope: households for which declared income is positive or nil and the reference person is not a student. Interpretation: in 1990, 14.2 per cent of households had declared income (to tax authorities) per consumption unit below the poverty line (one-half the median standard of living for individuals), and 6.8 per cent a standard of living below the threshold. In 1984 and 1997, old-age minimum for a single individual was higher than the poverty line. Also, the proportion of pensioner households whose standard of living is below the poverty line was very low for those two years.

* Households are defined as wage-earners or unemployed based on the activity of the reference person in the household; it is the same with pensioner households.

(1) Benefits include family benefits, housing assistance and social minima.

7. For example, unemployment allowances and benefits in kind are not included in the benefits examined here.
Table 16
Initial income and standard of living

<table>
<thead>
<tr>
<th>Deciles of initial income</th>
<th>Average initial income per Cu (monthly euros)</th>
<th>Average standard of living per Cu (monthly euros)</th>
<th>Average rate (in %) of contributions (1)</th>
<th>Average rate (in %) of social benefits (2)</th>
<th>Impact of contributions and transfers on initial income (in %)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>303</td>
<td>634</td>
<td>3</td>
<td>112</td>
<td>109</td>
</tr>
<tr>
<td>2</td>
<td>673</td>
<td>799</td>
<td>4</td>
<td>23</td>
<td>19</td>
</tr>
<tr>
<td>3</td>
<td>886</td>
<td>938</td>
<td>5</td>
<td>11</td>
<td>6</td>
</tr>
<tr>
<td>4</td>
<td>1,070</td>
<td>1,072</td>
<td>6</td>
<td>6</td>
<td>0</td>
</tr>
<tr>
<td>5</td>
<td>1,251</td>
<td>1,204</td>
<td>8</td>
<td>4</td>
<td>-4</td>
</tr>
<tr>
<td>6</td>
<td>1,445</td>
<td>1,351</td>
<td>10</td>
<td>3</td>
<td>-6</td>
</tr>
<tr>
<td>7</td>
<td>1,665</td>
<td>1,519</td>
<td>11</td>
<td>2</td>
<td>-9</td>
</tr>
<tr>
<td>8</td>
<td>1,957</td>
<td>1,741</td>
<td>13</td>
<td>2</td>
<td>-11</td>
</tr>
<tr>
<td>9</td>
<td>2,417</td>
<td>2,092</td>
<td>15</td>
<td>1</td>
<td>-13</td>
</tr>
<tr>
<td>10</td>
<td>4,499</td>
<td>3,580</td>
<td>21</td>
<td>1</td>
<td>-20</td>
</tr>
<tr>
<td>Total</td>
<td>1,598</td>
<td>1,480</td>
<td>13</td>
<td>6</td>
<td>-7</td>
</tr>
</tbody>
</table>

Sources: INSEE-DGI, 1999 Taxable Income Survey (updated 2002), INES DREES-INSEE, DREES calculations, as an extension of the chapter “Redistribution de la vue d’ensemble” (Overall redistribution), in France Portrait social 2003-2004.
Scope: total households whose initial income is positive or nil, and available income, or standard of living, is positive, student households excluded.
(1) Contributions include income tax, the CSG and the CRDS, from which the PPE amount is deducted. They are given in per cent of initial income.
(2) Benefits are constituted from the following elements: family benefits (AF, APE, AES, ASF, CF, APJE, API, back to school allowance, secondary education allowance, AGED, AFEAMA, AFEAMA complement, day-care subsidies); housing allowances for tenants; social minima (AAH, AAH complement, invalidity minimum, RMI, old-age minimum). They are given in per cent of initial income.

Among social transfers, targeted benefits (mean-tested benefits, social minima and housing allowances) play a major role in reducing poverty: overall, means-tested benefits represent 44 per cent of available income for households in the first decile.

Among means-tested benefits, housing allowances have nearly as great an impact as social minima. Yet they are less targeted at the most disadvantaged populations since one household out of five benefited from them in 2002; yet they had the greatest impact on people with the lowest income. In 2002, they permitted 3.5% of households receiving them to escape monetary poverty8. The standard of living of poor households receiving housing allowances would represent on average 98% per cent of the poverty line, yet only 47% per cent of the threshold if housing allowances were deducted from their available income. Yet these benefits do not always provide enough solvency for the most disadvantaged to access housing (cf. the section of this chapter on indexing measures for social benefits and the section on housing in chapter 3).

Table 17
Monthly amounts on average of benefits in terms of consumption units based on initial income deciles

<table>
<thead>
<tr>
<th>Source of benefits</th>
<th>Overall</th>
<th>Deciles of initial income (1)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Overall</td>
<td>1</td>
</tr>
<tr>
<td>Non-means-tested family benefits (2)</td>
<td>32</td>
<td>79</td>
</tr>
<tr>
<td>Means-tested family benefits (3)</td>
<td>9</td>
<td>28</td>
</tr>
<tr>
<td>School assistance (4)</td>
<td>4</td>
<td>15</td>
</tr>
<tr>
<td>Assistance for cost of childcare (5)</td>
<td>6</td>
<td>2</td>
</tr>
<tr>
<td>Housing allowance (tenants)</td>
<td>21</td>
<td>98</td>
</tr>
<tr>
<td>Social minima (6)</td>
<td>18</td>
<td>119</td>
</tr>
<tr>
<td>Total benefits</td>
<td>90</td>
<td>341</td>
</tr>
<tr>
<td>Available income per Cu and per month</td>
<td>1,480</td>
<td>634</td>
</tr>
</tbody>
</table>


Scope: total households whose initial income is positive or nil, and available income, or standard of living, is positive, student households excluded.

(1) Available income is divided into the number of consumption units.
(2) AF, APE, AES, ASF.
(3) CF, APJE, API.
(4) back-to-school allowance, secondary schooling allowances.
(5) AGED, AFEAMA, AFEAMA complement, day-care subsidies.
(6) AAH, AAH complement, invalidity minimum, RMI, old-age minimum.

The definitions used here to access the impact of social transfers are in line with certain conventions which mask the heterogeneity of benefits.

Juridical criteria often belie the economic reality. For example, highly targeted benefits (such as housing allowances) and somewhat selective benefits (such as the Prestation d’Accueil du Jeune Enfant, or PAJE, and the family complement, for which the resource threshold excludes only 10 per cent and less than 20 per cent, respectively, of families9) are classified as means-tested benefits. Conversely, the family support allowance—which is certainly “open” to everyone—is classified as a non-means-tested benefit, although it is received nearly exclusively by poor and moderate-income families.

9. For isolated families with three children or more, the resource threshold determining access to the family complement or Allowance for Young Children (APJE) is 2,585 euros per month, or 2.4 times higher than the one for the API (1,060 euros a month). The difference is even more pronounced for isolated families with one child: the APJE threshold (1,940 euros a month) is 2.7 times higher than that of the API (707 euros a month).
**Differentiated effects according to categories within the population: the case of large families and single-parent families**

A recent report by the CERC\(^\text{11}\) (Council on Employment, Revenues and Social Solidarity) analysed the poverty of families with children as dependents. The report reveals that there are nearly one million children in these families and highlights the reasons behind the low levels of income.

The following text emphasises the role of benefits in protecting two categories of families which are particularly vulnerable to the risk of poverty: large families and single-parent families.

**Table 18**

Poverty rate before and after social transfers to households based family configuration

<table>
<thead>
<tr>
<th></th>
<th>Before transfer</th>
<th>After transfer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Couple 1 child</td>
<td>5.0</td>
<td>4.6</td>
</tr>
<tr>
<td>Couple 2 children</td>
<td>6.5</td>
<td>5.4</td>
</tr>
<tr>
<td>Couple 3 children</td>
<td>14.7</td>
<td>6.1</td>
</tr>
<tr>
<td>Couple 4 children or more</td>
<td>44.5</td>
<td>17.5</td>
</tr>
<tr>
<td>Single-parent families</td>
<td>33.0</td>
<td>15.4</td>
</tr>
</tbody>
</table>

Sources: INSEE-DGI, 2000 Taxable Income survey, DREES calculations.

- **Large families**
  
  Regardless of social transfers, the rate of poverty for large families remains higher than that of other households on average, and within families with children as dependents poverty increases markedly in proportion to the number of children: 5.4 per cent of families with two children are poor; 6.1 per cent of families with three children are poor, and 17.5 per cent with four or more children are poor.

  But these gaps are even greater before social transfers. Although large families have primary income that is clearly lower (lower economic activity rate among women; higher risk of being unemployed; low salary levels, etc.), the high levels of benefits brings their poverty rate to a level closer to that of households overall, even if it remains significantly higher.

  The impact of social transfers on poverty for large families illustrates how they operate. A comparison of poverty rates with respect to family size reveals distinct choices with respect to family assistance, notably the marked increase in benefits from the second to third child; the fourth child and any after that receive less assistance than the third child does.

  In this way, benefits granted to the third child are much higher than those granted the first and second child. These include higher family allowances; granting of the family complement granted to low-income families from the third child on; a more favourable scheme for increased benefits for age; a rise in housing allowance. For

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families with low initial incomes, aid granted to the third child is 377 euros—twice as high as the poverty line for a child under age 14 (181 euros per month). Assistance for the third child thus ensures that the family does not fall into poverty as a result of the third child if it wasn’t already poor to begin with.

Conversely, the fourth child brings supplementary benefits that are much smaller—some 185 euros a month—an amount barely higher than the poverty line for a child under age 14.

The proximity of poverty rates for families with two and three children can therefore be understood, as can the sharp rise in the poverty rate between families with three children and those with four or more children.

- Single-parent families
  - Single-parent families: 1.5 million households and 2.4 million children
    Like many other Western countries\(^\text{12}\), France has seen a significant rise in single-parenthood.
    In 2000, 15 per cent of families with children, or 1.5 million households, were single-parent households. In comparison, they represented only 9 per cent of families with children in 1970.

    In 86 per cent of cases, the mother was the single parent. The proportion of children living in a single-parent household has increased steadily over the past few decades: 15 per cent of children under age 25, or 2.4 million children in 1999, versus 11 per cent in 1990 and 9 per cent in 1982.

    The increase in single parenthood results from the greater number of separations: three-quarters of isolated parents are in this situation as a result of separation.

    - Single-parent families are poorer than other families
      Single-parent families are more often poor compared with other households.

      The poverty rate for single-parent families is double that of couples, the number of children being equal. This differential is underestimated by statistical methods used in quantifying the people who are part of households. (cf. box 4). This situation is not unique to France. At the European level, single-parent families on average have a standard of living which is inferior by 11 per cent compared to households with children with a single economically active person, and by 23 per cent compared to households with children overall\(^\text{13}\).

      Slightly less than one-quarter of poor children under age 18 belong to a single-parent family, whereas children in single-parent families represent only 12 per cent of the total child population. The poverty rate increases with the size of the family. The phenomenon is most pronounced for children of single-parent families with two children or more: their poverty rate is 17 per cent compared to 10 per cent for only children in single-parent families.


\(^\text{13}\). Source Eurostat, cité par R. Sechet et al.
Table 19
Breakdown of children and poor children per family configuration

<table>
<thead>
<tr>
<th>Family Configuration</th>
<th>Children under age 18</th>
<th>Poor children under age 18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single-parent families</td>
<td>12%</td>
<td>23%</td>
</tr>
<tr>
<td>1 child</td>
<td>4%</td>
<td>5%</td>
</tr>
<tr>
<td>2 children or more</td>
<td>8%</td>
<td>18%</td>
</tr>
<tr>
<td>Couples</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 child</td>
<td>16%</td>
<td>10%</td>
</tr>
<tr>
<td>2 children</td>
<td>37%</td>
<td>24%</td>
</tr>
<tr>
<td>3 children</td>
<td>23%</td>
<td>17%</td>
</tr>
<tr>
<td>4 children</td>
<td>12%</td>
<td>26%</td>
</tr>
</tbody>
</table>

Sources: INSEE-DGI, 1999 and 2000 Taxable Income Surveys, CERC calculations.

Interpretation: children raised in a single-parent family represent 12 per cent of the population of children under age 18, but 23 per cent of poor children under age 18 are raised in a single-parent family.

Box 4
Poverty rate of single-parent families: an underestimated reality

The measurement of the poverty rate of single-parent families is sensitive to the conventions used. In particular, the choice of a uniform calculation of consumption units, regardless of family structure, is often open to discussion. The first adult making up the household equals one consumption unit, other adults and adolescents age 14 and older represent 0.5 unit and children less than 14 years of age, 0.3 unit. The number of consumption units for a single parent family composed of an adult and a 15-year-old child is therefore equal to that of a couple without children, even though the financial needs of the single-parent family are obviously greater, with respect to housing, for example.

Taking into account differences in economic scale based on family structure implies recording consumption units for children in single-parent families. This results in poverty rates which are clearly higher for these families than those currently being measured: the poverty rate of single-parent families with a job rises from 6 to 10 per cent and that of single-parent families without a job from 29 to 42 per cent.

Great differences in initial income

The initial standard of living of single-parent families is clearly lower than that of households overall. When based on consumption units, the resources for single-parent households are on average 1,050 euros a month (before social transfers), versus 1,710 euros for couples with children.

Single-parent families more often face unemployment and economic inactivity. One-quarter of single parents are economically inactive or on long-term unemployment. Difficulties in gaining access to employment and the low level of job income for single-parent families with employment parallel the lower level of initial training of

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16. Lapinte A., op. cit.
parents raising their children alone. Twenty-five per cent of women in this situation have a higher education degree or the equivalency of a baccalauréat, in comparison to over 40 per cent of women in couples.

The low level of alimony and the fact that it is frequently not paid explain their relatively low contribution to the resources of many of these families.

– The major role of social transfers in reducing poverty in single-parent families.

The poverty rate of single-parent families measured cumulatively for the period 1996 to 2000 decreases from 36 per cent to 14 per cent as a result of benefits and tax contributions (cf. table 20), and from 33 per cent to 15.4 per cent for the year 2000 alone. They also contribute to a decrease in poverty intensity.

Benefits are three times higher than those received by households overall and twice as high as those received by couples with children. Housing allowances and family benefits, which represent 80 per cent of social transfers to single-parent families, play a pivotal role here.

Social benefits are particularly significant for families with young children, which is generally the case in France’s social benefits system. It is reinforced for single-parent families, notably with access to the Single Parent Allowance (API). This allowance represents only 7 per cent of benefits allocated to single-parent families and is received by only 9 per cent of single-parent families because it is highly targeted (it is granted on a more restrictive means-tested basis than that for housing allowances until the youngest child is three years of age—long API—or during the year following the event leading to single-parent status—short API). Among single-parent families with a child under age 3, one third receives it. For those who have a single child under the age of 3, API thus represents more than one-quarter of social transfers.

For the poorest single-parent families who do not benefit or no longer benefit from the API, the RMI helps curb the low level of income, yet the level of guaranteed income is lower. This is the case for 10 per cent of single-parent families.

Table 20
Poverty rate (in %) before and after transfers for single-parent families based on age and number of children

<table>
<thead>
<tr>
<th></th>
<th>Before transfers</th>
<th>After transfers</th>
<th>Distribution of single-parent families</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Poverty rate</td>
<td>Poverty intensity</td>
<td>Poverty rate</td>
</tr>
<tr>
<td>1 child under age 3</td>
<td>46</td>
<td>78</td>
<td>7</td>
</tr>
<tr>
<td>Several children, with one under age 3</td>
<td>70</td>
<td>78</td>
<td>9</td>
</tr>
<tr>
<td>1 child over age 3</td>
<td>25</td>
<td>58</td>
<td>13</td>
</tr>
<tr>
<td>Several children, all over age 3</td>
<td>40</td>
<td>59</td>
<td>19</td>
</tr>
<tr>
<td>Total</td>
<td>36</td>
<td>65</td>
<td>14</td>
</tr>
</tbody>
</table>

Scope: total number of single-parent families in which the reference person is not a student or military contingent and is under the age of 60. Interpretation: between 1996 and 2000, 9.7 per cent of families have only one child under the age of 3. The poverty rate of these families is, on average for the period 1996-2000, 46 per cent before transfers and 7 per cent after social transfers are taken into account.
Although the aid system for single-parent families helps reduce the poverty rate by over 60 per cent, these families remain poor twice as frequently as the overall population. The poverty rate is much lower for the 20 per cent of single-parent families who have at least one child under the age of 3: the rate is 8 per cent. In contrast, the rate is over 15 per cent for other families.

This differentiated effect of transfers based on the age of the children in single-parent families explains in part the differences in the economic activity rate of isolated mothers compared to those living in a couple. Isolated mothers with child(ren) under the age of 3 are less often economically active than those living in a couple. In contrast, as soon as the children are older, the activity rates are higher for single mothers than they are for women living in a couple—between 5 to 10 points higher depending on the number of children, which is explained by the necessity for them to meet the needs of their family in the absence of a spouse. These differences in activity rates are also due to the cost of childcare for very young children, however.

Table 21
Monetary poverty rate (in %) of single-parent families based on economic activity of parent

<table>
<thead>
<tr>
<th>Activity income</th>
<th>% of families</th>
<th>After transfers</th>
<th>Before transfers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wage-earning income</td>
<td>74</td>
<td>9</td>
<td>18</td>
</tr>
<tr>
<td>including &lt; 1/2 SMIC</td>
<td>12</td>
<td>41</td>
<td>83</td>
</tr>
<tr>
<td>&lt; 1 SMIC</td>
<td>11</td>
<td>15</td>
<td>33</td>
</tr>
<tr>
<td>&lt; 2 SMIC</td>
<td>33</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>&lt; 2 SMIC</td>
<td>19</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Independent income</td>
<td>4</td>
<td>11</td>
<td>17</td>
</tr>
<tr>
<td>Unemployment allowance</td>
<td>6</td>
<td>35</td>
<td>77</td>
</tr>
<tr>
<td>Other income</td>
<td>7</td>
<td>36</td>
<td>75</td>
</tr>
<tr>
<td>Nil initial income</td>
<td>9</td>
<td>44</td>
<td>100</td>
</tr>
</tbody>
</table>

Sources: Taxable Income Survey (DGI-INSEE), DREES calculations.
Scope: all single-parent families whose reference person is neither a student nor military contingent and is under the age of 60.

Social minima: various measures guaranteeing broad coverage of the population

Social minima with different rationales

The social minima system in France is complex. It is the product of eight different measures tailored to various needs and rationales.

Prior to the introduction of the RMI, different social minima had been created to meet the needs of specific groups within the population who have little or not contact with the job market: insufficient or absent pensions for the elderly (ASV, Old-Age Supplementary Allowance, created in 1956); difficulties in accessing jobs for the disabled (AAH or Allowance for Disabled Adults dating from 1975); unemployment
insurance benefits for job-seekers alienated from the job market or having difficulty with job re-entry (AI or Integration Allowance and ASS or Specific Solidarity Allowance, both created in 1984 for the unemployed who are not eligible or no longer eligible for compensation); insufficient resources for people raising their children alone (API, created in 1976).

The creation of the RMI in 1988 sprang from a different rationale. It is available to all persons over the age of 25 or having a child as a dependent, on the basis of the sole criterion of resources. The RMI is not targeted at a specific category of individuals identified by given characteristics or personal situations which explain their insufficient income. Although it was conceived as a “last-resort security net”, the RMI has become the indispensable complement to the unemployment compensation system (cf. infra). Its very existence has allowed the unemployment compensation systems, both public and joint employer-employee, to disengage to a certain extent.

Some social minima have been construed according to a kind of hybrid rationale that is half-social insurance and half-solidarity benefits. Eligibility for the ASS requires proof of a relatively constraining salaried working time, yet the amount received does not hinge upon previously earned work income. Widowhood Allowance, which is granted only to those people whose spouses were part of the social insurance system, is another example of this.

The significant differences in guaranteed income levels among the various social minima reflect other differences in reasoning.

Table 22
Amount of minima for a single individual on 31/12/2001 compared to poverty line

<table>
<thead>
<tr>
<th></th>
<th>Scale for a single person on 31/12/01</th>
<th>Available income (3) in % of poverty line (602 €)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Without housing sum</td>
<td>Net sum for housing (1)</td>
</tr>
<tr>
<td>RMI</td>
<td>398</td>
<td>350</td>
</tr>
<tr>
<td>API (pregnant woman)</td>
<td>502</td>
<td>456</td>
</tr>
<tr>
<td>Old-age minimum</td>
<td>557</td>
<td>557</td>
</tr>
<tr>
<td>Specific Solidarity Allowance</td>
<td>398</td>
<td>398</td>
</tr>
<tr>
<td>Widowhood Allowance</td>
<td>492</td>
<td>492</td>
</tr>
<tr>
<td>Supplementary Invalidity Allowance</td>
<td>557</td>
<td>557</td>
</tr>
<tr>
<td>Allowance for Disabled Adults</td>
<td>557</td>
<td>557</td>
</tr>
<tr>
<td>Insertion Allowance</td>
<td>281</td>
<td>281</td>
</tr>
</tbody>
</table>

Source: DREES calculations.
(1) The housing sum is deducted from the scale for RMI and API recipients receiving the housing allowance (tenants or persons in the process of purchasing their home).
(2) Amount for housing allowance for a single individual (rent threshold in Zone 2).
(3) Available income is obtained, for tenants, by adding the social minimum at the net threshold of the housing sum (RMI and API) and the housing allowance. For other persons (sheltered, homeowners), available income corresponds to the social minimum at the threshold level.

19. The Allowance for Widowhood will be suspended on 1 July 2004 as part of the reform on reversion pensions.
For an isolated person, the AAH and ASV provide a guaranteed income superior by 40 per cent to the RMI or the ASS and by 11 per cent to the API (pregnant woman). The implicit rationale\(^{20}\) is to grant higher allowances to people with characteristics which seem to preclude any hope for improvement in income levels, in comparison to others for whom difficulties in gaining access to paid employment are construed as temporary. The income guarantee aims to be permanent in the case of the former, and transitory for the latter. Besides the differences in guaranteed amounts, the differences in rationale for social minima of the latter kind can mean limited periods of payment (API, AI, and ASS from 2004) or the association of the benefit with a social and professional integration contract (RMI).

What results is a partial overlap of the monetary poor and social minima recipients.

All social minima recipients are not poor, given the various allowance levels and income thresholds. In addition, certain poor households do not receive social minima, either because the minima measures do not cover a sector of the population—particularly young people—or because there are problems in accessing rights (payment suspended, lack of recourse to various measures)\(^{21}\).

Young people under the age of 25 without children as dependents are not eligible for social minima, except for the API for pregnant women, and the AAH. This exclusion has contributed to their poverty in that integration policies—a much-emphasised focus on the part of the French state—have not had the expected results. In 2000, the poverty rate for those aged 15 to 24 was 10.4 per cent\(^{22}\), in comparison to 6.5 per cent for the general population; the gap is considerably higher than that observed in other European countries.

**The beginning of harmonising social minima and the end of major incoherencies**

Difference in treatment of social minima allowances do not only stem from differences in conceiving the measures. Real incoherencies, which have been underscored time and time again\(^{23}\), remain, despite notable developments that took place over the last years. They reflect the layered effect of social minima and the complexity of eligibility criteria and how they are calculated.

Reforms carried out in the late 1990s have created a certain harmonisation among some eligibility criteria for social minima. For example, the condition of being a French national for the AAH and the ASV, which set them apart from other social minima, has been eliminated. The deterioration of spending power was stemmed for the ASS in 1998 when it was sharply upgraded. There was also a decision to annually index the amount paid for the ASS and the AI to the evolution of prices in order to avoid a new erosion in spending power for these social minima.

---

But the most significant developments have occurred with respect to incentives to regaining employment (cf. further on “Incentives to regaining employment”). These developments have fostered the restoration of a genuine increase in resources when regaining work activity.

**Incoherences do persist, however**

The heterogeneous nature of calculating the different social minima reflects yet another incoherency in the system.

The social minima are all means-tested, yet the nature of the resources taken into account varies; this is not always justified by differences in how the various schemes were initially conceived. For example, alimony pensions or compensatory benefits paid by the recipient are deducted when calculating resources for the AI and the ASS, but are not for the RMI or the AAH.

The number of family dependents is taken into account either by an increase in the allowance or by variations in the resource threshold depending on the household composition. For certain measures, benefits do not take into account the size of the family whatsoever. This results in financial compensation that is more or less favourable for the number of dependents, but it varies according to the rank of the child.

The rights granted by the social minima also vary. For example, the period during which ASS benefits are received is taken into account when calculating pension rights; the passage of time for other social minima does not grant eligibility to pension rights.

It must be underscored that the way in which the social minima determine such or such a level of guaranteed benefits has not been the subject of any genuine in-depth reflection. The amount of income guarantees provided by these minima has not been based on any given financial estimate of a minimum goods and services package available to everyone. It has only been established that the level of RMI is low in comparison to minimum guaranteed income provided by social protection systems in other developed countries.

All things being equal, the levels of guaranteed income provided by the various social minima and their affiliated rights can vary. These differences in treatment are impossible to inventory in any exhaustive way, given that the regulations are so complex. Yet it is certain that households in situations of vulnerability, who are forced to rely on several measures, are subjected to them.

**The complex dynamics of the evolution of social benefits and certain injustices**

The indexing methods for benefits play a pivotal role in the evolution of household income in those households highly dependent on social transfers, which is the case for poor populations.

- Variable methods of indexing
  
  The amount of several benefits and the level of resource thresholds is indexed on consumer prices.

---

Over 75 per cent of family benefits\(^{25}\) evolve according to the monthly base of family allowances which, since the law of 25 July 1994, follows the price index (tobacco excluded)\(^{26}\). The RMI is directly indexed on the evolution of prices.

It is also observed that:
- benefits safeguard their spending power;
- this indexing is less favourable than one following salary developments: average salary, median salary and the SMIC increase at a higher rate than that of inflation. It leads to a deterioration of the relative level of these benefits with respect to primary household income. Monetary poverty being relative, the strict indexing of social benefits on consumer prices leads to an increase in poverty, the poverty rate and poverty intensity, everything else being equal. On the other hand, it has no impact on time-adjusted poverty (cf. Chapter 1);
- for means-tested benefits, the evolution of exclusion thresholds based on prices triggers a reduction in the number of recipients (negative field effect). But, given the level of most thresholds, this field effect does not concern the poorest households.

This indexing method does not rule out decisions to grant “boosts” or special solidarity measures or their opposite, freezes. The BMAF (Monthly Base for Calculating Family Allowance) was frozen in 1997. The loss in spending power for benefits concerned was not compensated for over the course of the following years. This freeze explains that the level of API dropped by two points in inflation-adjusted euros with respect to its 1990 level. In contrast, the RMI is three points above its 1990 level thanks to boosts from 1999 and 2001.

“Mixed” indexing methods for means-tested benefits exist. For example, the amount for collège (children aged 11 to 15) allowances increases based on the BMAF, whereas the corresponding resource thresholds are upgraded like the SMIC.

For some benefits, no pre-established rule exists.

For example, minimum unemployment insurance allowances evolve based on decisions made by UNEDIC’s (Inter-Professional National Union for Industrial and Commercial Employment) board. Over the course of the past decade, they have tended to increase more than prices have, at a rate similar to that for average salaries, yet more slowly than the SMIC.

Certain benefits managed by the State for which there are no indexing rules evolve in a more erratic way. Lycée (children aged 16 to 18) allowances are revised slightly or sporadically. They lost over five points of spending power between 1994 and 2003.

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\(^{25}\) Court of auditors, Report on how the Law to Finance Social Security (LFSS) is carried out, 1999.

\(^{26}\) Article 36 of the Law of 25 July 1994 foresees the indexing of the BMAF on prices (tobacco excluded), with regularisation for any eventual gap between the n-1 increase in prices observed and the previsional rate used in the law for financing Social Security for the same year. In the past, indexing regulations were more flexible: article L. 551-1 of the Code de la Sécurité Sociale foresew that the “monthly bases (in reality, a single base) are determined by decree, two times or several times during the year, in a way to compensate totally or partially for the cost of maintaining a dependent or several dependent children represented for the family. These monthly calculation bases evolve according to the general increase in average salaries or in the SMIC”. In practice, however, the BMAF evolved according to prices.
and 2003, and the situation is even more paradoxical given that collège allowances have evolved regularly with respect to the price index.

**Graph 5**
Evolution of spending power for some social benefits, for net average income and for the monthly SMIC

Sources: INSEE (price index, SMIC, average salary), DESCQ (lycée allowances), UNEDIC (ARE/AUD), DREES (API, RMI, AAH), PLF 2004 (evolution of average salary for 2002 and 2003).

1. For 2002 and 2003, the series of data on average net salary was extended by applying the annual growth rate of the average salary per capita of the non-agricultural market sectors figuring in the annex of the 2004 law on finances project.
2. The Christmas bonus is not included.

Housing allowances, which play a fundamental role in social transfers, are indexed according to a highly specific model.

Income parameters, which determine the resource conditions granting eligibility to housing allowances and are used in calculating the amount of aid, evolve normally like prices, which leads to a decrease in the number of recipients on the one hand, and an increase in the remainder to pay (expenditure) for those receiving it. With an elasticity rate of 30 per cent for income assistance, a price/primary income gap of 1.5 per cent means a 0.5 per cent drop in housing benefits.

As the allowance is calculated within the limit of a given rent threshold, the portion of rent which surpasses the threshold benefits from no assistance whatsoever: households bear the entire burden for this part of the rent. Indexing the thresholds on the construction index —the evolution of which has been clearly lower than that of actual rents, particularly in terms of private housing—explains that in nearly 70 per cent of cases, the threshold rent is higher, sometimes by a great deal.

The choice of indexing housing assistance on such bases leads to a rising deterioration in their solvency capacity, particularly for new tenants or for people who move and who pay the highest rents. The methods for re-evaluating housing assistance explain in part the two main observations taken from the 2002 Housing Survey.

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27. For example, for a family with two children living in the greater Paris area, on 1 January 2002, the monthly rent was taken into account only for the amount of a 378 euro threshold per month and maintenance charges were evaluated at a fixed monthly rate of 67 euros, or a rent corresponding to a three-room flat of 38 m² in the greater Paris area, 31 m² in the lesser Paris area; and 24 m² in Paris proper.
(cf. chapter 3): the rise in expenditures for poor households and the reduction of residential mobility.

**Graph 6**
Evolution of rents, from the construction cost index and rents when new tenants move in (index 100 = 1990)

- Periodical decision to improve the scales
  On a periodic basis, without any overall plan, there have been favourable changes in upgrading scales.
  The following can be cited:
  - improvements in the RMI: family allocation increases for age not included in basic resources; creation of a Christmas bonus;
  - a housing assistance reform carried out in the late 1990s with revamped resources scales (which boosts aid to households whose income is slightly higher than the social minima) and an increase in the rent thresholds for private housing;
  - the creation of the AAH complement.

As a result of this complex body of decisions, social benefits permit poor households, for whom they represent a large portion of available income, to see their income rise at times in terms of spending power. Overall, however, benefits increase less quickly than the average salary does, a fortiori the SMIC.

This finding has particular importance for families who are highly dependent on family benefits and housing assistance. In this way:
- benefits for a single-parent family (two children, a lycéen and a collégien; tenant in the lesser Paris area at the threshold with a primary income of 0.75 times the SMIC represented in 2003 approximately 50 per cent of its total income. Benefits rose by 4 per cent in inflation-adjusted euros (council housing tenants,
the most frequent case) or by 11 per cent (private housing tenants) compared to 1996. At the same time, the increase in the net monthly SMIC was 10 per cent in inflation-adjusted euros and that of the average net salary 5 per cent;

- benefits for a couple with four children (one lycéen, two collégiens and once écolier—children aged 6 to 10)—tenant in the lesser Paris area on the threshold) with the same primary income represented in 2003 approximately 55 per cent of its available income. Benefits increased by 2 per cent in inflation-adjusted euros (council housing tenants, the most frequently occurring case) or by 14 per cent (private housing tenants) with respect to 1996, compared to 10 per cent for the net monthly SMIC and 5 per cent for the average net salary.

Reforms have improved the situation for poor families in other ways.

These include the successive reforms to the residential tax, and the institutionalisation of Universal Sickness Insurance (CMU) and Earned Income Tax Credit (PPE). The increase in the level of the SMIC, which was faster than that of the average or median salary, contributed specifically to the upgrading of low wages.

In all, poor and very moderate-income households benefited from an improvement in public benefits of all kinds of which they were recipients.

This allowed for a partial slowdown in the deterioration of their initial income suffered by many of them. But this did not preclude an increase in the poverty rate for active households.

**Social transfers and access to employment:**

**two ways to limit poverty**

**The issue of financial incentives to regaining employment**

*Several recent reforms have contributed to boosting financial incentives to regaining employment*

**Box 5**

**Unemployment trap, inactivity trap and poverty trap**

The idea of a trap refers to the economic theory of job supply. According to this theory, individuals can freely and rationally choose between work time and leisure time, by comparing the satisfaction they reap from each one. It is basically the income earned through work, and the consumption which this permits, that determines job supply. In this framework, all income that an individual can obtain without working skews his choice towards favouring leisure time by increasing his or her reserve salary, making the individual indifferent towards working/not working. The individual who benefits from an alternative income that is too high, compared to the salary which he would otherwise get, therefore has no interest whatsoever in offering his services and finds him/herself caught in a “trap”.

The job supply theory does not distinguish between inactivity and voluntary unemployment. This is not the case for the concepts used in statistical measurements: the unemployed are part of the labour market and are seeking a job, which is not the case for inactive persons. Within this framework, the notion of economic inactivity trap evokes the financial disincentive in entering the job market for inac-
Prior to the reforms in the late 1990s, social minima recipients regaining a job with low wages saw their standard of living rise only very slightly. In some cases, they even underwent a reduction in available income. In addition, in the short term, regaining full-time employment was seen as less preferable than regaining part-time employment.

Persons exiting the social minima saw the low level of financial incentives to regaining employment as linked to the loss of eligibility for in social rights. Regaining employment meant losing an array of eligibility rights associated with the recipient status itself, not with the level of resources. For example, the method for calculating housing allowances led to a significant drop in the level of aid when the individual exited the social minima scheme.

Prior to the reforms in the late 1990s, social minima recipients regaining a job with low wages saw their standard of living rise only very slightly. In some cases, they even underwent a reduction in available income. In addition, in the short term, regaining full-time employment was seen as less preferable than regaining part-time employment.

Persons exiting the social minima saw the low level of financial incentives to regaining employment as linked to the loss of eligibility for in social rights. Regaining employment meant losing an array of eligibility rights associated with the recipient status itself, not with the level of resources. For example, the method for calculating housing allowances led to a significant drop in the level of aid when the individual exited the social minima scheme.
Among the reforms carried out since the RMI was introduced, the most recent ones have aimed explicitly at improving financial incentives to regaining employment and to increasing working time: improvement of the in-work benefit schemes for social minima holders regaining a job; the evening out of threshold effects linked to the loss of advantages connected to benefiting from social minima following the return to employment; the creation of measures reserved for low-activity income, etc.

Several changes in the fiscal system also occurred: decrease in the marginal tax rates and organisation of this decrease to limit the marginal tax rate upon entry to the scale. The changes also helped make low-paid work more attractive.

Box 6

**Factors in the evolution of resources for RMI holders and low-wage earners since 1989**

Several reforms had an impact on available resources for low-income households, regardless of whether or not an individual was employed.

Some reforms benefited exclusively social minima holders or individuals with a job.

RMI recipients are thus specifically concerned by the elimination of the residential tax in 1991; the attribution of a “Christmas bonus” since December 1998; and the exclusion of increased benefits for age for family allowances in calculating the amount received for the RMI since 1999. In-work benefits received when an individual returns to a job, which allow for the accumulation of both an allowance and wages for a certain period of time, were reinforced in 1998 and 2001: extending the time during which an employee can get both a salary and allowances at the maximum rate, an extension of in-work benefits to API and ASS schemes.

Employed individuals have been benefiting from the PPE (Earned Income Tax Credit) since 2001. This tax credit is intended for employees who are paid between 0.3 and 1.4 times the SMIC; it is a means-tested credit based on household fiscal income. Full-time wage-earners who are paid the SMIC receive the maximum amount.

The housing benefit schemes reform carried out from 1997 to 2002 granted households with low job income another form of assistance equal to that which RMI holders were receiving. Moreover, the unification of rent thresholds between the private housing sector and council housing sector resulted in increases in family and social housing allowances and eliminated incoherencies which existed.

Likewise, the easing of the residential tax in 2000 granted low-wage employees an advantage similar to that for RMI recipients: the residential tax is now progressive with respect to income. In addition, the tax exemption which social minima recipients were granted has been extended into the year following exit from the social minima.

Other reforms have had an impact on low-income households overall, regardless of whether resources stem from social minima or a job: the increase in benefits for the back to school allowance in 1993, the introduction of the complementary CMU benefit in 1999 and the upgrading of family advantages for the housing allowance in 2000 were all part of this.
Analyses, notably those of representative cases, converge in noting that inactivity traps have decreased considerably since then\textsuperscript{28}. Recent reforms have restored financial incentives to regaining employment, with incentive rising based on length of working time. They have also boosted incentives to looking for full-time instead of part-time work.

There are several caveats to these conclusions, which have been formulated using representative cases. Firstly, local assistance (social action of the CAFs, Family Allowance Fund Agency, communal assistance, associative assistance, etc.) is not included in these conclusions. Yet local assistance can have quite a significant impact: one evaluation study based on an inventory of existing assistance in ten cities\textsuperscript{29} demonstrated that local assistance can increase assistance received from national transfers by over one-quarter. Generally targeted at people whose resources are below the RMI (it declines considerably above it), local assistance, if included in the conclusion, would attenuate the elimination of threshold effects when exiting the RMI.

**Resource gaps between social minima and low wages have tended to increase over a long period of time**

It is interesting to compare the evolution in the standards of living of households with low-wage earners and those in households receiving the RMI since 1989\textsuperscript{30}. On the one hand, this involves tracking the respective increases in the SMIC and the RMI (plus 18 per cent and plus 5 per cent, respectively, in inflation-adjusted euros between 1989 and 2003); and on the other hand, the many reforms of social transfers which low-income families receive (cf. box 6), their incidence varying with the nature of income and family configurations.

Only tenant households were used in examining the different housing benefits reforms. In addition, single individuals were assumed to be renting a private housing unit, which is the most common situation. According to the 2002 Housing Survey, only 28 per cent of low-income single individuals—pensioners and students excluded—rent a social housing unit; 40 per cent rent a private housing unit. The other types of low-income households—pensioners and students excluded—more frequently rent social housing units. For example, 56 per cent of low-income single-parent families rent from the social housing sector.


Fratacci L., *op. cit.*

Courtioux P., Le Minez S., *op. cit.*

\textsuperscript{29} Anne D., L'Horty Y., "Transferts sociaux locaux et retour à l'emploi" (Local social transfers and regaining employment), *Economie et Statistiques*, n° 357-358, INSEE, 2002.

Overall, these reforms have contributed to an improvement in the standard of living of poor and moderate-income households—whether wage-earners or dependent on the RMI—in greater proportions than increases in the SMIC and the RMI have. The evolutions are extremely variable, however, depending on family configuration and working time for households with one wage-earner. The situation improved most dramatically for single wage-earners receiving one-half the SMIC. In all, the various reforms increased the resource gap between moderate wage-earner families and single-parent families with two children. In 2003, with initial income being equal, resources of households with one wage-earner were systematically higher than households without activity income, which was not always the case in 1989. But these differences remain extremely variable.

Box 7

Taking the CMU into account

In our general overview of all of the reforms carried out, we included the introduction of the complementary CMU cover, a benefit in kind. An agreement stipulated that this benefit was to be upgraded to the level of the flat fee paid to complementary insurers for each individual covered by the CMU. This agreement does not reflect the reality of the benefit in kind, which depends on the consumption of medical treatment and, in fine, of the individual’s health conditions. Moreover, the former medical assistance granted by the département (a regional subdivision for which the scales and scope vary from département to département) is not taken into account. The effect of introducing the CMU is thus overestimated for those receiving it, a fortiori for those who live in the few départements in which the cover guaranteed by medical assistance was higher than that which the CMU provided.

Overall, these reforms have contributed to an improvement in the standard of living of poor and moderate-income households—whether wage-earners or dependent on the RMI—in greater proportions than increases in the SMIC and the RMI have. The evolutions are extremely variable, however, depending on family configuration and working time for households with one wage-earner. The situation improved most dramatically for single wage-earners receiving one-half the SMIC. In all, the various reforms increased the resource gap between moderate wage-earner families and single-parent families with two children. In 2003, with initial income being equal, resources of households with one wage-earner were systematically higher than households without activity income, which was not always the case in 1989. But these differences remain extremely variable.
The evolution of resources of RMI beneficiaries and SMIC households

The increase in resources of RMI beneficiaries between 1989 and 2003 was much higher than increases in the RMI alone (plus 5 per cent)—from 14 to 43 per cent depending on family configuration.

Table 23

The evolution of monthly available income for households receiving the RMI between 1989 and 2003 and the breakdown of the impact of major reforms carried out since 1989

| Source: INSEE calculations - contribution to the Travaux de l’Observatoire national de la pauvreté. |
|---|---|---|---|---|---|---|---|
| Evolution of available monthly income between 1989 and 2003 | Impact of major reforms carried out since 1989 |
| In inflation adjusted euros 2003 | In % | RMI complement (1) | Christmas bonus | CMU (3) | Residential tax | Housing allowance | ARS |
| Single individuals (2) | +77 € (+14 %) | +17 € | +13 € | +24 € | +29 € | -6 € | |
| Single parents with 2 children | +223 € (+25 %) | +35 € | +23 € | +71 € | +29 € | +42 € | +30 € |
| Couples with 2 children | +256 € (+25 %) | +37 € | +27 € | +94 € | +29 € | +42 € | +30 € |
| Couples with 4 children | +560 € (+43 %) | +206 € | +37 € | +142 € | +29 € | +102 € | +60 € |

Income for families receiving the RMI increased more quickly than that of recipients living alone. Families, in particular, benefited from the upgrading of the family advantage of the housing allowance; the rise in the back-to-school allowance; and the introduction of the CMU.

Resources of large families receiving the RMI grew more quickly than those of other families. These families were impacted by two specific measures: the upgrading of the RMI from the third child on; and the exclusion of the increase in benefits for age of family allowances in the resource base used in calculating the RMI.

These developments must be balanced by the representativeness of the different profiles in the RMI recipient population: single individuals—the most significant profile—represent approximately 60 per cent of recipients; single-parent families with two children represent 7 per cent; couples with four children 3 per cent; and couples with two children 4 per cent.

Available income for low-wage households overall rose more quickly than the SMIC, in extremely variable proportions depending on family configuration and working time.
Table 24
Evolution of available monthly income for low-wage households between 1989 and 2003 and breakdown of the impact of major reforms carried out since 1989

For households with job income equivalent to 0.5 times the SMIC

<table>
<thead>
<tr>
<th>Evolution of resources</th>
<th>Impact of major reforms carried out since 1989</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>In inflation-adjusted euros 2003</td>
</tr>
<tr>
<td>Single individuals (2)</td>
<td>+321 €</td>
</tr>
<tr>
<td>Single parents with 2 children</td>
<td>+274 €</td>
</tr>
<tr>
<td>Couples with 2 children</td>
<td>+321 €</td>
</tr>
<tr>
<td>Couples with 4 children</td>
<td>+545 €</td>
</tr>
</tbody>
</table>

For households with job income equivalent to 1 times the SMIC

<table>
<thead>
<tr>
<th>Evolution of resources</th>
<th>Impact of major reforms carried out since 1989</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>In inflation-adjusted euros 2003</td>
</tr>
<tr>
<td>Single individuals (2)</td>
<td>+185 €</td>
</tr>
<tr>
<td>Single parents with 2 children</td>
<td>+194 €</td>
</tr>
<tr>
<td>Couples with 2 children</td>
<td>+230 €</td>
</tr>
<tr>
<td>Couples with 4 children</td>
<td>+451 €</td>
</tr>
</tbody>
</table>

Source: INSEE calculations – contribution to the Travaux de l’Observatoire national de la pauvreté.
(1) RMI complements are due to the 5 per cent increase in inflation-adjusted euros of RMI levels for the period and to changes in the calculation of family allowances in the resource base (exclusion of increased benefits for age from family allowances beginning in 1999).
(2) Single individual in a dwelling ineligible for personalised housing assistance.
(3) Advantage linked to the complementary CMU was valued on the basis of the CMU allotment reimbursed by the State to mutual insurance companies and private insurance companies affiliated with the CMU.

The evolution bracket for low-wage households lies between plus 14 per cent and plus 85 per cent. The greatest increases concern households with job income equivalent to one-half the SMIC, particularly single individuals (+ 85 per cent). In 1989, aside from job income, single individuals received no benefits from among those included in these estimates; they also had to pay nearly all of the residential tax. In 2003, they had access to the housing allowance and the Earned Income Tax Credit; they...
Whereas the evolution of the SMIC was more favourable than that of the RMI alone between 1989 and 2003, the gap of available income between low-wage households and households surviving with the RMI and no activity income did not widen for all family configurations.

Table 25
Evolution of resource gap between RMI recipients and low wage-earners from 1989 to 2003

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Single individuals</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0.5 SMIC</td>
<td>- 32 %</td>
<td>- 1 %</td>
<td>+ 10 %</td>
</tr>
<tr>
<td>1 SMIC</td>
<td>+ 41 %</td>
<td>+ 50 %</td>
<td>+ 53 %</td>
</tr>
<tr>
<td><strong>Single parents</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>with 2 children</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0.5 SMIC</td>
<td>+ 8 %</td>
<td>+ 7 %</td>
<td>+ 11 %</td>
</tr>
<tr>
<td>1 SMIC</td>
<td>+ 49 %</td>
<td>+ 45 %</td>
<td>+ 36 %</td>
</tr>
<tr>
<td><strong>Couples</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>with 2 children</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0.5 SMIC</td>
<td>- 3 %</td>
<td>- 2 %</td>
<td>+ 3 %</td>
</tr>
<tr>
<td>1 SMIC</td>
<td>+ 14 %</td>
<td>+ 13 %</td>
<td>+ 16 %</td>
</tr>
<tr>
<td><strong>Couples</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>with 4 children</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0.5 SMIC</td>
<td>+ 5 %</td>
<td>- 1 %</td>
<td>+ 2 %</td>
</tr>
<tr>
<td>1 SMIC</td>
<td>+ 34 %</td>
<td>+ 25 %</td>
<td>+ 18 %</td>
</tr>
</tbody>
</table>

Source: INSEE calculations.

Interpretation: in 1989, couples with four children and one full-time economically active person earning the SMIC had income 34 per cent higher than these couples without work income.

* Medical assistance was not accounted for in 1993: it was redistributed in a highly diverse fashion at the time.

** Living in a dwelling ineligible for the APL.

The gap increased for single individuals renting a private housing unit. This was particularly true for part-time wage-earners receiving the SMIC. In 1989, part-time wage-earners receiving the SMIC were greatly disadvantaged compared to RMI recipients. Their resources were lower than those of RMI recipients with no activity income by 180 euros a month. In 2003, their resources surpassed those of RMI recipients by 10 per cent (64 euros a month more). The gap also increased in favour of single individuals on the SMIC working full-time jobs in comparison to RMI recipients, from 41 per cent in 1989 to 53 per cent in 2003 (336 euros a month more).

In contrast, the gap was reduced for families with four children. It decreased from 34 per cent to 18 per cent (320 euros a month), or significantly the same as for couples with two children. Large families on the RMI have benefited from a major upgrading of their resources since 1989. At the same time, the resources of large families with low wages increased in a way comparable to that of other families.
For couples with two children, the resource gap increased on the other hand, yet in a very moderate way. In particular, when the active parent is paid the SMIC for part-time work, low-salary households had available resources lower than those of RMI households in 1989. This situation was rectified in 2003, even if the difference in income is slight (up 3 per cent, or 39 euros a month more, between an RMI and a part-time SMIC).

The role of financial incentives in determining return to employment must be put into perspective

Although the reforms carried out all serve to foster greater coherency in the socio-fiscal system and improve the financial situation of social minima holders returning to employment, not enough time has passed to fully assess how the reforms reflect real changes in behaviour with respect to work.

Social minima recipient surveys tend to take purely monetary approaches and their relevance at a relative value. They underscore that financial incentives to working are only one determinant among many of individual behaviour with respect to work.

The elasticity of the work supply to financial incentives\(^\text{31}\) is a variable effect. The extension of the APE\(^\text{32}\) (Parental Education Allowance) in 1994 and the strong and sharp decline in the employment rate that resulted proved its great elasticity; the introduction of the RMI, however, had in no way affected the evolution of employment rates of single men. Monetary approaches of studies on poverty traps are partial: they fail to integrate the activity of domestic production (childcare, tutoring of school children, housework, etc), or the costs engendered by a return to employment other than those linked to the reduction of domestic production (transportation costs, etc). Yet taking these elements into account would be a way of highlighting the different paths of individuals.

In addition, the complexity of social minima and the rights affiliated with them is such that this risks blurring a clear determination of expected monetary gain or loss following a return to employment. The sophistication of the calculations carried out for typical cases is on a par with this complexity and raises doubts that the persons concerned can obtain clear and complete information, enabling them to have a perfectly rational response on an economic level—which is implied by theories about non-employment traps.

Finally, the survey on the outcome of RMI recipients demonstrates that in 1998 one-third of those who regained a job declared they did not have any financial short-term interest in doing so and 12 per cent declared they suffered a loss in doing so. These decisions to return to employment include aspects that are not immediately monetary: choice of a low-paid job with better reinsertion perspectives in the medium-term, the social value associated with a job, etc. Finally, as a reminder, a significant proportion of social minima beneficiaries have a job (cf. box 9).

32. Intended for parents who stop working to raise their child.
Moreover, it must be noted that a return to employment for social minima recipients depends on labour market conditions and the ability of these conditions to foster re-entry into this market. For those most alienated from the job market, the idea of regaining employment cannot be fathomed unless more global insertion actions (social or medical assistance, training, etc.) accompany it.

**Box 9**

**Social minima beneficiaries are not cut off from the working world**

Nearly one-quarter of RMI, API and ASS beneficiaries had a job at the time of the survey conducted by the DREES (Division of Research, Studies, Assessment and Statistics). Jobs are most frequently temporary and imposed part-time. For example, more than 30 per cent of jobs held by RMI recipients are subsidised jobs: the majority being CES (Employment Solidarity Contract), a more limited number being CEC (Consolidated Employment Contract) and the remainder work/training contracts. Salaried jobs held by API recipients are very similar to those described for RMI recipients. Nearly 30 per cent are subsidised jobs, with a great predominance of CES. Likewise, part-time jobs seem to be the norm and full-time jobs the exception. This part-time aspect is imposed on a broad scale, since 83 per cent of API recipients state that they would like to work more (87 per cent for those who no longer receive the benefit and 78 per cent of those who are still receiving it). For RMI beneficiaries, a similar desire is voiced: 86 per cent would like to work longer.

Moreover, it must be noted that a return to employment for social minima recipients depends on labour market conditions and the ability of these conditions to foster re-entry into this market. For those most alienated from the job market, the idea of regaining employment cannot be fathomed unless more global insertion actions (social or medical assistance, training, etc.) accompany it.

**Income transfer policies and national employment policies: complementary approaches**

The complementary nature of income transfer policies and national employment policies increased over the course of the last few years. Social and fiscal reforms have attenuated the low salary conditions for some wage-earners, while national employment policies have targeted their efforts on those people most alienated from the job market, in particular social minima recipients.

**Reforms carried out over the period 1998 to 2002 have significantly improved the situation of low-income households**

The reforms described above reinforce the incentive to regain employment, in particular for social minima recipients; they also improve the income of the lowest-

33. The following elements are based on a survey carried out in March 2003 by DREES in partnership with the National Observatory on Poverty and Social Exclusion, the CNAF, the DARES, UNEDIC, the CDC, and the CERC. Some 5,000 recipients of four social minima (AAH, API, ASS, RMI) were surveyed in December 2001. As a result of their disability, the living conditions of AAH recipients differ profoundly from those of other recipients and require a specific analysis, which is not included here.

34. CES are part-time work contracts for a determined period of time, paid the minimum hourly wage (SMIC). The maximum length of the contract is twelve months (it can be prolonged up to twenty-four months) and the maximum number of weekly hours is twenty. Employers cannot belong to the marketing sector nor to public services.

35. CEC are work contracts for either a fixed period of time (maximum five years) or an undetermined period of time, paid the hourly minimum wage (SMIC). In some cases, a CES can be prolonged. The minimum number of weekly hours is thirty.
income households. A simulation model\(^{36}\) of accumulated effects of reforms carried out with respect to residential tax, housing assistance, income tax and the institutionalisation of the Earned Income Tax Credit reveals that the most significant improvements concern households receiving income from between 0.5 to 1 times the SMIC. For this income bracket, improvements in standard of living brought about by the various reforms vary from 8 to 12 per cent.

On the other hand, the poorest households benefit little or not at all from recent reforms. Their job income, when they have a job, is sometimes too low for them to be eligible for the PPE: only 17 per cent of poor households are concerned by the PPE. Very few owe taxes (2 per cent among them) and are therefore not concerned by changes in tax brackets and tax rates. Lastly, the housing assistance reform only benefits poor households who are renting or becoming property owners, barely more than one half of all poor households. The others—homeless, street people or homeowners (who already own their property)—are not concerned by these benefits. For poor households, the global improvement in the standard of living linked to recent reforms is less than 2 per cent.

Table 26
Variations in income after application of different reforms: two typical cases

<table>
<thead>
<tr>
<th>Activity income</th>
<th>Available monthly income (2000 legislation)</th>
<th>Available monthly income 2002</th>
<th>Variations in available income</th>
<th>Including PPE variation</th>
<th>Including AI variation</th>
<th>Including TH variation</th>
<th>Including IR variation (PPE excluded)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0</td>
<td>627</td>
<td>628</td>
<td>2</td>
<td>0</td>
<td>2</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>0.5</td>
<td>618</td>
<td>704</td>
<td>86</td>
<td>21</td>
<td>36</td>
<td>29</td>
<td>0</td>
</tr>
<tr>
<td>1</td>
<td>900</td>
<td>1,007</td>
<td>107</td>
<td>36</td>
<td>11</td>
<td>36</td>
<td>24</td>
</tr>
<tr>
<td>Mono-active couple</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0</td>
<td>981</td>
<td>976</td>
<td>-5</td>
<td>0</td>
<td>-5</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>0.5</td>
<td>930</td>
<td>1,006</td>
<td>76</td>
<td>34</td>
<td>40</td>
<td>40</td>
<td>15</td>
</tr>
<tr>
<td>1</td>
<td>1,091</td>
<td>1,205</td>
<td>114</td>
<td>45</td>
<td>44</td>
<td>44</td>
<td>10</td>
</tr>
</tbody>
</table>

Source: Maquette Pâris, Forecasting division; amounts in 2002 euros.

Interpretation: a single individual with work income equal to the SMIC (full-time job all year long) has a monthly income of 1,007 € according to legislation passed in 2002, versus 900 € with 2000 legislation: the increase in available income of 107 € per month is broken down into the following: 36 € from the PPE, 11 € to higher housing allowances, 36 € to a lower residential tax and 24 € to a lower income tax.

The contribution of the various elements of these reforms to increasing the standards of living of low-income households varies according income levels and family configuration.

\(^{36}\) Le Minez S., Courtioux P., Fratacci L., op. cit.
For an unmarried individual receiving one half of the SMIC, the 12 per cent increase in available income is attributed to receiving the PPE for one quarter of them; to the housing assistance reform for nearly 40 per cent of them; and to the residential tax reform for one-third.

The rise in available income for an unmarried individual with no children who is paid the SMIC—approximately 11 per cent—is attributable more to changes in the tax system than to the housing assistance reform. In fact, the impact of the PPE is greater (as the maximum amount of individual PPE is the level of the SMIC) and contributes for one-third to a rise in standard of living. The residential tax reform and the income tax rate reform represent respectively one third and a little under one fourth of the observed improvement.

For mono-active couples whose resources are between one half the SMIC and the SMIC, it is evolutions in housing assistance and the introduction of the PPE which contributed most to improving standard of living.

Generally speaking, the recent reforms will have improved the situation of low-wage salaried employees, without having clearly modified the situation of poor population, in particular when they do not have employment.

**National employment policies help fight poverty by targeting the most excluded**

Alongside general policies aiming at increasing the number of jobs created, national employment policies also aim to facilitate access or return to employment of disadvantage sectors such as young people and the long-term unemployed, by giving employers incentives to hire them or offer them training.

In the past few years, these targeted job assistance schemes have been deliberately refocused onto sectors of the population deemed a priority, such as social minima recipients (RMI, ASS). This refocusing led to moderate growth between 1998 and 2002 on behalf of RMI and ASS recipients who entered into the schemes targeted by the fight against exclusion (this proportion rose from 34 per cent to 38 per cent). But this refocusing must not mask the fact that the overall volume of subsidised jobs has continued to decrease, from approximately 970,000 jobs in 1998 to 640,000 in 2002. The number of subsidised jobs offered to priority sectors of the population has thus significantly shrunk: the number of ASS and RMI recipients entered into the targeted scheme dropped by 85,000 between 1998 and 2002.

The efficiency of these schemes in fostering a return to employment can be evaluated by looking at recipient panels. The impact on the return to employment is in general favourable, especially for subsidised contracts in the marketing sector, in which the majority of recipients have a job two years after exiting the scheme. Thus 74 per cent of people exiting a CIE (Employment Initiative Contract) in late 1999 had a non-subsidised job in the spring of 2002; the passage via a subsidised contract thus acted as a springboard for a classic job. Subsidised contracts from non-marke-
ting sector—CES and CEC—experienced employment reinsertion rates that were lower (approximately 60 per cent), and the trajectories of their recipients remain even more marked by subsidizes employment. These differences in the rate of return to employment are in part the reflection of the greater alienation of sectors of the population holding non-marketing contracts with respect to the job market ("selection effect"). Entry into a subsidised job programme in effect results from several factors: the individual’s own characteristics and incentives; the strategy of public sector employment agents for the various sectors; and recruitment techniques of employers. From this point of view, the comparison of the profile of RMI and ASS recipients who held a CES or a CIE in 2002 reveals that CES beneficiaries are clearly less well-educated and have been on unemployment for longer periods of time than CIE job-holders: 21 per cent of RMI recipients and 48 per cent of ASS beneficiaries with a CES have been on unemployment for at least three years, compared with 8 per cent and 30 per cent with a CIE.

Disadvantaged sectors of the population can also benefit from non-targeted job-policy schemes. For example, the "emplois jeunes" employment scheme for the young has permitted young people who are underqualified or living in a ZUS (Sensitive Urban Areas) to find a job: 20 per cent of hirings through the Emplois Jeunes scheme in 2000 and 2001 went to young people with a training level below or equal to the CAP-BEP (Vocational Training Certificate-Technical School Certificate) level and 9 per cent of hirings in 2001 concerned young people living in a ZUS.

Box 10
Characteristics of subsidised contracts targeting priority sectors of the population

Hiring assistance in the marketing sector

**CIE** (Employment Initiative Contract, 1995): A Permanent Employment Contract or Fixed-Term Employment Contract of twelve to twenty-four months, for hiring long-term unemployed and social minima holders, granting eligibility for exoneration of Social Security labour costs at the level of the SMIC until 2002 for a maximum of two years, completed by a monthly bonus depending on the profile. Since 2002, creation of a monthly flat fee assistance which can be received at the same time as general easing of labour costs.

**Hiring assistance in the non-marketing sector**
(public establishments, territorial collectivities, associations)

**CES** (Employment Solidarity Contract, 1990): part-time employment contract for three to twelve months, renewable up to twenty-four months, paid on the basis of the SMIC. Targeted sectors of the population: disadvantaged young people, long-term unemployed and RMI recipients. Nearly 100 per cent of the payment is covered by the State; Social Security contributions are paid by the social regimes.

**CEC** (Consolidated Employment Contract, 1992): twelve-month contract renewable for up to five years, which targets the same categories of people as the CES. Payment covered by the State for up to thirty weekly hours and 1.2 times the SMIC based either on a sliding scale system (from 60 per cent the first year to 20 per cent the last) or a fixed system (80 per cent). Exoneration from employer Social Security contributions.
Hiring assistance in both the marketing and non-market sector financed by the départements

**CI-RMA** (Insertion Contract-Minimum Employment Income): put into effect on 1 January 2004, the RMA is a part-time work contract (twenty hours minimum per week) for six months, renewable two times for up to an eighteen-month period. Targeted sector of the population: RMI recipients for twelve months over the past twenty-four months (ASS benefit being assimilated with the RMI for persons no longer eligible for the latter). Employers can be within the marketing or non-marketing sector. Payment equal to the minimum hourly SMIC. The employer receives a subsidy equal to the amount guaranteed by the RMI for a single individual after deduction of the housing allotment. With respect to marketing sectors, the employer only pays the labour costs, based on the difference between the salary paid and the aid received. With respect to non-marketing, the employer is exempt from the Social Security contributions. The conclusion of each contract depends on the signing of an agreement between the département and the employer. The latter determines the conditions of how the wage-earner’s professional project is implemented within the framework of his reintegration.

**Assistance in creating companies**

**ACCRE** (Assistance for Unemployed Persons Wishing to Create or Take Over a Company, 1979): free social cover for twelve months granted once a dossier is set up for the unemployed who have been registered for at least six months and who plan to create or take over a company. Beneficiaries receiving solidarity income (RMI, ASS, etc.) continue to receive it for six months following the launch of the company.

**EDEN** (Incentive to Launch New Companies): an advance of a capped amount to be reimbursed within five years. Replaced by a bonus of an average amount of 2,000 to 3,000 euros in late 2001.

**Professional training**

**SIFE** (Insertion and Training Programme, 1994): training initiative intended primarily for long-term unemployed persons and priority sectors of the population (RMI recipients, single parents, young recipients of the TRACE programme, etc.), for an average length of 460 hours for the collective SIFEs and of 150 hours for individual SIFEs in 2002.

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On the other hand, the impact on poverty of targeted employment policies is not very well known. In fact, employment is linked to an individual, whereas poverty is linked to household level. In addition, eligibility for schemes does not depend on a recipient’s income but on his or her difficulty in accessing a job, with age and social situation factored in. Household income before and after signing onto subsidised contracts must therefore be the subject of specific surveys.

One study carried out for the Observatory measured the effects of entering into a subsidised contract on income for RMI and ASS recipients who were single without children. Most frequently, entering into a subsidised contract gave them access to income superior to the poverty line, but the effects differed according to the kind of subsidised contract and the possibility of coupling the allowance benefit and job income (in-work benefit scheme). Entering into a CIE, and to a lesser extent a CEC, is enough to have a job income higher than the poverty line if we refer to the

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average salary earned upon entry by recipients in 2002. On the other hand, entering into a CES only provides income superior to the poverty line for RMI recipients, and only because of the in-work benefit scheme in place for the entire length of the contract.

On a more long-term basis, entering into a subsidised contract allows former RMI or ASS recipients to access a job; but they experience trajectories which are less stable and hold ordinary jobs less often than other recipients do, over two years after exiting the subsidised contract. Therefore, three quarters of former RMI recipients who have entered into a CIE hold an ordinary job two years and half after their exit from the contract and a clear majority among them earns a salary higher than the poverty line (75 per cent after entering into a CES and 90 per cent after a CIE). Yet they face a greater number of risks than the others of having experienced a period of unemployment in the meantime.

Entering into a subsidised contract therefore fosters the return to employment, even if the trajectories of former social minima recipients remain fragile. For the most disadvantaged persons, the return to employment frequently requires personalised assistance. In this respect, follow-up of former recipients of subsidised contracts has demonstrated that training and personalised assistance prior to and during entry into these schemes are factors which foster reinsertion. In recent years, the public employment sector has undertaken efforts to develop personalised assistance, notably for young people—through the TRACE (Access to Employment) programme—and for the long-term unemployed (cf. box 11).

**Box 11**

**Personalised integration measures for young people and the unemployed**

**TRACE programme (Access to Employment Programme)**

TRACE was created in the wake of a law passed in July 1998 to combat exclusion. This programme offers personalised integration paths (lasting up to 18 months) for young people aged 16 to 25, notably from disadvantaged neighbourhoods as defined by urban policy and from rural revitalisation zones. The personalised assistance is provided by an experienced counsellor, with a preliminary diagnostic phase aimed at informing the young person of his or her social rights and identifying the factors of professional and social difficulties.

The programme is coordinated by local missions as well as by accommodation, information and guidance centres, which use the various employment policy measures, notably subsidised employment and training programmes.

By the end of 2002, 240,000 young people had participated in the TRACE programme.

The results achieved by the TRACE programme are encouraging. The professional trajectories of

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40. *Premières Informations, Premières Synthèses*, DARES, “TRACE, un parcours accompagné vers l’autonomie” (Personalised assistance to autonomy), October 2003
young people entering the programme are similar to those of all young people entering the job market for the first time: problems obtaining a first job, precarious employment (temporary and part-time contracts, subsidised employment), and the repercussion of these difficulties on social integration. But in the long term, this personalised measure facilitates access to more stable employment. Among recipients who entered the programme in December 1999 and were polled in spring 2002, eight in ten had held at least one job, and one in two had received professional training during their participation in the programme. At the end of the programme, nearly half of the young beneficiaries were employed. In addition to this professional integration, the assistance offered by the personalised measures included other aspects: financial assistance for two out of ten young people (as part of the FAJ, the Assistance Fund for Young People, or on a more occasional basis, via Access to Employment Grants), and assistance in obtaining housing, healthcare and social rights (one in five young people).

**The new CIVIS (Social Integration Contract) will partially replace the TRACE programme and the Emplois Jeunes (youth employment programmes).** The first part of the measure was implemented in July 2003. This measure targets young people who have low qualification levels (infra DEUG) and includes three parts:

**Part 1:** The government subsidises new CDD jobs for three years for a young person 18 to 22 years old working on a social and humanitarian project. The subsidy is 33 per cent or 66 per cent, depending on the field of activity. Regional authorities may supplement this assistance if they so desire.

**Part 2:** Regional authorities can sign two-year (maximum) contracts with young people to provide them with personalised assistance in obtaining employment.

**Part 3:** Regional authorities can sign two-year (maximum) contracts with young people to assist them with projects aimed at creating a new company.

**Personalised assistance for the unemployed**

In late 1998, the ANPE (National Employment Agency) developed the SPNDE (Personal Plan for a New Start Towards Employment) for long-term and very long-term unemployed people as well as RMI recipients. This service aims to provide personalised assistance for unemployed people who encounter the most serious difficulties in integrating the job market. In July 2001, this measure was replaced by the PAP/ND (Personal Action Plan for a New Start) and PARE (Return to Employment Aid Plan). They are proposed systematically to all job-seekers as soon as they register with the ANPE. The PAP (Personal Action Plan) is drawn up during the initial interview and includes information concerning the services provided by the ANPE and the network of correspondents and co-contractors. Four levels of services can be drawn up depending on the severity of the problems in integrating the job market; these problems are assessed during an interview. If required, an interview updating the PAP is held six months later; this process continues in the event of an extended unemployment period.

More than five million PAPs were established in 2002. Yet services that require in-depth personalised assistance were rarely recommended when people registered for the ANPE (12 per cent of cases for “in-depth personalised assistance”, approximately 1 per cent for “social support”). But in compliance with the policy of gradually intensifying the assistance provided by the employment services, the larger benefits are slightly more frequent during successive PAPs (approximately 16 per cent of those receiving in-depth personalised assistance and 2 per cent receiving social support).

These initial elements are still insufficient to be able to assess the effectiveness of this measure, notably its effect on the length of unemployment periods and the return to employment.
The role of employment in reducing poverty is essential, even if certain workers do not escape poverty. Employment policies can provide a tool for fighting against poverty when part of the schemes benefit those people most alienated from the job market. This was the orientation taken in recent years by boosting the targeting of measures to priority sectors of the population who face multiple difficulties which expose them as much to under-employment as to monetary poverty. These employment policies remain centred on the development of subsidised employment in the non-marketing sector, even if these recent reforms favour the market sector. They provide great incentive, thanks to a decrease in the labour costs of subsidised contracts for employers (cf. table 27).

**Table 27**

Impact of certain schemes on labour costs

<table>
<thead>
<tr>
<th>Measure</th>
<th>Financial aid to employer</th>
<th>Amount</th>
<th>Decrease in labour costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>CES</td>
<td>CES Partial coverage by the State for the gross salary, calculated on the basis of the hourly SMIC rate. Exoneration from Social Security employer contributions</td>
<td>Between 85 % and 95 % for priority sectors of the population 65 % for other sectors 100 %</td>
<td>Between 75 % and 95 %</td>
</tr>
<tr>
<td>CEC</td>
<td>Partial coverage by the State for the gross salary for up to 1.2 times the SMIC and 30 hours of work a week Exoneration from Social Security employer contributions</td>
<td>80 % for priority sectors of the population * digressive from 60 % the first year to 20 % the fifth year, for other sectors 100%</td>
<td>Between 65 % and 85 %</td>
</tr>
<tr>
<td>CIE</td>
<td>Monthly assistance allotment Exoneration from Social Security employer contributions</td>
<td>500 euros for priority sectors of the population* 330 euros for other sectors Suspended since 1 January 2002</td>
<td>Between 20 % and 33 %</td>
</tr>
<tr>
<td>CI-RMA</td>
<td>Monthly assistance allotment Exoneration from Social Security employer contributions</td>
<td>RMI guaranteed for a single individual after deduction of housing allotment 100 % in the non-marketing sector Contributions by the employer based on the difference between the salary paid and benefits received, within the marketing sector</td>
<td>Between 30 % and 60 % for wages based on hourly SMIC and on working time</td>
</tr>
</tbody>
</table>

Source: DARES.

* Priority sectors notably include people on unemployment for twelve months and receiving the RMI, the ASS, the API, disabled or over 50 years of age.
Chapter 3
Access to basic rights

The analyses drawn up this year by the National Observatory on Poverty and Social Exclusion provide a greater understanding of the living conditions and access to basic rights among poor households.

Specific studies focused on four themes: housing, health, education and the situation in relation to banks. For health and education, the Observatory relied on information from publications specialising in these themes.

Different approaches were used. Housing was the only theme for which a specific survey of the poor population, defined according to monetary criteria, could be conducted.

For the other themes, the particular living conditions of poor households were generally examined via population groups whose characteristics led researchers to assume that they consisted essentially of poor households. Access to education, for example, was primarily examined through differences in the academic success or failure of children according to their parents’ socio-professional category. These are studies therefore limited in relation to the traditional definition of monetary poverty: only partial comparisons were made between the poor and the groups studied; the problems of social inequities and hardships experienced by moderate-income households are often better identified than the specific aspects of living conditions or access to rights among poor people.

The methodological difficulties of these studies also stemmed from the definition of indicators for measuring access to rights in some of the fields examined. “Poor housing” was approximated by a series of criteria which are still incomplete, and do not encompass all the different kinds of discomfort with respect to housing. The assessment of banking and financial exclusion, as well as academic failure, was hindered by a lack of any widely accepted definitions for these forms of failure.
Nevertheless, all the methods led to the same assessment of recurrent and cumulative difficulties experienced by the poor. These hardships are sometimes quite different from the standard portrayals of poverty, notably as viewed by those with the least proximity to poverty. Extreme forms of exclusion, such as the total lack of a bank account and no home, do exist, but they concern only a limited proportion of the poor population. The studies conducted reveal a more complex and more diverse reality.

**Hardships in the everyday life of the poor**

A description of the specific difficulties experienced by poor people is not sufficient to fully portray their living conditions.

The process by which difficulties are accumulated and the way in which they impact on individual lives are not well known.

Two studies conducted for the Observatory concerning the living conditions of social minima recipients and residents of ZUSs (Sensitive Urban Area) illustrate this accumulation of difficulties, which may interact and exacerbate the problems. Yet further research is required to identify the strategies invented by poor people to survive despite these obstacles, regardless of their skills and abilities or the role played by the family and entourage. Taking into account more subjective factors would help to understand the factors contributing to an exit from poverty, or on the other hand, those which keep people in poverty, when this condition is reproduced from one generation to the next.

**Living conditions of social minima recipients: hardships that weigh on daily life and insertion**

A survey conducted in 2003 among a sample of people receiving social minima benefits—AAH (Allowance for Disabled Adults), RMI (Guaranteed Minimum Income), API (Single Parent Allowance), ASS (Specific Solidarity Allowance)—illustrates the accumulation of difficulties experienced by the beneficiaries1.

**Financial and material difficulties which weigh on job-seekers and lead to hardships**

Recipients of the RMI, the ASS and, to a lesser degree, the API are trying to join the job market. Only a minority of them remain economically inactive. More than half of the beneficiaries, notably those receiving the RMI, are actively seeking employment by consulting job offers at the ANPE (National Employment Agency), sending unsolicited applications to employers and drawing on their network of connections. Yet for nearly two-thirds of the beneficiaries, job-seeking is hindered by financial and

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1. The information which follows is based on a study conducted in March 2003 by the DREES, in conjunction with the National Observatory on Poverty and Social Exclusion, the CNAF, the DARES, the UNEDIC, the CDC and the CERC among 5,000 recipients of four social minima in December 2001 (AAH, API, ASS, RMI). The living conditions of AAH recipients differ greatly from that of other recipients, due to their disabilities, and require a specific analysis which is not included here. For an overall analysis of the situation of recipients of the four social minima, cf. A. Belleville, op. cit.
material obstacles. A lack of transportation is put forward by nearly half of the API recipients and by more than 40 per cent of the RMI and ASS recipients, and the cost of transportation by more than 40 per cent of all beneficiaries (API, RMI, ASS). Childcare problems are also raised as obstacles to job-seeking, especially for API recipients.

Those polled experience financial difficulties which force them to forego certain expenses: the most common are leisure activities, clothing and vacations. In 2002, only one-third of social minima recipients took at least one week of vacation—or two times less than the general population. API and RMI recipients more often do without leisure activities, new clothing and new furnishings.

**Housing difficulties and unsatisfactory housing**

Most social minima recipients have their own dwelling. Yet between 10 per cent and 20 per cent of these beneficiaries are housed by a member of their entourage. More than half of the social minima recipients rent their dwelling, primarily in the HLM (Low-Rent Social Housing) sector: nearly half of the API recipients and four RMI recipients in ten live in an HLM unit. Somewhat fewer ASS beneficiaries live in HLM units; they more often own their own housing, as they have generally been employed in a professional activity for longer periods than other beneficiaries.

Among people who rent, one recipient of minimum social benefits in five lives in overcrowded accommodations. Although more than 90 per cent of beneficiaries live in minimal comfort in terms of housing, notably sanitary facilities, this figure is nonetheless lower than that for the overall population².

Added to this are also frequent problems in terms of heating, dilapidation and cramped conditions, which are the major reasons for dissatisfaction among beneficiaries housed in the private sector. The surrounding environment, notably high levels of pollution and noise, is also a source of dissatisfaction.

These factors explain why 40 per cent of beneficiaries would like to move, a desire for mobility which is much greater than that of the general population (25 per cent of households in 2002). Approximately one in two of those polled had taken steps to move, yet only very few of them (only 2 to 3 per cent) were successful. Between 6 per cent and 14 per cent of beneficiaries actually moved, but they were usually forced to do so, either because of an eviction or a separation.

**Difficult living conditions accompanied by health problems**

Only 30 per cent of those polled said they had no health complaints, while the majority indicated that they had several concurrent problems; the most frequently cited concerned back pain, but mental health was also raised. Far fewer beneficiaries said they were in good or very good health as compared to the general population: 43 per cent of male RMI recipients as opposed to 79 per cent of the male population at large. This perception does not just reflect a poorer state of health; it is also influenced by the level of the individual’s social insertion. All things being

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² For reference purposes, in 2002, only 2.5 per cent of primary residences in France did not have minimum comfort levels, INSEE 2002 Housing Survey.
equal, having a job, owning one’s residence, and high self-esteem increase the likelihood that an individual will say he is in good or very good health.

Among the factors explaining this worse state of health, or the feeling of being in worse health, one-third of the beneficiaries considered that their living conditions affected their health. They cited financial problems first. Difficulties in finding a job and family problems were also put forward.

More than half of the RMI recipients and more than one-third of the ASS beneficiaries declared that they did not seek employment because of their poor health. ASS recipients became discouraged and gave up seeking employment, considering that there was not or was no longer any work for them.

Despite the fact that the basic CMU (Universal Sickness Insurance) and the complementary CMU offer wide coverage to recipients, between 30 per cent and 40 per cent of those polled said they had foregone healthcare due to financial reasons, a figure which is much higher than that of the general population (15 per cent in 2000).

**Significant emotional support does not preclude a feeling of isolation**

Very few beneficiaries—7 per cent for the ASS and the RMI, 3 per cent for the API—have no contact with their families. The great majority of beneficiaries maintain regular contact with their close entourage.

Yet nearly one in four RMI recipients feels isolated. This feeling also affects 6 per cent of API recipients, even though they have more regular contact with family members. Poor health and low self-esteem reinforce this feeling of isolation.

**People living in Sensitive Urban Areas (ZUSs)**

A study conducted in five ZUSs (target areas in urban policy) in the Ile-de-France region\(^3\) yielded interesting elements for understanding the process of accumulated or sequential difficulties in these areas. It demonstrates that social and spatial inequities can have cumulative effects: living in a disadvantaged neighbourhood can be an additional handicap either for objective reasons—poor living conditions, locations that are far from job centres—or for more subjective reasons, such as the transfer of a neighbourhood’s negative image to its residents.

In terms of income, housing, perceived isolation, and insertion and stability on the job market, the residents in the surveyed areas encountered more difficulties than did the overall population of Ile-de-France.

Eighteen per cent of those polled in the five ZUSs live below the poverty line. Measured by the Vie de Quartier Survey, the poverty rate among all the ZUSs in large cities is as high as 27 per cent. In general, the population is less qualified and less educated than those in the rest of the region: the proportion of people who ended their education without earning any diploma is 32 per cent, or twice the number noted in the general population. The survey reveals problems in reading and writing skills (15 per cent of those polled) and mathematics skills (9 per cent).

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factors in academic success or failure. Poor French and mathematics skills constitute a serious handicap to entering the job market, but also on a wider scale, to the process of social insertion. These difficulties are more often experienced among foreigners, but they also concern French nationals.

**Poor housing conditions among people in ZUS**

Housing in these neighbourhoods is characterised by a large number of apartment buildings (representing 80 per cent of the housing) and the predominance of social housing (two-thirds of the housing, as opposed to a regional average of one-quarter). Overcrowding is more frequent in these areas than in other ones, as is vandalism and noise. Thus, 47 per cent of households say that there are frequent acts of vandalism in their neighbourhoods, as opposed to 13 per cent outside of the ZUS. The majority of residents say they like living in their neighbourhoods, but this statement masks a clear dissatisfaction: more than half say they would like to move, and two-thirds consider that their neighbourhood is viewed negatively by others. Their place of residence is sometimes experienced as a factor of discrimination: 15 per cent of those polled said that their neighbourhood’s reputation has harmed their relationships with friends and family, and 12 per cent say it has been prejudicial in their attempts to seek employment.

**Residents of ZUSs have difficulties entering the job market**

Finally, unemployment in these areas is particularly high. In Ile-de-France, in the 1999 census, the unemployment rate was 20 per cent in the ZUSs, or practically twice the national average. This high unemployment rate is linked to the large proportion of non-qualified workers and the high unemployment rate for foreigners, who are over-represented in the ZUSs as compared to the overall population (16.5 per cent, for a national average of 5.6 per cent). The risk of unemployment is even greater among the young: the proportion of 15- to 24-year-olds without a diploma in the ZUSs is high (36 per cent); and the fact of leaving the education system without any qualification strongly increases the likelihood of unemployment. The unemployment rate for young people in the ZUSs has reached 38 per cent. This rate is even higher for young foreign people from countries outside the European Union (48.7 per cent). The existence of discrimination against them has been noted in several studies and is now the subject of a public debate on how to combat this. From a more subjective viewpoint, the survey conducted in the five ZUSs demonstrates that a large proportion of those polled (one-quarter), notably young people, feel that they have been victims of racism or discrimination in their jobs or during the job-seeking process.

The difficulties experienced by ZUS residents in entering the job market can also be noted in the type of employment held: precarious employment is over-repre-

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4. INSEE, *Vie de Quartier Survey*.
sented (23.5 per cent in the study, as opposed to 12.8 per cent for wage-earners in Ile-de-France).

**Complex interactions**

The link established between difficult living conditions and disadvantaged population groups—defined using a number of criteria: socio-professional category, monetary income, level of education, minimum social benefits—reveals major inequities, although it does not identify the multiple and overlapping variables involved. Individual characteristics are the most difficult of these variables to assess, especially in studies of the overall population, and are essentially based on socio-economic indicators. Furthermore, it is complicated to identify the causal relationship between the different variables.

**Multiple causes, for example in terms of healthcare**

Health problems can be the source of difficulties in social life, in holding or finding a job, therefore resulting in a decrease in resources. The larger proportion of health problems among poor people can be explained, in part, by the burden of major health problems on the processes contributing to social and economic vulnerability.

Conversely, the difficulties associated with precarious living conditions (problems keeping up with financial responsibilities, poor housing, etc.) and the possible impact of these conditions (social isolation, loss of self-esteem, risk-provoking behaviour) can be a cause of illness, and contribute to developing illness and/or aggravating them.

An analysis of the links between unemployment and the resulting abnormally high death rate is complex. One study\(^7\) conducted on this subject demonstrates that the causal relationship works both ways: the difficulties in getting a job experienced by individuals suffering from health problems explain the correlation in part, while unemployment has a direct effect, by acting as a catalyst on health conditions. The financial and psychological instability which accompanies this situation can develop or rekindle latent weaknesses associated with the individual’s personal background.

Losing a job can generate problems in and of itself. Hence, it has been demonstrated that virtually half of the diagnosed psychiatric disorders that appeared after the loss of employment can be directly attributed to this loss alone\(^8\).

**One problem leads to another**

The situation of cumulative problems cannot be understood as a mere sum of these difficulties. The lives of disadvantaged individuals have followed paths\(^9\) marked by interactions between unfavourable living conditions and events which occur throughout their lives. For example, low income increases the probability of

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living in overcrowded housing. Cramped housing exacerbates the risk of academic failure, and impacts early learning levels, increasing the risk of unemployment and the likelihood of finding only a precarious job. This heightened exposure to professional risks then leads to financial difficulties, and so on. Similarly, the fact of living in a rundown environment due to low income can also aggravate problems: housing that is located far from employment centres, lack of public facilities, isolation, noise and other nuisances can lead to health problems and family disruptions, themselves sources of exclusion. Depending on whether they are more or less well equipped with methods of transportation, and sports, cultural and shopping facilities, housing and environment can reinforce individual difficulties.

The decisive role of increasingly unstable social relationships

Increasingly unstable social relationships play a decisive role in this sequence of events.

A survey conducted among people living in ZUSs reveals that certain social disruptions experienced in childhood increase the likelihood of facing difficulties in adulthood by blurring the social guidelines and the identity-building mechanisms fostered by family relationships. Compared with the overall population, those polled more frequently faced conflictual situations with parents (14 per cent as opposed to 10 per cent), divorce or separation (14 per cent as opposed to 8 per cent). Nearly one-quarter of those polled were no longer living with both parents by the age of 10. More than 4 per cent had been placed in foster care. The likelihood of experiencing a period of unemployment lasting at least six months increases with the number of disruptions experienced before the age of 18: from 30 per cent among those who had no disruptions to nearly 60 per cent for those who experienced five or more.

This study demonstrates that, ultimately, self-esteem is a variable which is closely correlated with the quality of various social relationships. Family disruptions, the feeling of having failed academically, problems obtaining employment, and a negative opinion of one’s neighbourhood are all symptoms of unstable social relationships which are strongly correlated with poor self-esteem. Poor self-esteem in itself can cause health problems or can affect the degree to which an illness is accepted and the priority given to health, and therefore the recourse to medical care.

Incorporating subjective individual aspects into an assessment of the living conditions of the poor is especially crucial in that it also sheds light on the factors that could lead to an exit from poverty and from social and economic vulnerability. It would be necessary to pursue the studies already carried out, mainly in terms of a description and assessment of inequities, to make headway in identifying the factors determining success.

10. Family bonds correspond to an individual’s link with what sociologists call “the orientation family”, in other words, the family that participates in the child’s education and allows him or her to acquire initial social skills.
Poverty and housing: worsening problems

Access to decent and independent housing has been recognised by the legislature as a guaranteed right and social duty. But, as opposed to healthcare, the right to housing is not supported by any effective measure and its financing is not highly socialised. Housing is the largest expenditure for all French households.

The current housing context, described as a “crisis” by many organisations\(^\text{11}\), has worrying consequences for the situation of the poorest people. According to estimates based on the 1999 general census, the number of “poorly housed” people has reached 3 million\(^\text{12}\), with “poor housing” in this case describing overcrowded and uncomfortable situations. Poverty and “poor housing” are linked because poor households can only find housing based on their limited resources. But all the “poorly housed” are not poor; conversely, certain phenomena of poverty linked to housing are not (or are insufficiently) taken into account in this census. Exclusion based on housing covers multiple realities with overlapping criteria: the type of housing, the legal status of the occupancy, the degree of stability or vulnerability of the occupancy, and the housing quality\(^\text{13}\).

The most critical situation is the lack of housing. The Observatory focused a great deal on the homeless in its 2001-2002 report, drawing on the first national survey conducted by the INSEE, which estimated the number of homeless to be 86,000\(^\text{14}\). According to the definition of the national survey of the homeless, being homeless on a given day signifies: having slept in a location not intended for habitation or having been taken in by an organisation providing free (or very inexpensive) shelter the night preceding the survey.

Studies conducted this year offer a better understanding of the living conditions of poor and moderate-income households, defined according to their standard of living\(^\text{15}\). Their housing difficulties involve not only a lack of housing or inadequate housing. Housing expenditure is an increasingly large item in their budgets. Given a context with a widening gap between housing supply and demand—a phenomenon which affects the entire population—problems in obtaining and keeping housing are worsening for the extremely poor. The possibility of choosing one’s housing and its location are increasingly limited, and housing trajectories are characterised by disruptions or relegation to “bad” neighbourhoods, with dwindling hopes for mobility\(^\text{16}\).

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13. Classification by the CNIS. “Pour une meilleure connaissance des sans-abri et de l’exclusion du logement” (For a better understanding of the homeless and housing exclusion), CNIS, n° 29, 1996.
15. Poor households are traditionally defined as having an income less than half the median income per consumption unit. “Moderate-income households” are households that fall within the first three deciles of income distribution; the “other households” cited later fall within the seven higher deciles.
More poor households among the young, and urban-dwellers; more tenants than before

In the long term, the transformation of poverty characteristics has had an impact on housing conditions, as measured by the INSEE Housing Survey\(^\text{17}\). There are more younger and urban poor households than there were twenty years ago. The number of poor households measured by this survey grew by nearly a quarter between 1988 and 2002\(^\text{18}\). The survey only measured people with housing: individuals staying in other types of housing (shelters, housing centres, etc.) or with family members, friends or other people were not counted\(^\text{19}\).

In 1988, poor households were more frequently located in rural environments (40 per cent) than were moderate-income households (33 per cent) or other households (22 per cent).

Table 28
Location of low-income households (in %)

<table>
<thead>
<tr>
<th></th>
<th>1988</th>
<th></th>
<th>2002</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Poor households</td>
<td>Modest households</td>
<td>Overall</td>
</tr>
<tr>
<td>Non peri-urban rural towns*</td>
<td>21.2</td>
<td>15.6</td>
<td>7.3</td>
</tr>
<tr>
<td>Peri-urban rural towns</td>
<td>18.5</td>
<td>17.5</td>
<td>14.7</td>
</tr>
<tr>
<td>Suburbs of Uu with less than 100,000 inhabitants</td>
<td>29.0</td>
<td>31.2</td>
<td>28.7</td>
</tr>
<tr>
<td>Suburbs of Uu with more than 100,000 inhabitants</td>
<td>10.2</td>
<td>13.2</td>
<td>12.4</td>
</tr>
<tr>
<td>City centres of Uu with more than 100,000 inhabitants</td>
<td>14.1</td>
<td>13.4</td>
<td>15.9</td>
</tr>
<tr>
<td>Greater Paris area</td>
<td>4.5</td>
<td>6.6</td>
<td>14.6</td>
</tr>
<tr>
<td>Paris</td>
<td>2.5</td>
<td>2.5</td>
<td>6.4</td>
</tr>
<tr>
<td>Overall</td>
<td><strong>100.0</strong></td>
<td><strong>100.0</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

Source: INSEE, 1988 and 2002 Housing Surveys.

*The definition of peri-urban zones includes communes from home to work, the extent of the non-agricultural population and the size of the industrial establishments. In order to compare the locations of low-income households across different housing surveys, a contact zoning approach was used: It is based on the 1990 Population Census (RP90). In other words, a town is considered to be rural regardless of the date of the survey if it was defined as such in the RP90.

** Uu: Urban unit.

17. Rieg C. and Drant J.-C., “Les conditions de logement des ménages pauvres. Une approche statistique” (Housing conditions for poor households. A statistical approach), *Travaux de l’Observatoire 2003-2004*, La Documentation française. This study, conducted every five years, uses a sample of approximately 30,000 primary residences.

18. The income taken into account to measure poverty in this study differs from the income in the Taxable Income Survey: this is income before taxes and excluding housing grants.

19. Laterrére A., “L’hébergement d’après les enquêtes logement” (Housing according to Housing Surveys), INSEE, May 2003. Approximately 408,000 people (excluding adult children) are housed by others, half of them by family or friends; half are housed for health or professional reasons. Among these, 70,000 would be “housed under duress”, in other words, they have financial difficulties in housing themselves.
In 2002, the proportion of poor households in rural environments decreased sharply, down to 28 per cent, while moderate-income households and other households in rural environments did not record an equivalent drop. Poor households are therefore increasingly urban, and are primarily concentrated in the centre of urban units having more than 100,000 inhabitants and in the greater Paris area (excluding Paris proper).

At the same time, the poor population is now younger: in 1988, more than one-third of poor households were over 65 years old, while in 2002, this proportion decreased (the over-65 range represents less than 30 per cent of poor households). Conversely, young households represent a larger proportion of poor households (11 per cent in 2002 as opposed to 9 per cent in 1988); and the poverty rate for the under-30 age group rose from 7 per cent to 13 per cent.

**Poor households are primarily tenants, but live in all types of housing and neighbourhoods**

As the number of younger poor people rises, there has been a major change in the occupancy status of poor households in relation to their housing: in 2002, tenants constituted the majority, and the proportion of owners decreased, while homeowners are more common among other households. The role of the HLM sector in housing poor households has risen sharply: in 2002, one-third of poor households lived in HLM units, as opposed to less than 20 per cent in 1988.

**Table 29**

<table>
<thead>
<tr>
<th></th>
<th>1988</th>
<th>2002</th>
<th>2002</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Poor</td>
<td>Modest</td>
<td>Other</td>
</tr>
<tr>
<td></td>
<td>households</td>
<td>households</td>
<td>households</td>
</tr>
<tr>
<td>With fully owned homes</td>
<td>35.8</td>
<td>28.4</td>
<td>26.4</td>
</tr>
<tr>
<td>In the process of purchasing a home</td>
<td>11.6</td>
<td>18.3</td>
<td>30.9</td>
</tr>
<tr>
<td>Tenants in the social housing sector</td>
<td>19.1</td>
<td>23.0</td>
<td>15.3</td>
</tr>
<tr>
<td>Tenants in the private sector</td>
<td>19.5</td>
<td>18.8</td>
<td>20.3</td>
</tr>
<tr>
<td>Other status</td>
<td>14.0</td>
<td>11.5</td>
<td>7.1</td>
</tr>
<tr>
<td>Total</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: INSEE, 1988 and 2002 Housing Surveys.

Beyond these trends, an analysis of housing locations and the occupancy status of poor households reveals a widely diverse range of situations, depending on age, the professional and family situation, and local housing markets. Poor homeowner households are primarily pensioners or elderly individuals living in rural environments or in small towns, most often in older homes. Poor households whose reference person is employed are often families with children who are housed according to the possibilities offered by the housing market. The majority of those living in rural
towns own or are purchasing their homes; the majority of poor urban families rent their housing, which is most often social housing (52 per cent). In small towns, the private rental sector plays a significant role for these families and the ownership rate is high. Single-parent families, which are characterised by a high poverty rate, live in outlying urban communities, the large majority in social housing. For young unemployed couples, the private housing sector in the centre of large cities remains an obligatory step. Finally, poor isolated individuals under retirement age are most often housed in the private rental sector or in precarious situations (sublet or furnished flat). The situation of poor households in relation to housing is therefore extremely diverse.

This becomes even more evident when we examine neighbourhoods with poor households. Contrary to popular belief, not all poor households live in low-cost social housing or in suburbs. Poverty exists in every region, in both rural and urban environments, in city centres and suburbs, and in housing estates and single-family residential areas. But the degree of poverty varies from one territory to another, and from one neighbourhood to another.

The Vie de Quartier Survey by the INSEE\(^{20}\) determined the location of poor households according to the socio-economic categories of the neighbourhoods in which they live\(^{21}\). Hence, nearly one in two poor households does not live in a poor neighbourhood in the typological sense of the term. The poverty rate is higher in city centres (11 per cent) than in suburbs (8 per cent), particularly in large cities other than Paris.

But the poverty rate is very high in poor neighbourhoods, both in city centres and in suburbs: it is as high as 19.5 per cent in the poor neighbourhoods of large urban units\(^{22}\), for an average poverty rate of 10.5 per cent, as measured by the survey. The rate is also very high in ZUSs (cf. supra).

**An overall improvement in housing comfort which benefits poor households**

Poor households have benefited from an overall improvement in housing comfort levels. Measured according to the traditional criteria of sanitary facilities, the comfort of their dwelling improved markedly between 1988 and 2002, as did the dwellings of other households. In 1988, according to the INSEE, only 76 per cent of poor households had sanitary installations (shower or bath) and toilets inside their living areas, in comparison to a rate of 94 per cent among other households. In 2002, these proportions had risen to 93 per cent and 99 per cent, respectively.

**But specific difficulties persist**

Inequalities persist, linked to different occupancy statuses. Hence, poor households often live in dilapidated housing: 11 per cent of them do not have full sanitary

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20. Survey conducted in 2001 among 10,000 households.
22. “Artisan, unemployed, city maintenance work” according to the typology.
facilities and 30 per cent do not have central heating (these rates were 1.5 per cent and 7 per cent among homeowning households). Furthermore, 6 per cent of housing in the private rental sector does not have full facilities, a condition that particularly affects isolated poor people.

The relevance of traditional criteria for defining lack of comfort tends to decrease in light of this overall improvement. To pursue this issue further, various studies have sought to offer an expanded approach to the quality of housing. Thus the Logement 1996 Survey attempted to extend the assessment of housing quality by introducing parameters other than those concerning sanitary comfort, notably assessments concerning the condition of the buildings’ exterior, plumbing leaks, the electrical installation, and the condition of the floor, walls and ceilings. The analyses drawn from this data identified 300,000 extremely poor-quality dwellings, which could be qualified as unfit for habitation23. The Logement 2002 Survey in the Pas-de-Calais region adopted a definition of decent housing taken from a law concerning Solidarity and Urban Renewal24; it demonstrated that households in vulnerable socio-economic situations are more affected by poor housing conditions. Similarly, in the Vie de Quartier Survey, far more low-income households25 than other households state that their housing is damp, poorly heated or in bad condition. One-third of them experiences all three of these difficulties.

Problems linked to cramped housing

Despite the overall improvement in housing quality, we can see that housing conditions for poor households are often worse than those of other households. This is also true concerning the size of dwellings. The proportion of poor households living in housing considered to be overcrowded26 has remained virtually unchanged from 1988 to 2002 at 20 per cent. Conversely, over this same period, fewer modest-income households or households in the upper seven deciles now live in overcrowded housing.

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24. ORHA and INSEE Pas-de-Calais, “Une approche de la qualité des logements.” (An approach to housing quality), Les Cahiers de l’ORHA, n° 11, December 2002. The criteria are very similar to those of the 1996 Housing Survey.
25. Households falling with the first decile of income distribution, INSEE Première n° 926, October 2003.
26. The INSEE considers a dwelling to be overcrowded if it has fewer rooms than the standard established according to the following method: one living room for the household; one room for each reference person in the family; one room for non-family persons (non-single or single individuals 19 years and older); and for single individuals under 19 years old, one room for two children of the same sex or under 7 years old, otherwise one room per child. According to this definition, a couple should have two rooms, as should a household consisting of one person. As a result, all one-room dwellings are considered to be overcrowded, regardless of the number of occupants.
Table 30
Occupancy conditions for households (in %)

<table>
<thead>
<tr>
<th></th>
<th>1988</th>
<th></th>
<th></th>
<th>2002</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Low-income house-</td>
<td>Modest house-</td>
<td>Other house-holds</td>
<td>Overall</td>
<td>Low-income house-</td>
<td>Modest house-</td>
</tr>
<tr>
<td>Extreme-</td>
<td>11.0</td>
<td>11.7</td>
<td>19.4</td>
<td>17.2</td>
<td>10.7</td>
<td>16.7</td>
</tr>
<tr>
<td>under-occupancy</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pronounced</td>
<td>16.8</td>
<td>16.6</td>
<td>23.2</td>
<td>21.4</td>
<td>13.5</td>
<td>18.3</td>
</tr>
<tr>
<td>under-occupancy</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Moderate</td>
<td>24.6</td>
<td>28.5</td>
<td>30.1</td>
<td>29.3</td>
<td>23.6</td>
<td>27.2</td>
</tr>
<tr>
<td>occupancy</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Normal</td>
<td>27</td>
<td>28.5</td>
<td>20.5</td>
<td>22.6</td>
<td>32.5</td>
<td>26.7</td>
</tr>
<tr>
<td>occupancy</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Moderate</td>
<td>14.6</td>
<td>10.9</td>
<td>5.8</td>
<td>7.6</td>
<td>14.8</td>
<td>8.8</td>
</tr>
<tr>
<td>overcrowding</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Extreme</td>
<td>6.0</td>
<td>3.8</td>
<td>1.0</td>
<td>1.9</td>
<td>5.0</td>
<td>2.3</td>
</tr>
<tr>
<td>overcrowding</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: INSEE, 1988 and 2002 Housing Surveys.
Scope: households with two or more people.

Overcrowding is particularly high in the private sector, where it affects 39 per cent of poor tenants. In the Île-de-France region, overcrowding for poor households is now more frequent than it was twenty years ago: more than one in two poor households live in cramped conditions, and four in ten modest-income households, while the ratio is one in ten for other households\(^{27}\). These are a notable number of cramped dwellings in the private rental sector in the Île-de-France region, where half of the housing occupied by poor households (excluding students) have less than 35 square metres (as opposed to 5 per cent of those living in low-cost social housing). This situation is often compounded by other factors of poor housing, as one-quarter of private housing occupied by the poor do not have minimum standards of comfort (interior toilet, shower or bath), as opposed to 2 per cent of those in low-cost social housing.

**Rundown environments**

Finally, housing quality does not stop at the threshold of the building entrance; it can also be assessed in terms of the neighbourhood and the environment. Here again, poor households live in rundown surroundings more often than do other households. They more often face problems of noise and vandalism. This deteriorated quality of life seems to affect households in social housing more than those in the private sector, whether they are poor or not. The issue of security is particularly significant: only 43 per cent of poor tenants in social housing consider that the secu-

\(^{27}\) Source: Institut d’aménagement et d’urbanisme de la région Île-de-France (IAURIF, Île-de-France Regional Development Institute), Les Ménages pauvres franciliens et leurs conditions de logement (Poor households in the Île-de-France and housing conditions), March 2001.
rity in their neighbourhood is good (as opposed to an average 62 per cent for poor households, and 65 per cent for all households).

**Social housing which is poorly suited to the size of households**

Housing conditions for poor households living in social housing are distinguished by specific characteristics; these households are more likely to live in older and therefore less expensive housing, and their opinion of their neighbourhood is even more negative than that of other households living in social housing. The rents in the HLM sector depend on historical and statutory factors. The 4.2 million social housing units are not all equivalent. The “social occupation” of low-rent social housing, traditionally defined by the proportion of tenants whose income does not exceed 60 per cent of the HLM ceiling, is far lower for housing constructed during the years from 1990 to 2000 than for housing constructed between 1965 and 1975, which includes the large housing estates and the “sensitive” neighbourhoods as identified by urban policy.

There is thus a specific characteristic to social housing occupied by the poor: it is older and also less suited to the size of poor households, who have an average of 1.1 rooms per person, as opposed to 1.4 for households which fall within the seven upper deciles (which represents a difference of 8 square metres per person). These assessments are equally true for poor households that have been living in the HLM for some time, as well as for those who have recently moved in, which tends to demonstrate that differences in social housing are not due only to historical reasons, but also to attribution methods that generally attribute the least expensive housing to the households with the lowest incomes—which is in keeping with the social vocation of the HLM system. Yet these methods have also been criticised, as they introduce a risk of social and spatial segmentation into housing within the social housing system itself, as opposed to the goal of social diversity pursued by housing policies of recent years.

**The increasingly heavy burden of housing expenditure in the budgets of poor households**

Given rising rents and despite the strong effect on solvency provided by housing allowances, housing expenditure represents an increasingly large item in the budgets of poor households.

Between 1988 and 2002, the rents of poor households increased by nearly 80 per cent, in other words, more than their incomes (plus 30 per cent), and slightly more than the rents of other households (71 per cent). In 2002, poor tenant households therefore devoted a larger proportion of their resources to housing. Their gross expenditure, which compares the cost of rent to their resources (without facto-

28. These factors are the date of construction, the initial financing method for the programme and the type of agreement signed with the government.
ring in housing allowances), rose from 29 per cent in 1988 to 40 per cent in 2002. For other tenant households, housing expenditure also represents a growing share of their income, but their gross expenditure remains far lower: 25 per cent for modest-income households and 17 per cent for households which fell within the seven higher deciles in 2002.

This inequity is even greater in the private sector, as the gross expenditure for poor households has reached nearly 51 per cent. The increase in rents for the poor exceeded 100 per cent between 1988 and 2002. The gap between the expenditure of poor households in the social housing sector (which increased from 27 per cent to 33 per cent) and in the private sector (from 32 per cent to 51 per cent) is therefore widening.

Table 31
Gross outlay and rents for tenant households

<table>
<thead>
<tr>
<th></th>
<th>Average monthly rent per m²</th>
<th>Gross expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poor households</td>
<td>2.5</td>
<td>4.5</td>
</tr>
<tr>
<td>Social sector</td>
<td>2.4</td>
<td>3.8</td>
</tr>
<tr>
<td>Private sector</td>
<td>2.7</td>
<td>5.6</td>
</tr>
<tr>
<td>Moderate-income</td>
<td>2.6</td>
<td>4.5</td>
</tr>
<tr>
<td>householder</td>
<td>3.4</td>
<td>5.8</td>
</tr>
<tr>
<td>Overall for tenant</td>
<td>3.1</td>
<td>5.3</td>
</tr>
</tbody>
</table>

Source: INSEE, 1988 and 2002 Housing Surveys.

**Housing allowances are not reversing this trend**

Housing allowances bring the (net) expenditure of poor households to the same level as that of modest-income households and other households, or approximately 16 per cent. Their impact is therefore decisive in allowing the poorest households to obtain housing.

But despite massive increases in these allowances (housing grants now represent 13.3 billion euros, distributed to 6.2 million households), their impact on solvency has decreased in the long term, due to increasing rents and the erosion of the insufficiently upgraded scale, as discussed in Chapter 2. Although the large majority of poor tenant households receive a housing allowance, the average amount of the benefit has risen more slowly than their resources, and, a fortiori, their rents. Net expenditure therefore grew over the period from 1988 to 2002 for poor households as for other households.
Table 32
Benefits and net expenditure for tenant households

<table>
<thead>
<tr>
<th></th>
<th>Average monthly benefits</th>
<th>Net expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poor households</td>
<td>143</td>
<td>222</td>
</tr>
<tr>
<td>Social sector</td>
<td>151</td>
<td>222</td>
</tr>
<tr>
<td>Private sector</td>
<td>130</td>
<td>222</td>
</tr>
<tr>
<td>Modest households</td>
<td>111</td>
<td>152</td>
</tr>
<tr>
<td>Other households</td>
<td>84</td>
<td>117</td>
</tr>
<tr>
<td>Overall</td>
<td>108</td>
<td>170</td>
</tr>
</tbody>
</table>

Source: INSEE, 1988 and 2002 Housing Surveys.
Scope: tenant households.

This increase is particularly high in the private sector. Although the impact of housing allowances on the solvency of poor households is high in the social housing sector, as these benefits lower their expenditure to a level below that of other households (10 per cent, or three points lower), the situation is the reverse in the private sector, where the expenditure of poor households is far higher than that of other households (25 per cent, or eight points higher). Living in low-cost social housing is therefore advantageous to poor households, given the general levels and increases in rents.

As rents continue to rise overall31, living in an HLM offers real advantages in terms of the market: in 2003, the average difference was 40 per cent compared to the national level, and nearly 60 per cent in the greater Paris area, where the net expenditure of poor households in all sectors is much higher than for those in other regions32. Nevertheless, with the evolution of financing methods for HLM units, the long-term comparative advantage is decreasing, depending on the year of the building’s construction and its location. The use of averages masks the extremely different rents in the private rental sector, depending on the location and quality of the housing, while differences exist in social housing but are still fairly moderate.

An overall analysis of the expenditure also encompasses large disparities depending on the family configurations. Hence, poor people who live alone and are under 65 years of age have the highest expenditure: the majority of them live in private sector housing, pay high rents and must bear a net expenditure of more than 30 per cent alone. Conversely, single-parent families receive the greatest allowances, which cover 91 per cent of their average rents in social housing and reduces their net expenditure to 7 per cent.

A comparative analysis of expenditures provides only a partial view of the burden of housing expenditure in household budgets, as maintenance charges are not

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31. During the 1990s, the general rent index increased sharply, then slowed down, particularly in 1993. In 1997, it stabilised at plus 1.6 per cent, then in 1998, it increased to 2.2 per cent. In 1999, it once again slowed down to reach its lowest level for the decade (plus 1.3 per cent). This tendency persisted in 2000 (plus 1.2 per cent, then accelerated in 2001 (1.7 per cent) and continued to rise clearly in 2002 (plus 3 per cent). With the exception of 1995, 1996 and 1999, the increase in rents was greater than the inflation rate throughout the entire period from 1990 to 2002.

32. INSEE Ile-de-France, “Le logement, une dépense importante pour les ménages modestes franciliens” (Housing, a major expense for moderate-income households in Ile-de-France), n° 230, November-December 2003.
included in this calculation. A study conducted by INSEE Ile-de-France estimates that the net expenditure for moderate-income households increases from 23 per cent to 35 per cent once these charges are included. They are also insufficiently measured by housing allowances, given the uniform and sometimes insufficient nature of the amount of these charges.

**It is becoming harder to stay in housing**

Once the rent and the charges have been paid, the residual income is even smaller due to the fact that the living standard is low. Any family or professional disruption can therefore have a direct impact on the ability to keep a dwelling. Various allowances aimed at providing more security for tenants in difficult financial situations, such as the FSL (Housing Solidarity Fund), are in increasing demand. The CNAF (National Family Allowance Fund Agency) conducted a study amongst ten CAFs (Family Allowance Fund Agency) to identify aspects concerning the profile of FSL recipients. It reveals that households receiving the allowances are particularly vulnerable: more than two-thirds are isolated individuals (39 per cent) or single-parent families (29 per cent). The reference person has a job in only one household in five. For 44 per cent of the households, the reference person receives minimum social benefits (RMI, API or AAH). Young people received the greatest assistance in obtaining housing. People between 35 and 50 years old mostly receive allowances which enable them to remain in their homes; they are more likely to have children.

Assistance which helps people remain in their homes is essential to preventing an ultimate eviction. Despite preventive efforts introduced by the bill combating exclusions, the different indicators of administrative or judiciary processes in terms of evictions have increased since 1999. But to date, these indicators are insufficient, as they do not provide specific information on the decisions by judges or the outcome for households; nor do they distinguish between eviction requests in the private sector and those in the public sector. It would be useful to achieve a better understanding of eviction procedures to know whether the increase in evictions is because lessors are taking a more hard-line approach towards unpaid rents, because eviction procedures are undertaken more systematically, or because the situation of households is worsening.

**Many forms of homelessness**

Living in the street is the most severe form of being “poorly housed” and it is one of the most widespread representations of poverty. Yet there is no clear distinction between the situation of the homeless and other situations in which people have no housing—and this is a major element in research and studies concerning the homeless. Research conducted for Eurostat (see box below) demonstrates just how difficult it is to acquire quantitative data concerning the homeless.

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33. The number of beneficiaries rose from 232,904 in 1998 to 296,117 in 2001, an increase of plus 6.2 per cent.
Box 1
“Acquiring statistical data concerning the homeless and those who have nowhere to live in the European Union: the current situation and proposals”

Since 1998, the governments of member countries of the European Union must provide an annual indicator of the homeless. This indicator is also used in the National Action Plans for Social Inclusion (PNAI) which member states must draw up, implement and assess. In view of the reports provided, it became clear that the data gathered is extremely fragmented and cannot be easily compared.

Eurostat asked INSEE to examine the possibilities of determining the number of homeless people as well as a description of this group, with an aim towards international comparisons.

The problem of international comparisons
If there are so few comparisons in the sphere of the homeless, it is above all because it is so difficult to obtain quantitative data. This remark is true for all European Union countries.

Why is this so? The author has identified four reasons.

The first reason concerns general statistical systems, which are ill-suited to acquiring data for small numbers. And if we refer to the available surveys, the homeless population probably represents less than 0.5 per cent of the population. They are not always able to accurately record temporary situations, whether through surveys or via population records. This problem requires the development of specific tools which are lacking in this domain.

The second reason concerns the extremely strong impact of the homeless in the media and public opinion. This excessive media exposure, which is disproportionate to the demographic weight of the homeless, renders the acquisition of statistical data a perilous undertaking on a methodological as well as political level.

Third reason: language barriers. Any efforts at comparison, which must obviously be international, require a common language. Yet in the various European Union countries, this common language does not exist to characterise the social phenomenon of the homeless, notably in Slavic-speaking and Latin countries, which are forced to use long-winded phrases to translate the situation of “homelessness”. Indeed, although the term “homeless” is used widely throughout English-speaking countries by both statisticians, researchers, the media and other actors in the field, several terms are used in most of the other countries.

Finally, in the available studies, the problem of the homeless is most often considered in terms of individual behaviour and characteristics rather than as a collective social phenomenon.

From a minimal definition to a broader definition
These problems and assessments led to a proposal to designate the phenomenon in terms of “homelessness”. This definition offers a dual advantage. It goes beyond an approach based entirely on the individual characteristics of the people involved, and is different from the legal designations used in various countries.

But this term needs to be refined. To do so, a questionnaire presenting the various specific situations of homelessness was sent to statistical services, administrations, researchers, students and representatives of associations in the different European Union countries so that these situations could be classified and hence reveal the elements they shared as well as the differences.

A consensus began to form in all the countries to consider that people living in the street, in parks and in abandoned buildings are indeed in a situation of homelessness. The same is true for the situation
of people housed in shelters or in a hotel room paid for by a public institution or association.
Yet half of the respondents did not consider that the people were homeless if they were living with their parent or other family members, staying with friends because they don’t have their own dwelling, housed in a young workers’ hostel or a migrant workers’ hostel. Hence, housing conditions for the young and for immigrants in hostels—although often similar to that of people housed in shelters—are not considered to be abnormal.
Aside from these sharply divided positions, other types of situations are also difficult to categorise, such as, for example, people waiting for housing, children staying in specialised centres, housing facilities for drug addicts and people recently released from prison, women in shelters for victims of domestic violence, and people living in group housing provided by employers.
We are therefore faced with a classification of homelessness which ranges from a highly restricted definition to the broadest possible definition.
Beyond the problems already discussed in terms of translating and interpreting the term “homeless” in different languages and cultures, the analysis reveals that housing standards differ according to regions. Hence—and this is an essential point of discord—people housed by third parties are often classified as homeless in northern countries, while in many countries in the south and east, the fact of living with parents or friends when one does not have housing is considered normal. Various countries have stressed the difficulty in defining common standards for adequate or quality housing. In most countries, however, the notion of mobility for homeless populations has disappeared. The author provides two possible explanations. This elimination of the reference to mobility may be due to a modification of the reality of the phenomenon consecutive with the development of social benefits and long-term housing solutions. It may also result from the development of statistical surveys which measure situations but are inadequate to measure trajectories.

Proposals for creating an information system
The elements brought together as part of this research reveal major differences in approaches, depending on the administrative and statutory contexts and statistical traditions of different European countries. The available sources consist essentially of data gathered by administrations and the NGOs. This information is sketchy and incomplete—it hardly takes into account situations involving housing in hotels or with third parties. It often concerns a local level and is not comparable with information on a national level, let alone on an international level. By focussing only on homeless populations and even a smaller section of the homeless, this data cannot encompass the dynamics of the situation of homelessness, in other words, the causes which lead to loss of housing and the reasons for exiting this situation, nor can it identify the characteristics in common between homeless people and the general population.
These different assessments led the author to propose an examination of the homeless population within the framework of a general nomenclature for housing conditions. This nomenclature would integrate the different forms of homelessness within a continuum of housing conditions, thereby avoiding an isolated category for the others, as—and this is important information acquired from surveys and research concerning homeless people—there is no dichotomy between the situation of the homeless and the non-homeless.

35. This difficulty also occurs in the selection of housing indicators for establishing National Action Plans for Social Inclusion.
36. This nomenclature had been proposed by F. Clanché (INSEE 1998) within the framework of a National Council of Statistical Data working group concerning the homeless and housing exclusion (1993-1996).
The proposed nomenclature includes four elements: physical dimension (what type of space?); legal status (what is the occupancy status and law regulating this space?); the time factor (for what period of time?); and comfort. The homeless population would be defined within this nomenclature by combining two criteria: the type of habitation and the legal criteria (the occupancy status). This would then include people housed for long periods and identify similar situations, such as occupying a dwelling without a lease. By integrating this nomenclature into general housing surveys, it would then be possible to measure homelessness at regular intervals.

Finally, an understanding of the living conditions of homeless people requires direct surveys among the people concerned, as is the case for people who have housing.

*Cécile Brousse (INSEE), research report for Eurostat*, October 2003

*Those with housing, those who have lost it or have never had it*

A nation-wide survey conducted among the homeless in 2001 illustrates this continuity among the different forms of “no housing” situations. Among those polled in soup kitchens, one third had independent housing, in the sense that they rented or owned their homes, or were housed for free by their employers. They are therefore not homeless. The other people polled in these centres were, for the most part, homeless or in intermediate situations, housed for a night in a hotel, at their own expense, or with friends or family members.

Aside from determining the immediate situation, the survey also sought to analyse the living conditions and trajectories of these people and the factors that influence the fact of having had independent housing or not.

Among the homeless polled, three-quarters had already had their own dwelling at one time. They lost them for various reasons: separation (37 per cent), geographic move (20 per cent), problems paying the rent (20 per cent), eviction (13 per cent). Before becoming homeless, they had precarious forms of housing.

Approximately half of the people who had independent housing at the time of the survey said they had lived on the street. The great majority of them were formerly employed; only 6 per cent had never worked (as opposed to 17 per cent of the homeless who have never had their own housing). Their incomes come primarily

38. Marpsat M., to be published.
39. The definition of homeless in terms of the INSEE 2001 report: sleeping in a place not adapted for housing (i) or housed by an organisation providing free or virtually free housing (ii).
(i) This does not include makeshift housing or temporary shelters, which are considered to be housing in the INSEE studies.
(ii) Centres for Social Reintegration; centres for mothers; public shelters; shelters operated by cities or associations; beds reserved for emergency situations in structures such as young workers’ hostels, migrant workers’ hostels, social residences; hotel rooms rented by public organisations or associations; community centres; shelters for asylum seekers, and temporary housing shelters. The definition used for the homeless is therefore broader than that of “street person”, as it includes people who move from one shelter to another without ever living on the street. It is based on a combination that includes the physical criteria for housing and the legal criteria for occupancy status.
from the RMI, the AAH, a job, a pension or minimum old-age income. The housing allowance is the primary resource for 9 per cent of them.

Eighty per cent live alone and say they are frequently lonely; this feeling, combined with very low income, is one of the reasons they go to the soup kitchens. Their housing conditions are often minimal, and 20 per cent say they currently have major difficulties paying their rents. They are therefore often former homeless people, who were able to find housing again without completely exiting poverty. They have more health problems than the others and suffer the after-effects of serious illness or accidents. They are often isolated, elderly and alone, and are therefore highly vulnerable.

A multiform demand in emergency housing shelters and insertion centres

Emergency shelters and insertion centres in large cities are overwhelmed by a multiform demand, which includes—over and above the “traditional” homeless population (for emergencies) or people who need specific social assistance (for insertion)—foreigners without working papers, asylum-seekers or those who have been refused asylum, and an increasing number of “legal” poor with short-term CDDs (fixed-term employment contracts), late work shifts or minimal part-time work. Emergency shelters therefore serve people who clearly have resources and even jobs, but for whom it is materially impossible to obtain housing, due to their social and economic vulnerability, the distance to their workplace, lack of available housing at rents compatible with their income, and finally, the demands of private lessors on potential tenants. The fact that these people—who should have access to independent housing—cannot obtain social housing therefore has a snowball effect on the entire insertion system for a vulnerable population, notably in Paris and Ile-de-France. This poorly studied phenomenon, which is growing in most large cities, deserves separate study to assess how the difficulties in obtaining housing impede the chances of exiting the CHRSs (Centre for Housing and Social Reintegration), even when the other insertion factors exist.
Box 2

Homeless people who die in the streets

In 2003, the National Observatory on Poverty and Social Exclusion received a request concerning the possibility of obtaining statistical information on homeless people who have died on the street.

After consulting with the three large research institutions and statistical services (INSEE, INSERM, INED), which analyse mortality using death notices transmitted by the registry office, the Observatory decided that it would not be possible to obtain reliable and solid statistical data.

In fact, the death notices that are filled out by the registry officials and sent to the DDASS (Departmental Division of Medical and Social Action) reveal highly diverse practices throughout all of France in terms of procedures concerning people who have died on public streets. When no home can be identified, the most common practice is to indicate the town in which the person died. Furthermore, for homeless people, registry officials can also indicate the address listed on the identification papers, if they are with the person at death, or even note the address of the shelter regularly frequented by the deceased person. These practices make it difficult to identify the deaths of homeless people using this source and, a fortiori, deaths that occur specifically in the street.

During discussions on this subject, the Observatory stated its desire to indicate in its report the methodological problems mentioned above and the lack of any real basis for the figures sometimes announced in the media.

The trajectories for obtaining housing and growing restrictions on the mobility of poor households

Given a housing situation characterised by rising rents and low vacancy rates, the poor have very limited freedom of choice as to their housing, whether they urgently need to find housing and cannot manage to do so, or whether they are poorly lodged and have no possibility of moving. Their ability to obtain housing or have mobility depends increasingly on the logistics of the housing market, and the offer available to them is more and more restricted.

“De facto social housing”

A type of “de facto social housing” exists in the private rental sector; it plays an important role in housing poor and moderate-income households, particularly young and isolated individuals, as the size of this type of housing is best suited to them. Fifty-four per cent of the flats in the private rental sector are, in fact, studio or two-room flats, while the proportion is only 25 per cent in the social housing sector, where two-thirds of the accommodations are three- or four-room flats. The social housing sector therefore consists primarily of housing designed for families and is less well suited to the needs of young people or single people. Yet it is costly for the poorest households to obtain a flat in the private sector, especially as the solvency impact of housing allowances has worsened. As we have seen, the poor generally occupy the most uncomfortable, cramped and least desirable share of this market.

Furthermore, the existence of this “de facto social housing” in the private rental sector has been increasingly undermined by housing renovation projects and rising
rents. The number of very low-rent flats has dropped substantially over the long term
(from more than 3 million in 1984 to 825,000 in 1996). Similarly, inexpensive types of
housing, such as long-term occupancy of furnished flats and hotels, have also
decreased (the number dropped from 379,000 to 271,000 between the 1990 census
and the 1999 census).

A greater burden on social housing
This has resulted in greater pressure on the social housing sector. Although it
lodges a larger number of poor tenant households, providing them with housing that
meets comfort standards and remains affordable, it still cannot nearly meet the
demand (the number of housing requests rose from 855,100 in 1996 to 1,042,700 in
2002\(^{40}\), with almost half coming from households already occupying HLM accom-
modation). Because the rate of new construction programmes has slowed down
overall, the amount of available housing depends increasingly on the turnover rate.
Yet residential mobility in social housing has been dropping in recent years\(^{41}\). This
increasing pressure on the social housing sector caused by a rising demand from
poor households has exacerbated the debate concerning its vocation.

The impoverishment of social housing:
 a core issue in discussions concerning its vocation
The impoverishment of social housing is a reality: the proportion of low-income
households, as measured by the Housing Survey, rose from 11.8 per cent in 1988
to 21.3 per cent in 2002 in the social housing sector, while it increased from 10.6 per
cent to 11.6 per cent for all forms of housing\(^{42}\). The growing burden for low-income
tenants is due both to the greater impoverishment of existing tenants and the arrival
of tenants who are poorer than those who have left. Those leaving the HLM sector
are primarily households with incomes much higher than those who remain within
the HLM system (a difference that increased from 17 per cent to 35 per cent during
the period 1996 to 2000). At the same time, the incomes of new households moving
into social housing are lower than those of existing tenants (with a difference that
rose from 8 per cent to 10 per cent\(^{43}\)over the same period).

This process of impoverishment is a core issue in discussions concerning the
vocation of social housing.

The decrease in supply of housing accessible to the poorest households and the
growing gap in housing expenditure between the social sector and the private sector
have made this an even more pressing issue. For some, the comparative advantage
of the HLM sector in terms of rent and the financial investment provided by the muni-

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40. Source: INSEE, 2002 Housing Survey. This is the number of households which declared that they submitted or
renewed an HLM housing request during the year.
41. The turnover rate dropped from 12.7 per cent in late 1999 to 10.6 per cent in late 2001.
42. The proportion of low-income households (less than half of the median income) is measured using income after
taxes, and excluding housing allowances. It should not be confused with the poverty rate, as defined by the Taxable
Income Surveys. Nevertheless, it has risen substantially.
43. Source: INSEE, assessment for the Observatory on Poverty using the Housing Surveys.
pentialities should be offset by a greater social specialisation in the HLM sector—
which should meet the requirements of basic housing for the most impoverished.
The HLM movement, on the other hand, stresses the danger of specialisation, which
would marginalise residents in the HLM buildings and turn this sector into a "social
parking lot", while its vocation is much broader and above all, targeted to families.

**A debate concerning the concept of social diversity**

Between these two stances, the housing policy pursued in recent years has
maintained its goal of social diversity, which is understood to be a homogenous
distribution of all types of housing, aimed at achieving "a diverse social composition
in each neighbourhood and each town, so that each town contributes equitably to
providing housing for the most disadvantaged families and individuals." The
systems implemented consisted of stricter controls over social housing attributions,
construction of social housing in areas when few or no social housing already exists,
and finally, the definition of broad occupancy quotas based on income. They also
include renovation and demolition projects for rundown social housing.

Thus, the concept of social diversity can either strengthen the HLM’s vocation of
housing the most disadvantaged or lead to a refusal to attribute housing in a sector
in which the concentration of poor families is considered to be too high.

These contradictory interpretations have existed since the start of social housing
construction. According to the statutory thresholds, a large and growing proportion
of the French population (65 per cent) can, in theory, obtain social housing. In prac-
tice, however, eligibility is far more restricted, as the "social" occupancy rate45 was
59 per cent at a national level in 2000, and 65.7 per cent for new arrivals46. But an
average of 13 per cent of HLM tenants had incomes higher than the thresholds47,
and therefore, according to certain authors, benefited from "situational income"; the
application of rent supplements introduced in 1996 did not rectify this situation of
unfair redistribution48.

**Different vocations depending on the local housing markets**

In practice, social housing probably has different consequences on the residen-
tial trajectories of poor households. For certain households, social housing is the
first step towards other housing; hence the number of households leaving the HLM
sector after purchasing a home has risen consistently from 1988 to 200249, while the
number leaving the HLM system for the private rental sector has remained at a
steady high level over this same period. For other households, which we can

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44. Law of 31 May 1990 implementing the right to housing.
45. Already defined as the proportion of households with incomes less than 60 per cent of the threshold.
47. Source: INSEE, assessment for the Observatory on Poverty.
ménages” (The effects of the existence of the HLM sector on the profile of household consumption), *Economie et
Statistiques*, n° 328, 1999.
49. It rose from 209,000 to 356,000 from 1996 to 2002.
assume to be poor, the oldest dwellings within the social housing sector were the only housing options possible, and once dwellings were obtained, they were not able to leave them.

The vocation of social housing is therefore very different depending on the local housing markets and the options they offer to poor households, and the methods used by those who grant housing. Indeed, the demand for social housing varies greatly according to location, as does the available offer\textsuperscript{50}, and the proportion of occupants who exceed the resource thresholds\textsuperscript{51}. The dynamics of local housing markets can no longer be analysed only in terms of the traditional classification of housing types (private sector/public sector). Certain analyses stress the role of household residential strategies, which accentuate the social differences between the different sections of the housing supply\textsuperscript{52}. Finally, those responsible for attributing housing include social lessors, local authorities and the prefecture, according to a rigid and complex system. Further study is necessary to better identify the influence of these different factors on housing for the poor.

**Health: persistent social inequities**

Public health policy in France was originally based on a triptych encompassing sanitaryism, vaccinations and a fight against social blights (alcoholism, tuberculosis, mental illness, sexually transmitted diseases). Urban facilities and sanitation, education in physical hygiene, obligatory vaccination campaigns, and the creation of dispensaries for treating sexually transmitted diseases, tuberculosis and alcoholism are all part of this policy.

By the 1950s, under the combined effect of medical progress and the solvability of healthcare ensured by Social Security, these preventive methods encompassing social and sanitary techniques were no longer as important as before.

The “social question” reappeared as healthcare inequities became evident, although the distinction between the morbidity\textsuperscript{53} specific to monetary poverty and the morbidity linked to living conditions has not always been clearly defined.

The analysis of all the data, both French and foreign, does not accurately explain the social factors of health. Yet it suggests the existence of several paths leading to an explanation and understanding of these phenomena. The aim is not to determine that high-risk factors (smoking, alcoholism, poor nutrition) can be broken down according to social strata, but to be able to explain why they are.

\textsuperscript{50} The vacancy rates for over three months vary from 0.5 per cent to 2.9 per cent (for an average of 1.7 per cent), and the mobility rates from under 7 per cent to 16 per cent in 2000. Source: USH, assessment for the Observatory.


\textsuperscript{52} Study conducted by the Observatory on Rents in the Greater Paris Area (OLAP) for the greater Grand-Besançon area.

\textsuperscript{53} Morbidity corresponds to the proportion of illnesses in a population.
Worsening state of health

It was only in the 1990s that knowledge concerning social inequities in terms of death rates was corroborated by studies bearing on the health problems of population groups suffering from social and economic vulnerability or the social inequities of morbidity.

These studies revealed a higher risk of poor health or death along the social scale, and for the quasi-totality of illnesses and accidents studied. Discrepancies in health depending on the social origin of individuals reflect the disparities in the prevalence of illnesses, deficiencies and accidents; in their severity and lethality; and in the accumulation of illnesses. Epidemiological studies conducted among population groups suffering from different forms of social and economic vulnerability confirm this assessment of a deteriorating state of health.

For example:
- The difference in the life expectancy at 35 for a labourer and for an executive is 6.5 years for men and 3.5 years for women, for the period from 1982 to 1996;
- The risk of mortality for an unemployed man in the five years following loss of a job is three times higher than that of a wage-earning man of the same age, and two times higher for an unemployed woman. Once the structural factors (diploma, socio-professional group, marital status) have been eliminated, the abnormally high death rate of the unemployed still remains elevated (a 2.3 and 1.8 higher risk for men and women, respectively);
- Severe depression in the Ile-de-France region is 7 and 1.6 times more common in men and women receiving the RMI than in a sample population.
- The rate of premature births and the frequency of low birth-weight babies varies greatly, depending on the mother’s level of education (cf. table 33).
- The probability of escaping uninjured from a car accident—the only type of accident for which social inequities have been measured—is 62 per cent for high-level executives as opposed to 46 per cent for labourers (cf. table 34).

<table>
<thead>
<tr>
<th>Education level of mother</th>
<th>Premature births %</th>
<th>Low birth-weight (1) %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Higher education</td>
<td>3</td>
<td>6</td>
</tr>
<tr>
<td>Secondary, lycée (16-18 year olds)</td>
<td>4</td>
<td>8</td>
</tr>
<tr>
<td>Secondary, collège (11-15 year olds)</td>
<td>5</td>
<td>8</td>
</tr>
<tr>
<td>Elementary school (2)</td>
<td>5</td>
<td>10</td>
</tr>
</tbody>
</table>

(1) birth-weight less than the 10th percentile for the gestation period for a reference population.
(2) including women with no schooling.

56. The High Commission for Public Health specifies that no analysis had been made to try to determine the causes of differing severity in car accidents according to socio-professional category.
Table 34
Severity of car accidents for drivers, depending on the socio-professional category in 1997 (in %)

<table>
<thead>
<tr>
<th>Category</th>
<th>Killed</th>
<th>Serious Injuries</th>
<th>Minor Injuries</th>
<th>Uninjured</th>
</tr>
</thead>
<tbody>
<tr>
<td>High-level management, liberal professions,</td>
<td>1.6</td>
<td>5.9</td>
<td>30.0</td>
<td>62.5</td>
</tr>
<tr>
<td>company manager</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mid-level management, wage-earner</td>
<td>1.5</td>
<td>6.9</td>
<td>40.4</td>
<td>51.3</td>
</tr>
<tr>
<td>Craftsman, shopkeeper, independent worker</td>
<td>2.8</td>
<td>11.4</td>
<td>29.1</td>
<td>59.8</td>
</tr>
<tr>
<td>Working class</td>
<td>2.7</td>
<td>12.3</td>
<td>38.5</td>
<td>48.5</td>
</tr>
<tr>
<td>Unemployed</td>
<td>3.0</td>
<td>10.4</td>
<td>39.7</td>
<td>47.0</td>
</tr>
<tr>
<td>Total</td>
<td>2.5</td>
<td>10.6</td>
<td>38.9</td>
<td>48.0</td>
</tr>
</tbody>
</table>

Sources: CERMES, IFRH, according to data from the Department of Accident Research and Assessment, INRETS, 1997.

The over-representation of illness and health problems among people suffering from social and economic vulnerability appears early in childhood. Children of poor households suffer more frequently than other children from such problems as asthma, eye-nose-throat complaints, headaches and migraines, dental problems, mental disorders and insomnia.  

Surveys conducted among the poor population in terms of their health condition also reveal a perceived state of health which is worse, even when certain problems may be underestimated. According to the Living Conditions Survey of the Disadvantaged, 1986-1987, only one-quarter of the people experiencing a major depressive episode say that they are depressed. This underestimation (for which the variability is difficult to assess in terms of social milieu) may be caused by a perception that does not recognise problems as symptoms of a real illness or due to a lack of medical consultation that would detect health problems. Regardless of the origin, this underestimation of health problems often results in delays in treatment.

Social inequities in terms of health also concern the ability to compensate for or adapt to problems caused by certain illnesses or disabilities. The use of data from the HID (Disability, Incapacity and Dependency) Survey revealed that disparities between socio-professional categories for different levels of disabilities increase when deficiencies (caused by lesions), incapacities (on a functional level) and the disadvantaged (on a situational level) are included.

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58 Assessment of individual situations according to a medical classification scale.
59 Kovess-Masfety V., Précarité et santé mentale (Precarity and mental health), 2001, op. cit.
60 Cambois E., op. cit.
Social inequities in health conditions overlap with spatial inequities. A study of regional disparities in the death rate according to socio-professional category produced results identical to those observed for the general population. Thus, the death rate for labourers is higher in the north, while it is lower in the Midi-Pyrénées and Languedoc-Roussillon regions. Social disparities in the death rate which exist throughout all the regions are wider in regions with high death rates.

Although social inequities in health conditions occur in all developed countries, they are broader in France on some levels. Among European Union countries, France has the widest disparity in the mortality rate between men aged 45 to 59 employed in a manual job as opposed to other forms of employment. It is double the rate of countries such as Italy, Spain, Portugal, Sweden and Denmark.

**Multiple social determinants in health**

The assessment of social inequities in the health sector needs additional information to identify the social determinants and the ways in which they impact health. This understanding of the processes that create health inequities involves many individual and collective determinants, all of which interact. Among these determinants, access to healthcare has been analysed in depth.

**Living conditions**

The living conditions of disadvantaged people can have both direct and indirect harmful effects.

The existence of illnesses associated with "poor housing" is well known: a greater frequency of dermatological ailments and respiratory problems linked to unhealthy living conditions, and psychomotor development problems among children suffering from lead poisoning, after being in contact with lead in old or rundown housing. The detection campaign conducted by the Système national de surveillance du saturnisme infantile (National System for Monitoring Infantile Lead-Poisoning) from 1992 to 1996 revealed a 32 per cent greater prevalence of lead poisoning (a rate of lead in the blood greater than 100 µg/l) among a specific high-risk population, based on criteria measuring the age and physical state of the housing. The extrapolation of these results suggests that 48,000 to 66,000 children suffer from over-exposure to lead linked to "poor housing"; at the very least, this causes a loss of intellectual capacity.

A dwelling may also have a harmful effect due to the quality of the environment: various irritations (noise, pollution and so on) and stress due to insecurity.

Furthermore, living conditions also impact both short-term and long-term health. Independent of the living conditions that may occur later, a child’s environment explains the appearance of health problems later in adult life.

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63. Camblos E. *op. cit.*
Generally speaking, the stress generated by the many problems and restrictions faced by people experiencing poverty can have negative repercussions on health. It alters certain physiological variables, a source of premature ageing. It also contributes to the larger prevalence of mental disorders.

**Work**

The work environment and the type of functions exercised also have an impact on health.

An exposure to risk factors in the professional sector plays a major role in the social inequities of health. It may account for approximately one-third of the social differences in the mortality rate in industrialised countries64. In France, a country where cancer is the leading cause of the abnormally high death rate among labourers and wage-earners, 13 per cent to 29 per cent of the deaths (or 2,700 to 6,000 cases) due to lung cancer resulted from exposure to carcinogenic factors at work65.

Similarly, the prevalence of work-related accidents is higher among labourers and wage-earners employed in a precarious job66.

Nevertheless, it is difficult to accurately assess the role of the work environment in social inequities in health conditions in France, given the often-criticised phenomenon67 of under-reporting professional illnesses and a lack of overall data concerning the exposure of the active population to risks related to the work environment.

**Social isolation**

Not all health determinants causing social inequities are material in nature; the psycho-social dimension of each individual and his or her background also come into play. In particular, social isolation is one of the factors which explains a greater prevalence of risk-taking behaviour that is damaging to health (smoking, alcohol consumption, physical inactivity). The social support provided by the environment, notably by maintaining solidarity networks and primarily at the local level, is a factor that reduces risks. A study concerning the prevalence of mental health disorders revealed that culturally mixed poor neighbourhoods are considered to present higher risks than culturally homogenous poor neighbourhoods68.

In all, people in difficult social situations are more exposed to health risks throughout their lives than the average person, whether this is due to their family situa-

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68. Kovess V., op. cit.
tions, living conditions, behaviour that is directly or indirectly harmful to their health, or fewer preventive healthcare consultations. This assessment confirms the idea that an accumulation of risk factors over the years is the result of a complex interaction among living conditions, behaviour, environment and individual characteristics.

**Better access to healthcare**

As discussed in the Observatory’s 2002 report, the creation on 1 January 2000 of the CMU and complementary CMU, as well as the revamping of the AME (Free Medical Care), helped to improve access to healthcare for the poor population. Observations made by associations attest to the success of these reforms. The Médecins du Monde association noted a drop in consultations to the majority of its French centres.

**The benefits of Universal Sickness Insurance (CMU)**

The CMU has not only expanded and harmonised the healthcare coverage of former beneficiaries of medical assistance programmes under the responsibility of a département (regional subdivision), to include dental and optical prostheses; it also provides medical assistance to people who were not eligible for it before.

On 31 December 2003, 1.6 million people were affiliated with the basic CMU and nearly 4.3 million received the complementary CMU, representing a substantially larger number of people than those covered by regionally run medical assistance systems: in 1999, 460,000 people were eligible for this basic insurance and 2.9 million for the complementary insurance.

The complementary coverage of the CMU has decreased the number of people who forego healthcare for financial reasons, although a certain number still do so. Forty-three per cent of beneficiary households polled in 2003, and who entered the system between April and October 2002, declared that they had foregone healthcare at least once due to financial reasons in the months preceding their affiliation with the CMU. Among the households polled which had been receiving the CMU for over one year, 22 per cent had foregone healthcare at least once in the preceding twelve months. Given identical ages, beneficiaries nevertheless forego healthcare for financial reasons 1.8 times more frequently than do people covered by complementary insurance.

None of the specific analyses devoted to the healthcare consumption of CMU recipients confirmed that idea of a “windfall effect”, in other words, excessive use of the healthcare system because it is free, although we noted a consumption dispa-

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69. Cambois E., *op. cit.*
70. The Observatory report concerning access to healthcare dispensed by the French mission of Médecins du Monde, 2000.
71. Boigüé B. and Bonnardel C., “De l’aide médicale à la couverture maladie universelle” (From medical care to universal sickness insurance), *Données sociales, La société française* (Social data, the French society), INSEE, 2002-2003.
rity of approximately 30 per cent in relation to non-recipients, for the equivalent age and sex. This difference is due to worse health conditions. Beneficiaries of the complementary CMU have 20 per cent more health complaints than the rest of the population\(^7\); proportionally, this group also says it suffers mental or sleep disorders 1.8 times more than the others. The proportion of smokers is two times greater among complementary CMU recipients than among non-recipients. These findings merely confirm the existence of a worse state of health among people experiencing social and economic vulnerability.

Given equivalent health conditions, the expenses of beneficiaries are actually close to those of non-beneficiaries covered by traditional complementary insurance\(^7\).

Studies\(^7\) also highlight the fact that the introduction of the CMU created a “compensation effect” by reducing the number of people who forego healthcare for financial reasons, particularly for people who did not receive regionally run medical assistance. Thus, the consultation rate for all healthcare (including hospitals) for recipients was 88 per cent in 2000, while it had been 76 per cent for an earlier period. This figure is virtually the same as for the rest of the population, estimated at 90 per cent. The “compensation effect” was particularly notable for consultations with specialists.

**The benefits of Free Medical Care (AME)**

The reform of the AME has facilitated access to healthcare for foreigners without residence permits. Although they could, in theory, be eligible under the former medical care system, in reality, access to this care was more difficult. On 31 December 2003, 170,000 people benefited from the AME. As the number of beneficiaries was determined and the sums allocated to this system quantified, a public debate began on measures to monitor this scheme. Decrees were implemented to more strictly monitor eligibility and the type of medical care covered. Yet the relevance of the AME in terms of public health and equal access to healthcare has been confirmed: the target population is generally in poorer health for reasons due to a greater exposure to risk factors and the deficiencies in the healthcare systems of their native countries. A study\(^6\) conducted among free health dispensaries revealed that foreign populations, whether they hold residence permits or not, consult doctors more often for digestive disorders and locomotive problems than do the French.

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also found that foreigners without residence papers accumulated the largest number of factors contributing to social and economic vulnerability.

**Room for improvement in access to complementary insurance**

Improvements made by expanding the basic and complementary medical coverage can still be perfected.

Some individuals experiencing hardships are still poorly covered.

In 2002, 20 per cent of the unemployed had neither complementary insurance nor were exempt from paying the ticket modérateur (the co-payment, or share of expenses that patients have to pay out of their own pocket after reimbursement by Social Security), as opposed to 6 per cent of wage-earners. Twelve per cent of people living in the lowest-income households were generally not covered, as opposed to 2 per cent of people with the highest incomes\(^7\).

In addition, among the people covered by a complementary insurance, some have more restrictive coverage than those covered by the complementary CMU. According to data gathered as part of the Health and Social Protection Survey, 32 per cent of the covered population had a contract defined as poor in 1998, in other words, offering low reimbursement levels concerning optical and dental care\(^8\).

Furthermore, among the beneficiaries exiting the complementary CMU, less than one-quarter remained covered by a complementary insurance scheme.

Access to a satisfactory level of complementary coverage for moderate-income households whose incomes exceed the CMU threshold is restricted for reasons due to the cost of contracts, but also to their professional activities. Groups contracts, which substantially reduce the purchase costs of complementary insurance (through employer participation and tax deductibility) only concern wage-earners and in highly inequitable ways. Many precarious job-holders are excluded from these benefits, while those working for small- and medium-sized companies have fewer benefits. In addition, when eligible wage-earners leave their jobs, they also lose this benefit; for those who want to keep their contract, the cost is much higher.

**Maintaining the specific characteristics of healthcare access for the disadvantaged**

With improved access to healthcare, the most disadvantaged population now uses the healthcare system more like the rest of the population, although the group still has specific characteristics. The way people use the healthcare system varies widely with the socio-economic situation of each individual. The poorest people often use hospital services. When they consult a private practitioner, they are most likely to consult a general practitioner than a specialist or a dentist.

We can also assume that access to preventive care differs with the social gradient.

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\(^8\) Appendix 8 of Chapter 1 in the report by the High Commission for the Future of Sickness Insurance, 2004.
Some of these disparities can be attributed to the fact that people forego healthcare for purely financial reasons. This is the case for healthcare that is poorly covered by the basic medical insurance, such as dental care, which is only reimbursed at 35 per cent. Disparities in consultations based on income can also be linked to unequal access to healthcare, a source of healthcare inequity.

Although the more frequent use of general practitioners over specialists is partially linked to financial reasons, it is more difficult to interpret this as a source of healthcare inequities.

The particular status held by hospitals must be linked to an under-utilisation of private practitioners and preventive medicine, which means that illnesses are detected too late, and often in emergency situations. It can also be explained by the fact that patients whose living conditions undermine the effectiveness of the care given or prescribed need to be treated in a global way.\(^79\)

Finally, the effectiveness of sanitary preventive measures on the most disadvantaged population is often low. An assessment of the dental care exam system set up in 1997 for adolescents\(^80\) revealed a positive effect on a population that was already aware of the importance of dental health. Although modest social categories most often took advantage of this programme, the most disadvantaged participated less. Paradoxically, preventive campaigns, whether they involve diagnostic actions or health education, can lead to short-term increases in the social inequities of healthcare, as wealthier populations are more receptive and the content of these programmes is sometimes poorly adapted to the target public.

Beyond the explanations that explain a renunciation of healthcare for financial reasons, inequities in access to healthcare are also due to differences in individual perceptions of health, and in an understanding and a recognition of health problems. The survey conducted among ZUS residents demonstrates that for more than 19 per cent of those polled, health is not a priority in their lives.

The differences in healthcare consultations is also due to the living conditions of various populations. In particular, a preference for entering the health system via a general practitioner or an emergency room is understandable coming from a population living day to day and for whom the act of making an appointment with a specialist weeks in advance is not always an easy task.

The complexity of the social determinants of health requires that policies aimed at reducing healthcare inequities provide diverse responses integrating medical and social dimensions. Facilitating access to healthcare, notably through the development of suitable preventive actions and early diagnosis of health problems, remains a goal, even though inequities in access have become far less extensive.

\(^{79}\) Cambois E., op. cit.
**Access to education and academic failure**

Access to education for disadvantaged populations is a global problem concerning social inequities in terms of schooling and more specifically, social differentiations in the various different forms of academic failure. These will be grouped together in this text under the description “academic exclusion”

Yet these characterisations have to contend with the lack of a firm definition for academic success or failure, a reflection of the debates concerning the missions given to the National Education system. Should academic success or failure be judged by the capacity of the initial education to prepare and facilitate entry in a working life? Are diplomas and different educational tracks themselves criteria for assessing academic success? Should we include among these criteria the acquisition of knowledge, the cultural capital accrued by students at the end of their education? Is an academic path that is marked by repeated classes, changes in academic specialisation and absenteeism synonymous with academic failure? How do we use the individual perception that students have concerning their own academic trajectory?

The most widespread indicators have long been based on the concept of academic success assessed according to the diploma earned, the length of study, and the access rate to various levels of education. It is only recently that these indicators have integrated student assessments of academic accomplishments. The link between the initial education and insertion via employment has been more widely studied as part of analyses concerning employment and unemployment rather than as academic inequities. Finally, analyses of academic failure from the viewpoint of those concerned are rare. A few opinion polls have brought to light the expectations and concerns of young people in terms of school. They reveal a growing discrepancy between the perceptions of teachers and that of students. Teachers judge that the “desire to learn” is dropping (53 per cent of collège and lycée teachers), while the viewpoint of teachers and students is different. For students, the primary mission of school is to prepare them for a future professional life, while teachers rate this goal third (after acquiring a good level of overall culture and learning how to live in society).

**The persistence of links between inequities in school, academic exclusion and social origins**

*Education for all*

The results of a move to make access to education more democratic—greater accessibility to different levels of the educational system and longer periods of schooling—have certainly benefited the most disadvantaged categories of the population. The proportion of students reaching the final class of secondary school

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(terminale) has increased from 36 per cent in 1984 to 70 per cent in 1994, at which point it stabilised. The policy of education for all has reduced the differences in the period of time students spend in school based on social origins. The chance of an executive’s child getting a baccalaureat degree was thirty times greater than that of a child of a working-class father in the years immediately after the Second World War. The gap is down to 10 at present. The policy, which has resulted in longer periods spent in school, has also somewhat broken down the link between social origins and a diploma, in other words, a qualitative democratisation of access to high education that marked the 1950s and the 1960s.

**Significant social inequities still exist**

The problem of persistent social exclusion is, to a major degree, an extension of overall social inequities; indeed, it is an exacerbated form of these inequities. Differences in academic levels appear at a young age. Differences in the acquisition of verbal skills are noticeable as early as the moyenne section (four-year-olds) of nursery school. Although it is not possible to determine the responsibility of the family environment as opposed to the school environment in terms of inequities in early learning, the disparities increase from this point on. Assessments of students entering cours élémentaire 2 (8-year-olds) and sixième (11-year-olds) reveal that the differences in levels in French between children of executives and children of working-class parents increases from 17 per cent to 22 per cent between these two grades. The increasing disparity between these two classes is even more striking in mathematics: it rises from 15 per cent to 24 per cent. Repeating a grade, due to an accumulation of academic problems, is much more frequent among the children of working-class families: by the age of 15, some 60 per cent of the children of working-class or economically inactive families have repeated a grade at least once, as opposed to 17 per cent of children of high-level executives.

The over-representation of children from disadvantaged backgrounds in the specialised education system reserved to students experiencing serious academic problems is also well-established. Among the students registered in SEGPAs (Adapted General and Vocational Education Sectors), more than 74 per cent are children of working-class or inactive parents, or parents whose economic activity had not been identified. The percentage of collège-age children (11- to 15-year-olds) not within a SEGPA is 41 per cent for these same categories.

This same over-representation has been noted in vocational education, which only deserves mention in an overview of indicators concerning academic social inequities because this type of training is particularly undervalued. Yet some of these

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education tracks lead to real job possibilities, which are in fact better when compared to equivalent levels acquired in general education tracks (cf. infra).

Social origin is also correlated with orientation decisions that differ with comparable academic situations. Fifty per cent of the sons and 30 per cent of the daughters of executives continue on to preparatory classes after obtaining a scientific baccalaureat degree, without having fallen behind. Given the same academic situation, only 19 per cent of sons and 9 per cent of daughters of working-class parents opt for this academic orientation.

Social inequities in terms of school result from clear-cut differences in qualifications obtained by young people leaving the education system as a function of their social milieu. Hence, the probability of leaving school without any qualifications ranges from 2 per cent if the head of the family is a teacher to 16 per cent if he is working-class or in the service industry, and 30 per cent if he is economically inactive. In all, more than two-thirds of the students leaving the educational system without qualifications are children of working-class fathers, people working in the service industry, or economically inactive people.

The link between academic exclusion and monetary poverty has rarely been studied as such. Yet the few studies that do exist reveal a strong correlation: the rate of students who have fallen behind in sixième is 35 per cent for the children of the poorest families (first quintile of income) as opposed to 12 per cent for the children of the wealthiest families (fourth and fifth quintiles).

**Inequities in terms of violence**

Violence at school is a phenomenon which, although not new, has recently come to the forefront as a preoccupying “pathology” of the school system linked to the phenomena of “academic exclusion”.

The sociology of violence at school remains a sociology of social exclusion. One middle school student in four in a ZEP (Priority Education Zone) describes a high level of aggression towards teachers, as opposed to one in eight outside of a ZEP. Twenty-nine per cent of ZEP students and 37 per cent of “at-risk” establishments have a strong feeling of insecurity, as opposed to 16 per cent in other zones. The differences between collèges have even increased. There are also significant differences in the proportion of collège students who say they have been victims of “racket” (extortion by other students).

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86. Source: Department of Assessment and Forecasting, cited in CERC, *Education et redistribution* (Education and redistribution), 2003.


Inequities in terms of violence are much smaller at the elementary school level, however.

Social inequities in terms of school result from a cumulative process of falling behind in acquisition and being kept back, which is a source of incomprehension on the part of students in terms of academic expectations, boredom, a feeling of humiliation, and lack of discipline. Absenteeism, dropping out, and even problems of violence at school almost always appear after a decline in academic results, and aggravate the situation. Yet they have become problems analysed in a vacuum, and are often viewed as reasons explaining delinquency. The importance given to problems of drop-outs in local security contracts is symptomatic in this respect. The link between drop-outs and delinquency is based on a hypothesis of simple cause and effect that has never been confirmed by any research. Studies show that absenteeism is a complex phenomenon linked on the one hand to the student’s academic situation, to his or her perception of it, and, on the other, to the quality of his family life and relationships. It is also linked to behavioural problems and even mental disorders.

Academic exclusion therefore encompasses a number of phenomena which, although they are specific, are extensions of the overall operation of the educational system, in terms of social inequities, which it continues to sustain or maintain.

**Illiteracy: a factor of academic, social and economic exclusion**

The concept of illiteracy developed rather late. The illusion of absolute literacy, which would be guaranteed by a free and compulsory education system, has led to a long-term under-assessment and even a denial of the reality of discrepancies in learning and the acquisition of basic knowledge. Associations working with disadvantaged populations were the first to denounce these problems in the late 1970s. It is true that illiteracy is difficult to measure: the definitions are not clear, the individuals involved underestimate their own difficulties, the results of tests used for population groups are difficult to extrapolate, and so on.

It is nevertheless certain that a significant and stable proportion of the population does not have the basic ability to write. A survey conducted in 1997 among students entering sixième revealed that 4 per cent of the students had difficulties identifying words and 8 per cent were handicapped by the slow speed at which they read texts.

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94. These proportions must be considered to be high. Indeed, the population that took these tests entering sixième did not include any children from a class or establishment specialising in mentally deficient children or those suffering from mental disorders. Therefore, 4 per cent of children with normal intelligence have difficulty recognising words, and 8 per cent can read only with great difficulty.
Of the 400,000 young men and women who attended the National Defence Preparation Day for 18-year-olds in 1999, 10 per cent had serious difficulties understanding a simple narrative or functional text, and failed to complete the simplest writing exercises. Since measurements of illiteracy have been in use, they all tend to show that this phenomenon is not decreasing.

Illiteracy is a powerful factor of exclusion: academic exclusion first of all, followed by social and economic exclusion later. The problems encountered at early learning stages often set the stage for a chaotic academic path, a “corridor of illiteracy”95 that is sanctioned by students leaving the education system with a very low level of qualification. Thirty-three per cent of boys holding French nationality who left school at the troisième grade (14-year-olds) without a diploma are illiterate96; among these, 7 per cent cannot write, 11 per cent can only read isolated words, and 15 per cent isolated sentences. One can only be impressed by the extent of this phenomenon and by the low level of learning acquisition on the part of people who spent at least eleven years of their lives in school.

Economic insertion has become even more difficult in that the larger tertiary sector and the development of industrial processes leave little room for jobs that do not require writing skills. Social integration also represents a real problem, even if the everyday handicaps caused by poor writing skills can be partially offset through the sustained support of the family entourage and social services.

**An powerful and long-lasting link between the level of initial education and access to the job market**

Social inequities resulting in distinct social factors of academic success or failure have an impact on the ability of young people to integrate the job market and on the quality of the employment found in terms of salary and duration.

This is, of course, particularly true in situations of academic failure resulting in a lack of any qualifications; in this case, even beyond inequities in status and salary, the very possibility of finding a job is called into question.

According to the Générations Survey conducted by the CEREO (Centre for the Study of, and Research on, Employment and Qualifications), it is the young people who left the education system without any qualifications in 1998 who experience the greatest problems finding employment, with an unemployment rate of 42 per cent one year after leaving school, and 30 per cent three years later. Their difficulties are compounded by the fact that they did not choose a professional secondary education.

In the last ten years, the proportion of young people leaving school without any diploma or qualification has stabilised at 8 per cent, or 60,000 young people in 1998, while it had been dropping regularly since 1963, when this figure was 40 per cent.

The correlation between initial education and the quality of the job obtained is also strong. Job stability and salary increase with higher levels of initial education

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96. According to an assessment conducted in 1995 during aptitude tests in the national selective service centres.
levels. Employment policy, through employment assistance, had not altered this correlation. It seems to have a relatively stronger impact on students who pursued higher education due to the Emplois Jeunes (employment for youth) programme.

This data also demonstrates, for an equivalent period of education, the net advantage of certain vocational or professional educational tracks, whether the secondary or graduate level, as opposed to general education tracks.

Table 35
Situation in 2001 of young people who left school in 1998, according to their level of qualification

<table>
<thead>
<tr>
<th></th>
<th>Median salary when hired for first job (euros)</th>
<th>Unemployment rate 3 years after ending studies</th>
<th>Employment status 3 years after ending studies (in %)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>CDI</td>
<td>CDD</td>
<td>Proportion of subsidised jobs in the CDD</td>
</tr>
<tr>
<td>Nonqualified</td>
<td>840</td>
<td>30</td>
<td>42 (53)</td>
</tr>
<tr>
<td>CAP, BEP* non-qualified, 1st or 2nd cycle</td>
<td>840</td>
<td>20</td>
<td>49 (48)</td>
</tr>
<tr>
<td>CAP, BEP qualified, 1st or 2nd cycle</td>
<td>850</td>
<td>13</td>
<td>58 (39)</td>
</tr>
<tr>
<td>Bac** non-qualified</td>
<td>880</td>
<td>12</td>
<td>59 (38)</td>
</tr>
<tr>
<td>Professional or technological Bac</td>
<td>880</td>
<td>7</td>
<td>65 (32)</td>
</tr>
<tr>
<td>Bac +1 or +2 years of study, without earning diploma</td>
<td>860</td>
<td>10</td>
<td>55 (42)</td>
</tr>
<tr>
<td>Bac +2 years</td>
<td>1,010</td>
<td>5</td>
<td>72 (25)</td>
</tr>
<tr>
<td>2nd cycle (Master’s degree)</td>
<td>1,020</td>
<td>7</td>
<td>70 (27)</td>
</tr>
<tr>
<td>3rd cycle (doctorate) and grandes écoles***</td>
<td>1,540</td>
<td>4</td>
<td>82 (14)</td>
</tr>
</tbody>
</table>

** Bac: Baccalauréat degree.
*** Elite higher education establishments.

The problems in finding employment faced by young people who have left school without any qualifications or with low-level qualifications have worsened, due to the dismantling of the diploma system. The overall rise in the level of education and the persistent high rate of unemployment have created greater competition among those who have little or no qualifications and others who have diplomas for non-qualified jobs. The increase in education levels is particularly high among wage-earners. From 1995 to 2001, the proportion of people holding a baccalaureat or higher degree among starting employees in companies specialising in cleaning services rose from 14 per cent to 19 per cent, while the figure for those with a CAP (a national qualification diploma for labourers and skilled workers) or BEP (a diploma for trades in the technological-vocational sector) remained stable, and non-qualified people dropped from 49 per cent to 43 per cent.
Thus, although the volume of non-qualified jobs rose sharply between 1994 and 2000, probably due to the reduction in social charges on low-wages, the employment rate for the least qualified people did not improve over this same period.

**The complex interactions between academic failure and the socio-economic environment**

The existence of a link between the socio-professional category, or more rarely, the income level of parents, and the academic success of children provides only a partial response to the process that leads to academic failure. In this respect, the question of academic failure must be viewed as an extension of the continuum of social inequities that require a global response on both the socio-economic environment and in terms of academic accompaniment, and as a phenomenon requiring specific actions insofar as it reflects “exacerbations” and disruptions that a global response alone cannot correct.

**The role of the socio-economic environment and family characteristics**

The socio-economic environment contributes to inequities in different ways.

It can create a distinct income effect, via living conditions which are detrimental to academic success (overcrowded housing, a spatial segregation that diminishes social diversity within academic establishments, late-night working hours for parents) and a diminished ability to assume the costs of schooling.

A disadvantaged background can also be a handicap in terms of academic achievement given the difficulties of the entourage to accompany and motivate learning on the part of children. The influence of the family’s “cultural capital” is decisive in this respect: academic success or failure is more dependent on the parents’ level of education, particularly that of the mother, than the family’s economic or material level. The different ambitions held by the parents in terms of their children’s academic achievement also have an influence on the social inequities of schooling. Hence, 75 per cent of executives want their children to continue schooling to the age of 20, at least, as opposed to 47 per cent of non-qualified workers. Leaving school early seems to have an intergenerational aspect that can be explained both by the difficulties in helping children who are experiencing problems at school and by a lower level of expectations in terms of school, and even an acceptance of academic failure as an inevitability over which the family has little control.

**The interaction between family and psychological problems**

Major family dysfunctions can also be a source of academic problems. The rare studies conducted among children who have benefited from assistance from the national social service branch for childcare, reveal a very high rate of academic failure. Only 32 per cent will obtain a diploma greater or equal to the CAP level. A pathogenic family environment can also contribute to academic failure.\(^7\)

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\(^7\) M. Bérenger estimates that a pathogenic family environment in which the children are not removed from the situation could be a cause of intellectual deficiency, *L’Échec de la protection de l’enfant* (The failure of child protection), Dunod, 2003.
In these cases, academic failure is symptomatic of the problems suffered by the child himself: diverse illnesses, psychic disorders.

Poorly detected learning disabilities

Neurological-based learning disabilities play a particular role, whether it be dysphasia (problems learning oral language, estimated to concern 1 per cent to 2 per cent of the population according to foreign studies); dyslexia (problems learning written language, which concerns approximately 5 per cent to 10 per cent of the population); and dyscalculia (difficulty learning mathematics).

Learning disabilities affect children regardless of their social background.

But, insofar as detection of these disabilities is complex, it is possible that children from wealthier families receive better treatment. When these disabilities are not detected sufficiently early, children can fall behind to such an extent that it is difficult to catch up. These are compounded by the relational or mental disorders created by the suffering experienced by these children facing a situation of academic failure. Different levels of parental expectations in terms of linguistic acquisition may explain the fact that detection of these disabilities occurs later among disadvantaged families. Similarly, teachers and social workers may incorrectly consider that the child’s environment (non-French-speaking home, limited cultural capital, parents suffering from mental disorders) is sufficient to explain learning difficulties, ignoring the issue of detection and hence the treatment of the primary cause.

Social inequities: insufficiently understood processes

Social inequities at school are more often described than explained, and the indicators of success among children from disadvantaged backgrounds have been insufficiently studied. Because of the lack of knowledge concerning the cause and effect links, it is not possible to identify the actions that could eliminate the phenomena reproducing inequities. On an extreme level, these inequities support the idea of a powerful social determinism that could only be combated by efficient redistribution policies. The hypothesis of common factors linking the poverty of parents to the academic success or failure of children, or even the existence of learning difficulties among children, calls for other types of actions: more individualised attention for children in school, more professionalism and more widespread distribution of information concerning detection techniques for learning disabilities.

An insufficient understanding of the processes the produce social inequities at school is even more prejudicial in that they constitute a factor that reproduces inequities. As demonstrated by the data presented, low qualification levels are a cause of inequities in obtaining employment, particularly a stable job, and are therefore a source of poverty. Given this context, an accumulation of failures throughout a period of schooling that is increasing may also cause low self-esteem; this in turn can cause “depression or generate violent behaviour, even suspension”\textsuperscript{98}.

Responses to social inequities on the part of the academic institution

Although the role of the environment outside of school and the individual characteristics of students are decisive in the causes of social inequities at school, schools have a limited capacity to compensate for them. The academic institution can even generate inequities, as demonstrated by a specific “establishment effect”\(^99\). Given equivalent social backgrounds, the differences in the results achieved by students and the academic environment apparently depends on the cohesion that exists among the teachers and the relationships with the administrative staff, as well as the personality of the school director. Yet this “establishment effect” seems to be only marginal and “the effectiveness of an establishment would not solve the more overall problem of academic failure”.

**Targeted approaches that require better assessment**

Teaching methods, although they have not been studied extensively in terms of their capacity to reduce inequities, do not always seem to be well suited to children from disadvantaged backgrounds. At the nursery school level, the priority given by the large majority of teachers to social skills and to developing autonomy—to the detriment of the development of intellectual capacities—may not be the most relevant approach for students from working-class backgrounds. In elementary school, attempts to adapt methods to students experiencing difficulties through a multiplication of references of daily life also seem to be inadequate. They illustrate the limits of a specific pedagogical approach towards mastering writing skills and developing academic-type reasoning skills, characterised by the lack of a direct intermediary and contextual elements. A differentiation in teaching methods depending on the supposed capacities of children may result in a substitution of “description for argumentation, and illustration for demonstration”\(^100\).

Nor does the practice of repeating grades, which as we have seen is distinctly different depending on social levels, seem to be sufficient in helping children experiencing difficulties to catch up. Thus, it is the children who are the farthest behind who achieve the lowest scores in the annual tests conducted in cours moyen 2 and in sixième.

The limits of pedagogical methods which have been tested to date to offset social inequities are symptomatic of the contradictions faced by teachers: a contradiction between the logic of socialising students and the logic of learning; a contradiction between class time and learning time; and a contradiction between individual attention and group activities.

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The effects of specific measures implemented by the National Education system for students experiencing academic problems—a system of specialised assistance for children experiencing problems, with remedial classes, SEGPA, EREA (Regional Special Education Establishment)—or classe relais for disruptive students are not known, as these systems have generally not been assessed; in any case, not publicly. For example, we do not have precise data concerning the proportion of students who re-integrate an ordinary classroom after spending time in a remedial class, or even the content of the education dispensed in these structures. The special-focus classes (quatrième, special assistance for 14-year-olds; and troisième, an insertion class) are the only ones that have been assessed and the results are particularly discouraging. These classes were set up initially to detect and correct learning discrepancies so that each student could obtain a level of qualification. However, they were most often used as dead-end channels to remove students experiencing the most severe difficulties from an ordinary teaching environment, where, had they remained, they may have held back the rest of the students.

All of these specialised arrangements suffer from a vague definition of orientation criteria and the lack of follow-up concerning the children involved in them. These classes therefore are extremely heterogeneous; the only point in common is that all the students are experiencing problems at school, but for very different reasons. Young students with mental disabilities who could be placed in specialised institutions but due to lack of space or diagnoses, were not, are in class alongside students suffering from behavioural problems who nevertheless have an intellectual potential equal to the average overall population, as well as foreign students whose only handicap is that they do not speak the French language well enough.

It is difficult to achieve the goal of bringing students up to academic levels in these conditions, without setting up individual assistance for students based on an in-depth diagnosis of specific problems—and the accompanying risk of stigmatisation and marginalisation are very real.

**Positive discrimination measures**

With the establishment of ZEPs in 1981, the Ministry of Education also set up measures for positive discrimination targeting areas with disadvantaged populations: the proportion of collège children from working-class families or with unemployed parents is 59 per cent in the ZEPs, as opposed to 36 per cent in other collèges. The few assessments conducted on the ZEPs present mixed results. The gaps between results in a ZEP and outside a ZEP have not decreased, but have remained stable. Between 1995 and 2003, the situation in collèges located in ZEPs worsened from the point of view of the school environment, feelings of insecurity and violence suffered, while these same factors improved in establishments located outside of ZEPs. Students experiencing this aggression are more vulnerable to losing touch with school. It is a factor in low self-esteem.

101. Survey by the Division of Assessment and Forecasting (DEP), 1998.
102. Debarbierux E., op. cit.
Chapter 3 - Access to basic rights

The policies of positive discrimination provide only limited responses to the phenomena of spatial segregation experienced by disadvantaged populations. This is reinforced by avoidance strategies on the part of families who consider the school conditions for their children when selecting places to live. Added to this segregation experienced at school is the internal segregation organised by the academic establishment and encouraged by parents through the formation of classes based on academic levels. Yet these studies demonstrate that the students experiencing difficulties in classes containing a fairly consistent group of weak students progress slower than when they are in a more heterogeneous class; furthermore, heterogeneous classes do not constitute a serious handicap for the strongest students. Academic and social heterogeneity therefore seems to be a more effective method for combating social inequalities in school than positive discrimination measures.

The lack of reliable information available does not allow us to confirm the existence of a direct correlation between family poverty and academic failure, even if the evidence seems to point to a link. It is, however, certain that academic exclusion creates a strong probability for future poverty.

Other basic rights: access to banking services

Banking exclusion, in its narrowest definition—the total absence of any banking services or bank accounts—concerns less than 1 per cent of French households. But an understanding of the reality concerning the problems of accessing and using these services requires a wider definition of financial and banking exclusion. The definition used takes into account the different forms of “obstacles in banking and financial practices that prevent a person from leading a normal social life in his or her own society.” Although these phenomena of exclusion are not exclusive to those with low resources, this population is nonetheless the most strongly affected.

Banking exclusion results in a differentiation in access to various banking services and banking systems. Thus, people receiving social minima benefits generally use the Post Office for their banking needs, or, to a lesser extent, a mutualiste, or cooperative, bank more than the general population. There are also “last resort bankers” which guarantee a minimum access to banking services. This service is not clearly recognised, however, except in a peripheral way. In 2002, the government and the Post Office made an agreement concerning the presence and quality of services for Post Offices located in neighbourhoods covered by urban policy.

Furthermore, banking services available to social minima beneficiaries are limited: only 6 per cent have a savings book without having a current account; 54 per cent have a chequebook (96 per cent for the general population); and 40 per

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cent a bank card (79 per cent for the general population). Eighty per cent of these bank cards are debit cards.

Selection and inadequate services

These different forms of banking reflect the selection policies of banking establishments, the inadequacy of services offered in terms of the needs of low-income populations, and the phenomenon of self-exclusion.

The selection practices of banking establishments result in a direct exclusion (refusal to open an account, closure of an account, refusal to authorise an overdraft and so on), or in an indirect exclusion as banks choose branch locations that avoid rural areas and “at-risk” neighbourhoods. Some of these practices mark the failure of legislation and regulations in force. The procedure concerning the right to an account (requiring an application to the Banque de France) is used only marginally by individuals (8,525 of these procedures were successful in 2000). The aim of guaranteeing access to basic banking services, a concept addressed directly by the Act for combating exclusion, as well as the law concerning savings and financial security, has produced nothing more than a “minimalist” definition. For example, access to a chequebook is not included, and free banking services are only guaranteed to people who have instituted the procedure asking for a bank account.

The legal forms of banking exclusion represented by a suspension of banking services and excessive debt are contributing factors, although involuntarily, to these selection processes. Interpreted as a negative signal by banks, they can result in a restriction of banking services offered to clients that can even involve the closure of accounts.

The services offered to clients are poorly suited to the needs of people with low or moderate incomes. The individual services and banking products offered are not designed for a non-priority clientele considered incapable of understanding the banking system, irresponsible, unscrupulous and doomed to banking problems. Furthermore, efforts to explain inherently complex services are limited. The development of paying services—particularly services that may interest customers with moderate incomes, such as cash withdrawals at the agency or overdraft facilities—hits these clients particularly hard.

Selection and self-exclusion

The selection and inadequate services offered can be explained, in large part, by the competitive environment of the banking sector. Pressure to increase profits, which means that employees are treated according to the results obtained, leads to preferential treatment for high-potential clients because of the size and/or regularity of their resources.

Ultimately, the selection processes are understood by poorer people, who self-exclude themselves from banking services by using them only minimally, for example by withdrawing all their money as soon as it has been deposited, then

managing their budgets outside of the banking system. This self-exclusion is rarely the result of a real choice.

Given these conditions, the banking relationship, which is based on the preconceptions of both bankers and clients—whose expectations are often unrealistic or contradictory, ranging between a desire for more flexibility and strict vigilance—is extremely unbalanced. The “hieratic nature” of the banking relationship, when it involves people with modest incomes, results in practices of humiliating interference in clients’ affairs and authoritarian decisions on the part of bankers, which can even include non-compliance with the law. Indeed, banking establishments have continued to attach social benefits that are legally not subject to attachment, and it is still too early to know whether the recent establishment of non-attachable bank balances\(^\text{107}\) has effectively protected users or not. Similarly, plans to manage excessive debt are not respected by banks either.

This skewed relationship is at times denied by banking establishments. Some, under the guise of making individuals responsible, actively practice selection; other more paternalistic establishments justify their sanctions and restrictions for pedagogical purposes. Alternate practices aimed at providing real autonomy for clients are rare, but commendable.

**Reactions of people experiencing banking exclusion**

The different forms of banking exclusion have major repercussions, which go beyond obstacles to accessing and using banking services. They can aggravate problems for individuals in terms of their financial situation as well as their daily lives and psychological state of mind.

People experiencing a humiliating situation of banking exclusion, which often accompanies a situation of economic vulnerability, often react excessively (either through an expression of aggression or insouciance, or by seeking short-term solutions at any cost). In rare cases, people manage to face these situations rationally by exerting their rights and trying to retain control over their budgets.

Managing daily financial difficulties requires a change in consumption behaviour. This “survival management” places a priority on payments which if not made would have an immediate impact, as opposed to those which are less urgent. These priorities can, for example, lead an individual to pay a mobile phone bill, rather than purchase a car or house insurance—behaviour that often appears irrational to outside observers. Yet this fulfils an essential need, that of maintaining social links.

In practice, individuals experiencing short-term financial constraints for which banks will not offer any response or an inadequate response often make use of external financing methods. This includes family or friends, a solution not available to everyone and one that carries a risk of damaging these relationships; and from specialised banking establishments, through consumer loans. The easy access to “revolving credit” proposed by these establishments or intermediaries such as

\(^\text{107}\) Decree dated 11 September 2002 setting up a system of emergency access to funds in attached bank accounts for the purpose of everyday necessities.
supermarkets and departments stores, is attractive for people experiencing financial difficulties. But their easy access is equalled only by the exorbitant cost and difficulties of use. The contribution of this “revolving credit” to excessive debt (cf. Intra) is symptomatic.

Among the different forms of restrictions to banking services, financial sanctions applied to “bad” debtors and the lack of cheque-writing privileges also impact financial situations and access to other rights. These sanctions and substitution services (bank cheques, money orders) are expensive and add an extra burden to budgets that are already strapped.

The lack of a chequebook, which is a negative social marker, can make it difficult to obtain housing, for example.

Finally, the impossibility of maintaining a balanced budget and meeting daily expenses is detrimental to self-esteem and has possible repercussions on an individual’s physical state of health.

**Debt and excessive debt**

The study conducted for the National Observatory on Poverty did not initially concern debt and excessive debt. Yet it is clear that the situations of excessive debt condition the relationship between a client and his or her banker, notably because these situations are often accompanied by a worsening relationship with the bank or aggravated by an overdraft. Furthermore, practically one-third of the cases are linked to exclusion from banking services. The risk of excessive debt, estimated for the general population according to the household expenditure for debt reimbursement, is not marginal. According to the Patrimoine Survey conducted by the INSEE in 1997-1998, 16 per cent of indebted households, or 6.5 per cent of all households, pay more than 30 per cent, a level at which there is a risk of excessive debt. With a threshold of 40 per cent, the households in danger of an even larger risk of excessive debt represent 6 per cent of indebted households and 2.3 per cent of all households. The likelihood of having excessive debt is higher for households whose standard of living is less than the median, while indebted households have a rather high standard of living: according to the Patrimoine Survey, 60 per cent of indebted households have a standard of living higher than the median standard of living.

The report transmitted to the National Credit and Securities Council, based on a study of a sample of cases presented to the local excessive debt commissions in 2001, sheds some light on the population concerned by excessive debt and the type of excessive debt.

Households with low or moderate incomes account for a large and increasing proportion of the cases since 1990: in 72 per cent of the cases, the total monthly income of the households was less than 1,500 euros, and in 42 per cent of the cases, they were less than the SMIC (Minimum Wage). The population of extremely

low incomes, less than the RMI, is, however, very small (5 per cent of the cases), which simply demonstrates a more difficult access to loans.

People living alone (unmarried, divorced or separated, widowed) without children represent a large proportion of those in excessive debt (43 per cent), a figure which has doubled since 1990. Single people and one-parent families represent 58 per cent of the households concerned. This evolution is linked to the evolution in the type of excessive debt, which is more frequently associated with “life crises” (separation, illness, layoff, etc.). These situations of so-called “passive” excessive debt\textsuperscript{110} represent 64 per cent of the cases in 2001, as opposed to 52 per cent in 1990. This can be explained by an increase in separations, divorces and deaths. Layoffs and unemployment still remain the leading cause of excessive debt (26 per cent of the cases).

To a great extent, the debts consist in late payments for credit charges and living expenses (74 per cent of cases), while the situations of excessive debt due exclusively to one or the other represent approximately 6 per cent and 20 per cent of the cases. Banking debts are also included in the majority of the cases studied. In six out of ten cases, it represents 75 per cent or more of the debt, which the authors of the report interpret as a sign of the priority given to the payment of living expenses over credit reimbursement charges. Homeowner loans are marginal (5 per cent of the total number of loans contracted and 15 per cent of the cases), while consumer loans are frequent (91 per cent of the total number of loans contracted and 85 per cent of the cases). Among consumer loans, “revolving credit” occupies a leading role in terms of frequency (more than 80 per cent of the cases involve this kind of credit), and the number of loans contracted by the individual (when the debtor contracts a “revolving credit”, the study revealed an average of four loans per case). They certainly play a major role in the mechanisms that produce excessive debt.

Although the profile of those experiencing excessive debt is basically the same in the various regions of France, there are a few individual characteristics which can be linked to socio-economic problems or differences in the cost of living. Northern France is a more vulnerable area, with a larger number of households experiencing excessive debt and a greater use of “revolving credit”. The city of Paris stands out for a larger number of cases in which the debts consist only of living expenses.

This data confirms the interest in pursuing studies on the phenomena of excessive debt, notably the role played by consumer loans.

\textsuperscript{110} Situations of passive excessive debt differ from situations of active excessive debt, which are often due to excessive borrowing, poor management and overly expensive housing.
Conclusion

In 2004, the Observatory analysed the impact of the economic climate on poverty, as it did in its previous report. Caution must be taken in drawing conclusions for the period being analysed, which was marked by an economic recovery from 1997 to mid-2001, then a downturn after this date and through 2003. The improvement in the job market contributed to an appreciable reduction in monetary poverty, but its impact has had delayed repercussions on those sectors of the population most alienated from the job market. Starting in 2001, the economic turnaround affected wage-earners, but its impact on poverty, notably on the RMI, essentially was not felt until 2003.

In 2004, despite forecasts for improved economic growth, which is favourable to employment, the reforms in unemployment insurance and the ASS that were implemented on 1 January are likely to increase the number of RMI recipients.

It is therefore crucial for the Observatory to pursue its analyses of the links between economic climate and poverty. These analyses will need to take into account the reforms to unemployment compensation, decentralisation and the creation of the RMA (Minimum Employment Income). Although integration through work is pivotal to public action in combating poverty, studies conducted by the Observatory underscore, once again, the need to take into account and intervene simultaneously in various domains (health, housing and employment), including for people who are the least alienated from the job market. For those more alienated from the job market, the question of a return to employment cannot be envisaged separately from overall reintegration measures encompassing social and medical support, training and so on.
Studies contributing to a better understanding of access to basic rights and the measures implemented to achieve this should be continued.

The Observatory is responsible for improving existing knowledge concerning the phenomena of poverty. It has made great strides since its creation, notably in the field of statistical surveys. After the 2001 INSEE survey conducted among homeless people frequenting shelters and soup kitchens, the Observatory participated in the 2003 survey conducted by the DREES in partnership with the CNAF among recipients of four social minima: the ASS, the RMI, the API and the AAH. These surveys, conducted among the people concerned, provide a better portrayal of their situations and trajectories, but also their viewpoints concerning the actions and measures available to them and the difficulties they encounter. Surveys among CMU recipients and the panel conducted by the DARES among beneficiaries of subsidised employment had the same aims.

The surveys highlighted the difficulties experienced by poor people in learning about their rights, understanding the complexity of social protection measures and services and the loss of eligibility to rights which occur in the wake of changes in their status or family disruptions.

Yet supplementary information needs to be added to the data provided by the surveys. They do not do a very good job of distinguishing transitory situations, such as alternating periods of unemployment and unemployment, or even irregular income. The classifications are not always well suited for a comprehensive view of the everyday realities experienced by the people concerned. Furthermore, we still have too few elements to assess the moves in and out of poverty on the part of individuals. The regular surveys concern people living in ordinary housing and do not take into account people living in institutions or hotels, or those housed by friends or family. In this respect, the 2001 survey conducted among people housed in shelters and frequenting soup kitchens constitutes an example that deserves to be commended.

National surveys, whether they involve access to employment or housing, do not take regional disparities into account sufficiently—and even more rarely the situation in the overseas départements (DOM). To compensate for the lack of information, in 2002 the Observatory shed light on the forms of and disparities in poverty within the French territories, although it did not include the unique situation of the DOM in its report. The Observatory report presented this year does not examine the situation in the DOM and this is a shortcoming. Improving local understanding of poverty situations and responses provided by public authorities—including in the DOM—still remains to be accomplished. Taking into account the decentralisation is also a pressing issue for the Observatory.

Statistical surveys? Qualitative surveys? Surveys conducted among people concerned or public and private organisations with experience in poverty situations? To understand the full complexity and diversity of the phenomena of poverty and exclusion, the Observatory aims to concurrently develop and use all the possible methods and approaches that could provide reliable information for an in-depth study of the analyses so as to identify the relevant indicators. Hence, an analysis of
the phenomena of economic and banking exclusion based on statistical data used to measure the extent of the phenomenon, along with in-depth interviews with people experiencing banking exclusion and interviews with banks, provided an explanation for the widespread use of “revolving” credit and consumer loans on the part of poor people—even though they can exacerbate indebtedness. In this respect, linking in-depth monographic studies to statistical and administrative information is a productive method that should be pursued in other domains.

Particular mechanisms, less common situations, and the addition of isolated occurrences and events play a considerable role in the entry to or exit from poverty, and in its territorial and generational reproduction.

Social transfers and individual benefits, as well as a quality environment and the ability to mobilise public services, are all involved in the combat against poverty.

Developing this type of analysis implies the continuation of quantitative economic and sociological surveys. But these analyses have never been supplemented by rigorous and scientific qualitative studies. Thus, cultural, social and economic processes impacting poverty situations could be included, by taking into account anthropologic, demographic and geographic diversity, as well as factors of individual and collective resiliency.

It is this knowledge which could help improve the combat against the phenomena of poverty.
Bibliography

Since the previous edition of the Observatory report in February 2002, nearly 300 studies, publications, reports, special issues and articles have been published in France devoted to the themes of poverty, social and economic vulnerability, and social exclusion. The list in this appendix is probably not exhaustive. It does not include, for example, some of the thesis projects, dissertations and unpublished reports. Nor does it list the essays, editorials and short articles which have appeared in journals published by various associations—and there were a particularly large number of them in recent months.

The number of reports from public and private organisations has remained constant, while publications by such public institutions as the INSEE, DARES, DREES and CNAF, which are often statistical in nature, have increased. In the last two years, a new phenomenon has surfaced: the catalogues of many publishers now include more works on poverty and exclusion. This movement certainly reflects a more widespread attention to and awareness of these themes, as well as the public’s desire for more information and help in understanding the on-going transformations of our society.
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**INSEE Première**

Reports by the inter-ministerial research programme concerning the processes by which children leave school

(Ministère de la Jeunesse, de l’Éducation nationale et de la Recherche, ministère de la Justice, Fonds d’action et de soutien pour l’intégration et la lutte contre les discriminations, Délégation interministérielle à la ville et au développement social urbain) reports published in 2002 and 2003

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Appendixes
Definitions

Poverty line
Level of income below which households are considered to be poor. In France, this is defined as the half-median or income—or half of the median income—per consumption unit. The income used to determine the threshold is the available income after taxes and social charges. A household is considered to be poor if the standard of living (the available income per consumption unit) is below the poverty line. An individual is considered to be poor if he or she lives in a poor household. In late 2003, the poverty line (50 per cent of the median income) was 650 euros month for a single individual, and 1,170 euros for a couple with a child under fourteen.

Time-adjusted semi-relative poverty line
The poverty line does not remain constant over time: it shifts depending on the country’s standard of living and on changes in income distribution. Above all, the poverty rate is an indication of inequalities in living standards. It is therefore useful to supplement this approach by measuring the “semi-relative” poverty rate, with a time-adjusted poverty line, which provides a clearer perception of the evolution of the living conditions of poor people.

Poverty in terms of “living conditions”
This completes the monetary approach by measuring everyday difficulties experienced by households in twenty-seven indicators of daily life, grouped into four areas: budget problems, restricted consumption, late payments and housing problems. People defined as poor experience eight difficulties; people who experience more than eight are considered extremely poor.

Poverty intensity
This is the gap between the standard of living of poor people and the poverty line. Thus in 2001, poor people below the poverty line had a standard of living of approximately 480 euros per consumption unit, representing 80 per cent of the threshold.
Household
1) In the sense defined by the INSEE (National Institute for Statistics and Economic Studies), this refers to all the occupants of the main place of residence, whether or not they have family ties. A household may include only one person. The following are not part of a household: people living in mobile dwellings (travellers, bargemen), communal living populations (workers’ hostels, emergency housing centres, detention centres, etc.), homeless individuals.
2) Can also be used as a rather administrative notion. For example, CAF (Family Allowance Fund) agencies use the term “CAF household” to name all the persons taken into account in calculating a benefit. In the same way, the Inland Revenue defines a “household considered for tax purposes”, which refers to all the individuals who file a common tax declaration. Several households may exist within the same family.

Benefit recipient
An individual who is recognised as being entitled to the benefits granted. These benefits are of various types: family allowances, guaranteed minimum income, housing benefits, unemployment benefits, etc. There can be several benefit recipients in the same household.

Consumption unit
This is a unit used to measure the size of households in relation to their consumption needs. This system makes it possible to include the economies of scale achieved by households which include several individuals. To compare the standards of living of households of different composition, we use an equivalence scale, by dividing the total income of a household by a coefficient equal to the number of consumption units present in the household. A single person represents one consumption unit. Any additional adult counts for 0.5, and each child under age fourteen for 0.3.
For example, a couple with two children under age fourteen represents 2.1 consumption units.

Working poor
The INSEE defines “working poor” as people who are employed more than six months of the year, who have been in a job for at least one month and who live in a poor household as defined by monetary poverty (until the poverty line). The situation of the “working poor” can be highly diverse, as the statistics include several poverty factors: individual factors (low hourly wages, episodes of employment and unemployment, forced partial employment) and family factors (high number of dependents, eventual resources from spouses). The working poor have been counted only since 1996, the year in which figures from the Taxable Income Survey and the Employment Survey were compared.
Low wages
For the OECD (Organization for Economic Cooperation and Development), low wages correspond to a salary that is less than two-thirds of the median income of all full-time employees. In France, a threshold of 1.3 times the minimum wage is also used. This corresponds to the ceiling often used in employment policies targeting low salaries. The fact of working in a low-wage job does not necessarily indicate that the wage earner lives in the household with a low standard of living. The connection between low wages and a household’s available income depends on the income of the other people on the household, other types of resources (income from property, social transfers) and the composition of the household.

Housing expenditure
The housing expenditure is the share of the budget which families pay for housing. In certain households, the housing expenditure is partially offset by housing allowances. This is then the net housing expenditure. It is based on the monthly rent, including charges, minus the amount of the allowance received and compared to the household’s available monthly income.

Overcrowded housing
The INSEE considers an accommodation to be overcrowded if it has fewer rooms than the standard accommodation as defined hereafter: a living room for the household, a room for each reference person in the family, a room for non-family, non-single people or single individuals over nineteen years old; and, for single individuals less than nineteen years old: one room for two children of the same sex or under seven years in age, otherwise one room per child. According to this standard, a couple should have two rooms, as should households consisting of one person. As a result, all one-room flats are considered overcrowded, regardless of the number of residents.

Banking exclusion
Banking exclusion, in the strictest meaning, is defined as having no bank account or banking services whatsoever. Taken in a wider sense, financial and banking exclusion concerns the various restrictions on access to banking and financial services, which prevent an individual from leading a normal social life within his or her own society.
Acronyms used

A
AAH Allowance for Disabled Adults
ACCRE Assistance for Unemployed Persons Wishing to Create or Take Over a Company
ADIE Agency Offering Assistance to Job-Seekers
AAES Disabled Child’s Allowance
AF Family Allowance
AFEAMA Allowance for the Employment of an Approved Caregiver
AGED At-Home Childcare Allowance
AI Integration Allowance
AL Housing Allowance
AME Free Medical Care
ANPE National Employment Agency
APE Parental Education Allowance
API Single Parent Allowance
APJE Allowance for Young Children
APL Housing Grant
ARE Return to Employment Aid Allowance
ARS New School Year Allowance
ASF Family Support Allowance
ASS Specific Solidarity Allowance
ASSEDIC Association for Industrial and Commercial Employment
ASV Old-Age Supplementary Allowance
AUD Downward Sliding Unemployment Benefit
AV Widowhood Allowance

B
BDMS Database of Minimum Social Benefits
BEP Technical School Certificate
BMAF Monthly Base for Calculating Family Allowance

C
CADA Centre for Asylum Seekers
CAE Economic Analysis Council
CAF Family Allowance Fund Agency
**Acronyms used**

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
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<tbody>
<tr>
<td>CAP</td>
<td>Vocational Training Certificate</td>
</tr>
<tr>
<td>CDC</td>
<td>Caisse des Dépôts et Consignations (state-owned financial institution)</td>
</tr>
<tr>
<td>CDD</td>
<td>Fixed-Term Employment Contract</td>
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<tr>
<td>CDI</td>
<td>Permanent Employment Contract</td>
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<tr>
<td>CEC</td>
<td>Consolidated Employment Contract</td>
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<tr>
<td>CERC</td>
<td>Council on Employment, Revenues and Social Solidarity</td>
</tr>
<tr>
<td>CEREQ</td>
<td>Centre for the Study of, and Research on, Employment and Qualifications</td>
</tr>
<tr>
<td>CERMES</td>
<td>Centre for Medical, Scientific, Health and Societal Research</td>
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<tr>
<td>CES</td>
<td>Employment Solidarity Contract</td>
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<td>CF</td>
<td>Family Supplement</td>
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<td>CGP</td>
<td>General Planning Commission</td>
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<td>CHRS</td>
<td>Centre for Housing and Social Reintegration</td>
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<td>CIE</td>
<td>Employment Initiative Contract</td>
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<tr>
<td>CI-RMA</td>
<td>Insertion Contract- Minimum Employment Income</td>
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<tr>
<td>CIVIS</td>
<td>Social Integration Contract</td>
</tr>
<tr>
<td>CM</td>
<td>Elementary school grades corresponding to nine- and ten-year olds</td>
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<tr>
<td>CMU</td>
<td>Universal Sickness Insurance</td>
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<tr>
<td>CNAF</td>
<td>National Family Allowance Fund Agency</td>
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<tr>
<td>CNAVTS</td>
<td>National Pension Fund for Wage Earners</td>
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<tr>
<td>CNIS</td>
<td>National Council of Statistical Data</td>
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<tr>
<td>CPH</td>
<td>Temporary Housing Centres</td>
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<td>CRDS</td>
<td>Contribution to Reimburse the French Social Security Deficit</td>
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<tr>
<td>CREDES</td>
<td>Centre for Research and Documentation in Health Economics</td>
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<tr>
<td>CREDOC</td>
<td>Centre for Research into the Study and Observation of Living Conditions</td>
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<tr>
<td>CSERC</td>
<td>National Council on Employment, Revenues and Costs</td>
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<td>CSG</td>
<td>General Social Contribution</td>
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**D**

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<th>Acronym</th>
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<td>DARES</td>
<td>Division of Research Organisation, Studies and Statistics</td>
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<td>DDASS</td>
<td>Departmental Division of Medical and Social Action</td>
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<td>DDE</td>
<td>Highways Department</td>
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<td>DESCO</td>
<td>Division of Education</td>
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<td>DEUG</td>
<td>Diploma of High Education (UK)</td>
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<td>DGI</td>
<td>Inland Revenue</td>
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<td>DGUHC</td>
<td>Directorate General of Urban Planning, Housing and Construction</td>
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<td>DOM</td>
<td>Overseas Département</td>
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<tr>
<td>DP</td>
<td>French Forecasting Office</td>
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<td>DREES</td>
<td>Division of Research, Studies, Assessment and Statistics</td>
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**E**

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<tr>
<td>ECHP</td>
<td>European Community Household Panel</td>
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<td>EDEN</td>
<td>Incentive to Launch New Companies</td>
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</table>
ERE A  Regional Special Education Establishment
ERF  Taxable Income Survey

A  Assistance Fund for Young People
FJT  Young Workers’ Hostel
FSL  Housing Solidarity Fund

G  Group to Study and Combat Discrimination

H  Low-Rent Social Housing (Council Housing)
HID  Disability, Incapacity and Dependency

I  Ile-de-France Regional Development Institute
ICC  Cost of Construction Index
IFRH  Federative Institute for Research on Handicaps
IGAS  Inspectorate for Social Affairs
IGF  General Finance Inspectorate
INRETS  French National Institute for Transport and Safety Research
INSEE  National Institute for Statistics and Economic Studies
IR  Income Tax

L  Research Unit on the Economics and the Management of Health Organisations
LFSS  Social Security Finance Law
LSRU  Solidarity and Urban Renewal Law

M  Mutual Insurance System for Farmers

N  Non-Governmental Organisations

O  Organization for Economic Cooperation and Development
OLAP  Observatory for Rents in the Greater Paris Area

P  Personal Action Plan
PAP/ND  Personal Action Plan for a New Start
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<tr>
<th>Acronyms used</th>
<th>Description</th>
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<tr>
<td>PARE</td>
<td>Return to Employment Aid Plan</td>
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<td>PCV</td>
<td>Poverty in Terms of Living Conditions</td>
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<td>PLUS</td>
<td>Loan for Building Low-Cost Housing</td>
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<td>PNAI</td>
<td>National Action Plan for Social Inclusion</td>
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<td>PPE</td>
<td>Earned-Income Tax Credit</td>
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<td>R</td>
<td>Minimum Employment Income</td>
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<tr>
<td>RMI</td>
<td>Guaranteed Minimum Income</td>
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<td>RP</td>
<td>Population Census</td>
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<td>S</td>
<td>Special Old-Age Allowance Service</td>
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<td>SSASV</td>
<td>Adapted General and Vocational Education Sections</td>
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<td>SEGPA</td>
<td>Insertion and Training Stage Programme</td>
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<td>SIFE</td>
<td>Minimum Wage</td>
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<td>SPNDE</td>
<td>Personal Plan for a New Start Towards Employment</td>
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<td>T</td>
<td>Residential Tax</td>
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<td>TRAC</td>
<td>Access to Employment Programme</td>
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<td>TS</td>
<td>Social Transfers</td>
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<td>U</td>
<td>Consumption Unit</td>
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<td>UNEDIC</td>
<td>Inter-Professional National Union for Industrial and Commercial Employment</td>
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<td>UCH</td>
<td>French Social Housing Organisation</td>
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<td>UU</td>
<td>Urban Unit</td>
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<td>Z</td>
<td>Priority Education Zone</td>
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<td>ZUS</td>
<td>Sensitive Urban Area</td>
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The Observatory on Poverty and Social Exclusion

The missions of the Observatory on Poverty and Social Exclusion

The law of 29 July 1998 (article 153) regarding the fight against exclusion assigned the Observatory four missions:

- to gather, analyse and disseminate information and data concerning situations of poverty, social and economic vulnerability, and the policies implemented;
- to help develop knowledge and information systems in poorly studied fields;
- to commission surveys, research and assessments in collaboration with the National Council for the Fight Against Poverty and Social Exclusion (CNLE);
- to present an annual public report of the data gathered.

Contacts

Secrétariat général de l’Observatoire : 01 40 56 82 29
http://www.social.gouv.fr/htm/pointsur/onpes/index.htm

Observatoire national de la pauvreté et de l’exclusion sociale
11, place des Cinq-Martyrs-du-Lycée-Buffon - 75696 Paris cedex 14

National Council for the Fight Against Poverty and Social Exclusion

The National Council for the Fight Against Poverty and Exclusion (CNLE) operates under the authority of the Prime Minister and provides recommendations to the government concerning all aspects of the fight against poverty and social exclusion. It coordinates efforts between public authorities, associations, organisations and competent individuals. It consists of thirty-eight representative members. The president, Bernard Sellier, senator from Aveyron, is a member by right of the National Observatory on Poverty and Social Exclusion, just as the president of the Observatory is a member of the CNLE.