

## The Collateral Victims of the RSA

Hélène PÉRIVIER

**The RSA (Active Solidarity Income) is supposed to reduce poverty by one third between now and 2012. It is based on the observation that work doesn't pay enough to keep some people out of poverty. But the reform is based on certain implicit assumptions. According to Hélène Périvier, the problem is not so much inadequate pay as lack of jobs, underemployment, and the numerous problems faced by people without jobs.**

The government has committed itself to reducing poverty by one third over the five-year term of the current president. The *Revenu de solidarité active* (Active Solidarity Income, or RSA) is the centerpiece of its program in this respect. The policy is based on two assumptions, which can be summed up as follows (at the risk of caricature): first, that a person can work and still be poor, and second, that a person may prefer welfare (primarily in the form of the RMI, or minimum insertion income) to work, because the difference between the remuneration for work and the welfare benefit is not sufficient to provide an incentive for working. To correct this situation, the RSA was proposed as a supplement to the welfare minima for those recipients who agreed to work, in order to enable them to rise above the poverty threshold.<sup>1</sup> Furthermore, since the RSA will not affect the income of the nonworking poor, it is hoped that they will be encouraged to work in order to receive the benefits of the RSA. Thus the policy is intended to be a well-oiled welfare-to-work machine, on paper at any rate. But the reality is more complex than it may seem.

---

<sup>1</sup> Here, "poverty threshold" is taken to be a purely monetary criterion. There are many other ways of understanding the complex phenomenon of poverty (see the website of the [Observatoire national de la pauvreté et de l'exclusion sociale](#)). INSEE has traditionally set the poverty threshold at 50% of the median income, while Eurostat uses 60%. Since most of our data come from INSEE, we will use the former level. Note that switching from one threshold to the other doubles the number of people counted as poor.

## Who Are the Poor Targeted by the RSA?

The RSA does not concern retirees (the poorest of whom are covered by a minimum old-age benefit) or the handicapped (who receive a handicapped adult allowance). It targets poor households in which individuals of working age are deemed able to work. In three-quarters of these households, there is at least one active adult.<sup>2</sup> Some “active” individuals work and receive a salary, while others are unemployed.<sup>3</sup> Not all active individuals are eligible for the RSA; only those who have a job can expect to receive the supplementary income. Who are the “active poor”?

It is possible to have a stable, full-time job and still be poor. The typical case is a traditional family in which the man works and the woman takes care of the children: the man’s wages may be too low to provide for his family if the number of dependents is too large. The poverty rate of households in which the man works and the woman does not varies from 5.8% to 8.3% depending on the number of children. This figure can be compared with the poverty rate for the population at large, which is 6.3% (taking 50% of median income as the poverty threshold, as we will do throughout this article). These families are poor because the woman does not work, and she does not work because the organization of society encourages her to remain inactive. If the factors that discourage relatively unskilled mothers from working were eliminated, the situation of such families would markedly and durably improve. In this respect, the RSA will help families that are definitely in need of financial support, but it will attack the symptom rather than the cause of the disease. In any event, the working poor are not the most common case owing to the existence of a minimum wage and a generous family policy: only 1% of individuals employed full-time throughout the year are poor (or 11% of the working poor, cf. table 1).

---

<sup>2</sup> Based on the [INSEE table](#), “Number and percentage of persons below the poverty line according to type of household.”

<sup>3</sup> The [active population](#) includes all individuals who either have jobs or are looking for one. Hence the unemployed are “active” by definition.

**Table 1**  
**Who are the active poor? (2004)**

	As percent of the work force	Poverty rate	As percent of active poor
Employed full-time throughout the year	60%	1%	11%
Employed for less than a full year	12%	7,6%	32%
<i>Of which</i>			
Employed full-time for part of the year	9%	10%	17%
Employed part-time	13%	6%	15%
Unemployed	9%	22%	38%
<i>Of which</i>			
Receiving unemployment insurance	7%	17%	15%
Not receiving unemployment insurance	2%	38%	23%
Independent	9%	11%	19%
Total	100%	5%	100%
	(26 000 000 people)		(1 300 000 people)

Source: [Observatoire des inégalités](#)

How to read the table: among all workers, 60% work full-time throughout the year, and of this group 1% are poor and represent 12% of the total number of “active poor,” of whom there are 1,300,000 in all.

NB: The poverty threshold is set at 50% of median income, or 645 euros per month.

Next, it is possible to have a full-time but unstable job, for example, alternating between periods of employment and periods of unemployment. Or one can work year-round but part-time. In these cases, the hourly minimum wage (SMIC) does not guarantee workers a decent wage. Not all are poor, however, because some live with individuals whose resources are sufficient to meet household needs. Otherwise, they are counted among the active poor. All in all, one-third of the active poor are in this situation (see table 1). In addition, there is the special case of independent individuals whose income fluctuates: they represent one-fifth of the working poor. These two groups are the primary target of the RSA: it will allow them to increase their resources by combining their income with a supplemental allowance. Although it is legitimate to provide support to such households, it is also indispensable to ask about the quality of the jobs that these poor workers occupy, many of which involve difficult working conditions.

Some “active” individuals are without jobs: the unemployed. The minimum wage does not protect them. They account for nearly 40% of the “active poor” (table 1). Some of the unemployed receive compensation in the form of unemployment insurance, while others, because they paid no or insufficient premiums, do not qualify. These people earn no income from work, so that the RSA has no direct impact on them: they will remain poor and dependent on the ultimate

safety net, essentially the unaugmented RMI, in some cases supplemented by a “special solidarity allocation” (ASS) or “single parent allocation” (API), depending on their work history and family situation. The RMI, which has been deemed ineffective,<sup>4</sup> is judged by the number of recipients. Any increase in this number is frequently interpreted – incorrectly – as proof of its failure. The number of recipients is affected by the business cycle: when the economic climate and labor market conditions worsen, the RMI serves as the ultimate safety net by guaranteeing minimal assistance to those most affected. The increase in the number of RMI recipients is also a result of adjustments in unemployment insurance, which has become more restrictive. These changes led to an increase in the number of unemployed without compensation,<sup>5</sup> for whom the RMI was the only help available. Over the years, the RMI has thus become a kind of extension of unemployment insurance.<sup>6</sup> To help the unemployed, one might begin by reviewing the rules of unemployment insurance to offer better and longer-lasting protection to those whose employment situations are least stable.

In short, the problem is not so much that employment does not pay but rather that jobs are in short supply and underemployment is widespread. Many of the “active poor” are unemployed and poor, or “semi-employed” and poor. Fewer are workers (in the sense of being employed full-time throughout the year). The RSA is aimed only at individuals who fall below the poverty line but nevertheless enjoy some income from work.

Does this mean that it ignores everyone else? That would be unfair, because the RSA is not only a weapon in the war against poverty but also an element of employment policy. Its three objectives are to “encourage professional activity by adjusting the relationship between social benefits and income from labor,” “facilitate durable insertion in the workforce,” and, finally, “combat poverty.” The idea is thus to combat poverty by facilitating insertion in the workforce.

---

<sup>4</sup> Refer to [Livre vert du RSA](#) (green book on RSA), p. 12.

<sup>5</sup> Refer to the ONPES 2005-2006 report, p. 23.

<sup>6</sup> Jean-Luc Outin, “Le RMI et l’indemnisation chômage,” in Michèle Lelièvre and Emmanuelle Nauze-Fichet, eds., *RMI l’état des lieux 1998-2008*, 2008.

## The “Incentives to Work” Paradigm

The RSA begins with the idea that if some of the poor are unemployed, it is because the wage they could hope to obtain by working is too low compared with the social benefits they can collect by not working. In other words, the RMI is too high relative to their potential wages, so that these people have become dependent on the system and no longer have any financial incentive to get off welfare.<sup>7</sup> The RSA is intended to kill two birds with one stone: not only does it help the working poor by offering them a supplement to their wages, but by so doing it encourages other poor people to go back to work by widening the gap between the income of those who work and that of the unemployed.

**Table 2**  
**Recipients of Social Benefits and Labor Market Situation in 2006**

	<b>RMI</b>	<b>ASS</b>	<b>Long-term API</b>
Active	70%	87%	32%
<i>Employed</i>	19%	15%	10%
<i>Unemployed</i>	51%	72%	22%
Inactive	30%	13%	68%

Source: [Pla, 2007](#).

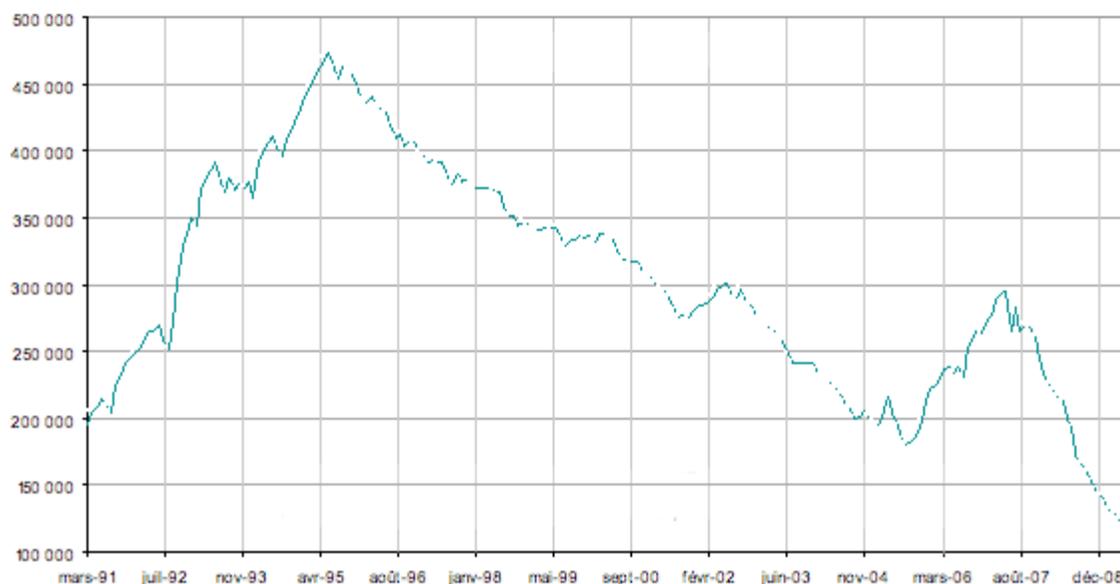
There are two types of poor individuals without jobs: the unemployed and the inactive. By definition, the unemployed are people who are looking for work but can’t find it: in 2001, 62% of those receiving the RMI and 82% of those receiving ASS were unemployed (and 26% of those receiving API, cf. table 2 for 2006). It was thought that their search for jobs might be more effective if having a job were worth the effort required to find one. But unemployed RMI recipients were already quite energetic in their job searches and rarely refused an job offer.<sup>8</sup> Financial incentives do not seem to be the key to the problem of the unemployed poor (see the article by [Dominique Méda](#) on this site). Furthermore, as soon as the labor market picks up, the number of RMI recipients goes down. It is the most “employable” workers whose situations improve. Nevertheless, and even in periods when jobs are being created and unemployment is decreasing, the labor market cannot absorb everyone who is living on welfare. Rather than bet

<sup>7</sup> [Livre vert du RSA](#), p. 4.

<sup>8</sup> Laurence Rioux., 2002 : “Recherche d’emploi et insertion professionnelle des allocataires du RMI,” *Economie et statistique*, n° 346-347.

everything on providing incentives to work, which is in any case extremely stigmatizing for those who are out of work, it would be better to increase the assistance provided to help them find jobs. The French public employment agency is seriously underfunded: the amount budgeted for each unemployed individual is 3.6 times greater in the Netherlands and 2.8 times greater in the UK.<sup>9</sup> In addition, a host of subsidized jobs are available to people receiving welfare benefits. To be sure, few of these subsidized jobs offer bright career prospects to their beneficiaries, but they remain to this day the quickest way of giving work to unskilled individuals as well as to those whose skills are no longer valued by the market. The RSA was proposed at a time when the number of subsidized jobs for welfare recipients was being drastically reduced: the number will diminish by 100,000 between the time of this writing and the end of 2008 (see graph 1). This abrupt reversal in employment policy will affect the least well-off, because it is difficult to see how they will then be able to obtain a job and thus benefit from the RSA.

**Graph 1 – Evolution of the number of subsidized contracts in the non-market sector (CES, CEC, Future Contracts, and CAE)**



This leaves the “inactive poor,” those who are not actively looking for work. Is it the low net pay that discourages them? True, looking for a job is a costly activity, and this compounds the difficulties faced by the poorest of the poor, who cannot afford to make the necessary

<sup>9</sup> [OFCE](#), 2008, p. 152.

“investment.” Once a job is obtained, the expenses do not end: daily transportation, clothing, child care ... But cost is not the only obstacle, availability of services is also an issue: how can you get to work (or even to a job interview) when you have no car, no driver’s license, and no public transportation? And how can you be available at a moment’s notice when you have a young child, which is the case for recipients of the Single Parent Allocation (API), and the child has no place in a day-care facility or babysitting service? The geographical distribution of child care is a key issue in determining job access for mothers of young children. They simply cannot work, with or without the RSA.

### **The RSA versus Deserved Poverty?**

Poverty is a consequence of multiple handicaps, which, when combined, undermine the position of an individual and of his or her family: low wages, uncertain employment, lack or loss of skills, housing problems, child care problems, family and social problems. Poor health and low self-esteem are additional obstacles standing in the way of active job search.<sup>10</sup> Indeed, the fact that a minority of welfare recipients give up on searching for employment is mainly due to health problems.<sup>11</sup> These people are poor and inactive and are not looking for work: do they therefore not deserve help? The logic of the RSA is clear on this point: they will not receive assistance, as [Martin Hirsch](#) has clearly indicated: “I also insist on the fact that only people who work will receive greater benefits than they do now. With the RSA, we will not be giving one penny more to the inactive, but we will considerably increase the purchasing power of the working poor.” The RSA is based on a dual vision of poverty: there are the deserving poor, “who work and get up early,” and the rest, whose poverty is presumably “deserved.” This is based on the naïve and dangerous idea that “where there is a will, there’s a way.” This leads to the view – absurd in the present socio-economic context – that “having a job” reveals an individual’s desire to be part of the work force. By refusing to touch minimum social benefits, one sacrifices the “hard-core poor” – those whose prospects of immediate employment are dim – on the altar of incentives to work. The most recent report of the *Observatoire de la Pauvreté et de l’Exclusion Sociale* indicates that the number of poor has stabilized but that poverty has become more intense, which is not

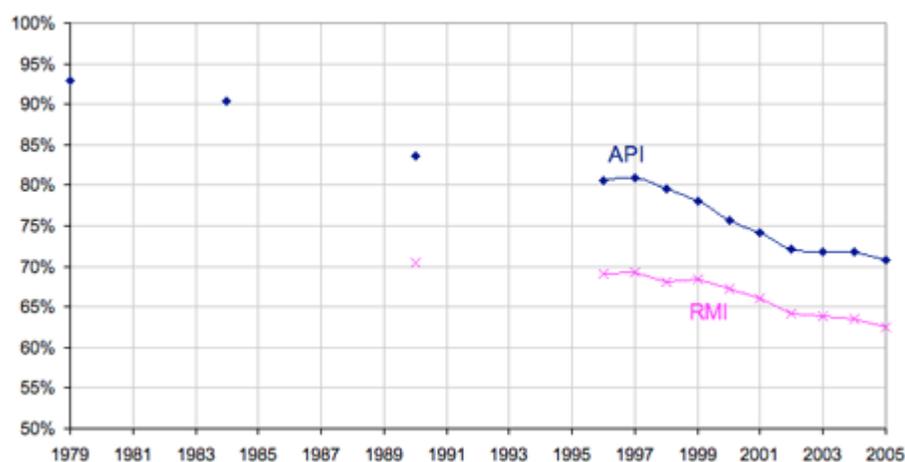
---

<sup>10</sup> [Anne Pla](#), 2004 : “Les trajectoires professionnelles des bénéficiaires de minima sociaux,” DREES, *Études et Résultats*, n°320.

<sup>11</sup> [Anne Pla](#), 2007 : “Sortie des minima sociaux et accès à l’emploi,” DREES, *Études et Résultats*, n°567.

surprising given the decrease in the RMI (graph 2), which declined from 70% of the poverty threshold in 1995 to 60% in 2005.

**Graph 2 - Evolution of the ratio between the maximal amount of RMI (respective of the API) and the poverty threshold set at 50% of the median income**



To counter the pauperization of the least well off, what is urgently needed is an increase in the RMI, which would assist the one-third of poor households currently receiving this benefit. This should be accompanied by substantive policies aimed at the root of the problem: job search assistance, job training, and aid to the employment of women. For instance, child support (such as a family allowance with the birth of the first child) and widespread expansion of day care facilities. Finally, the issues of access to housing and access to health care should be included as part of the war on poverty. Obviously, all these things are costly. As Robert Solow, a Nobel laureate in economics, says, there is “no cheap answer.” It will take a genuine social commitment, which would mean a massive redeployment of resources, to meet such an ambitious goal.

### **Further Reading**

[Dossier - Réformer les minima sociaux](#)

First published in [lavedesidees.fr](http://lavedesidees.fr). Translated from French by **Arthur Goldhammer** with the support of Maison des Sciences de l’Homme.

Published in [booksandideas.net](http://booksandideas.net), 12 January 2011.

©[booksandideas.net](http://booksandideas.net)