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National Recovery and Resilience Plan: France

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Abstract

France's Recovery and Resilience Plan was submitted to the European Commission on 28 April 2021, in accordance with Art. 18 of Regulation (EU) 2021/241 establishing the Recovery and Resilience Facility. Being a part of a broader national recovery plan named '*France Relance*', it consists of 20 reforms and 71 investments in three main areas: green transition, digital transition, and social and territorial cohesion. With particular regard to social issues, the French plan puts a strong focus on youth labour market integration and health care, while being relatively poor in measures relevant to labour law and social protection. Overall, although the plan demonstrates a certain openness towards social growth, it also contains some austerity-driven reforms, especially in the fields of unemployment insurance and retirement pensions, thereby confirming the (still) strong link between social policies and financial sustainability.

Keywords: French Recovery and Resilience Plan, Social dimension, Vocational training for young people, Healthcare, Unemployment insurance, Retirement pensions.

1. General framework.

Since the very beginning of the Covid-19 crisis, France has played a key role in the design of a European plan aimed at coping with the economic and social shock caused by the pandemic. It should indeed be recalled that, by a joint initiative of 18 May 2020,[1] France and Germany managed to unblock the conflicting positions within the European Council and to pave the way for the creation of a common European recovery fund. At the time, the two Member States proposed in particular to create a European fund endowed with 500 billion

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[1] For more information on this initiative, *see*:
https://www.elysee.fr/emmanuel-macron/2020/05/18/initiative-franco-allemande-pour-la-relance-europeenne-face-a-la-crise-du-coronavirus#:~:text=Il%20renforcera%20la%20r%C3%A9silience%2C%20la,la%20recherche%20et%20l'innovation.

euros (€) in order to provide the countries most affected by the pandemic with grants, rather than loans.

At the European Council's extraordinary meeting of 17–21 July 2020 – the longest in the history of the institution – France was thus one of the Member States fiercely opposed to the so-called "Frugal Four", namely Austria, Denmark, Sweden and the Netherlands, to some extent supported by Finland. Indeed, while France, Italy, Portugal, Spain and other highly indebted states stressed the need to depart from the 'classic' Euro-crisis approach by creating a common recovery fund based on fiscal solidarity, the Frugal Four were hostile to EU-level bonds and debt mutualisation. As we know, on 21 July 2020, the European Council finally reached a difficult compromise by agreeing, among other things, on a Recovery and Resilience Facility[2] (€723.8 billion at current prices) providing Member States with both grants (€338 billion) and loans (€385.8 billion).[3] The European Council meeting of July 2020 was closed, in a quite symbolic way, by a joint statement of Emmanuel Macron and Angela Merkel, who underlined the 'historic' character of the agreement.[4]

At the European Council meeting of 10–11 December 2020, which focused mainly on the very delicate question of the rule-of-law conditionality, France took a somewhat more discrete stance. Indeed, while firmly supporting the adoption of the rule-of-law conditionality Regulation,[5] the French Prime Minister also actively endorsed the controversial political compromise reached at this Council meeting,[6] involving the suspension of the application of said Regulation until the CJEU handed down its ruling.[7] At that time, it seems that Emmanuel Macron's absolute priority was the immediate implementation of the Recovery and Resilience Facility and commencing payment of grants and loans to the Member States (including France) most affected by the pandemic.

2. An overview of France's Recovery and Resilience Plan.

2.1. Overall priorities: green and digital transition.

The French Recovery and Resilience Plan (RRP) was submitted to the European Commission on 28 April 2021,[8] in accordance with Art. 18 of Regulation (EU) 2021/241

[2] Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 establishing the Recovery and Resilience Facility.
[3] European Council, *Special meeting of the European Council (17, 18, 19, 20 and 21 July 2020) – Conclusions*, Brussels, 21 July 2020, https://www.consilium.europa.eu/media/45109/210720-euco-final-conclusions-en.pdf.
[4] *See* https://www.elysee.fr/emmanuel-macron/2020/07/21/jour-historique-pour-leurope.
[5] Regulation (EU, Euratom) 2020/2092 of the European Parliament and of the Council of 16 December 2020 on a general regime of conditionality for the protection of the Union budget.
[6] European Council, *European Council meeting (10 and 11 December 2020) – Conclusions*, Brussels, 11 December 2020, https://www.consilium.europa.eu/media/47296/1011-12-20-euco-conclusions-en.pdf.
[7] As a reminder, on 11 March 2021, Poland and Hungary challenged the rule-of-law conditionality Regulation in the CJEU. On 16 February 2022, the Court dismissed both appeals (*see* CJEU, 16 February 2022, *Hungary v Parliament and Council and Poland v Parliament and Council*, cases C-156/21 and C-157/21).
[8] The full text of the French RRP is available at:
https://www.economie.gouv.fr/files/files/directions_services/plan-de-relance/PNRR%20Francais.pdf.

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establishing the Recovery and Resilience Facility. It is worth noting that the RRP is part of a broader national recovery plan called "*France Relance*", adopted by the French Parliament under the 2021 budget bill.[9] The estimated cost of the RRP amounted to €40.9 billion, representing about 40 per cent of the €100 billion planed under "*France Relance*". Because this cost was higher than the maximum financial contribution available for France under Art. 11 of Regulation (EU) 2021/241, however, the country was finally allocated a grant of approximately €39.4 billion.[10] No loans were requested.

Generally speaking, France's RRP focuses on three key issues: green transition, digital transition, and social and territorial cohesion.[11] More specifically, the plan is structured in terms of nine components, which are aimed at tackling the economic and social challenges facing the country, exacerbated by the Covid-19 crisis. These nine components are presented as follows: 1: renovation of buildings; 2: biodiversity, circular economy, agriculture and forestry; 3: green infrastructures and mobility; 4: green energy and technologies; 5: business support; 6: technological sovereignty; 7: digitalisation of the state, territories, businesses and support to the cultural sector; 8: employment, young people, disability, professional training; and finally 9: research and development, health, territories.

Overall, the majority of the national reforms and investments are directed towards green transition, as €18 billion will be dedicated to green investments such as building renovation (€5.8 billion), a sustainable railway network (€4.4 billion) or decarbonisation of industrial processes (€300 million). The French RRP also puts a strong focus on digital transition, as €8.4 billion will be devoted to measures related to this area, including developing key digital technologies such as cybersecurity, quantum and cloud computing (€1.8 billion) and providing primary and secondary schools with digital equipment (€131 million). Finally, approximately €10 billion will be dedicated to various 'social' reforms and investments discussed in the following subsection, such as measures fostering jobs and training for young people (€4.6 billion).

[9] For more information on this plan, *see*: https://www.economie.gouv.fr/plan-de-relance.
[10] *See* Council of the European Union, *Council implementing decision on the approval of the assessment of the recovery and resilience plan for France*, Brussels, 6 July 2021, art. 2.
[11] For a general analysis of France's RRP, also in comparison with other national plans, *see*: Corti F., Núñez Ferrer J., Ruiz de la Ossa T., Regazzoni P.*, Comparing and assessing recovery and resilience plans. Italy, Germany, Spain, France, Portugal and Slovakia*, in *CEPS,* September 2021.

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Nine components of the French RRP and associated costs[12]

Component	**Costs (EUR million)**
1: Renovation of buildings	5 825
2: Biodiversity, circular economy, agriculture and forestry	2 086
3: Green infrastructures and mobility	7 030
4: Green energy and technologies	5 295
5: Business support	250
6: Technological sovereignty	3 215
7: Digitalisation of the state, territories, businesses and support to the cultural sector	2 101
8: Employment, youth, disability, professional training	7 478
9: R&D, health, territories	7 671
Total	40 950

2.2. Social priorities: vocational training and health care.

The majority of the "social" reforms and investments planned by the French government can be found in components 8 (employment, youth, disability and professional training) and 9 (research and development, health and territories) of the RRP. Generally speaking, component 8 is rather poor in measures related to labour law and social protection, while putting a very strong focus on vocational training, especially for young people. Furthermore, some of the measures announced in component 9 of the plan touch upon broader welfare matters, with a particular focus on health care.

First of all, it is indeed worth noting that the French RRP contains no major reform plans on labour law and employment relations. This can be explained by the fact that the French legislator has already recently embarked (under the influence of "classic" EU Economic Governance mechanisms, such as the Excessive Deficit Procedure or the Excessive Imbalance Procedure) on a series of large-scale reforms profoundly transforming these fields.[13] Thus, the RRP only announces some rather minor reforms on occupational health and safety in order to better support certain groups, in particular the most vulnerable, and to

[12] European Commission, *Commission staff working document: Analysis of the recovery and resilience plan of France accompanying the document Proposal for a Council implementing decision on the approval of the assessment of the recovery and resilience plan for France, SWD/2021/173 final*, Brussels, 23 June 2021, 23-24.

[13] On this matter, *see* Syrovatka F., *Labour market policy under the new European economic governance: France in the focus of the new European labour market policy*, in *Capital & Class*, 2021, 283; Chatzilaou K., *EU economic governance and French social legislation*, in *European Labour Law Journal*, 2022, 170.

improve the quality of working life.[14] In addition, the plan mentions some measures taken to reinforce the so-called "partial activity" mechanism, namely the mechanism widely used during the Covid-19 pandemic to compensate earning losses experienced by workers because of the reduction of their working time, while helping companies confronted by economic difficulties.[15]

Second, the French RRP puts some emphasis on two quite controversial reforms in the field of social protection, namely reforms of unemployment insurance and retirement pensions. The first reform, according to the government, pursues two main goals: supporting job growth and combating precariousness, by strengthening work incentives and limiting the excessive use of short-term contracts. In this respect, the plan mentions the recent opening (under strict conditions) of unemployment insurance rights to self-employed workers and workers who have resigned from their jobs, but also the significant tightening of the eligibility conditions for employees, the revision of the rules to calculate and cumulate benefits, as well as the reduction of benefits for high-salary employees.[16] As far as the reform of retirement pensions is concerned (which was planned for 2020 but was put on hold due to major trade union reactions and the outbreak of the Covid-19 pandemic), the government declares itself "determined to carry out an ambitious reform of the retirement pension system aimed at improving its fairness and sustainability",[17] but does not go into further details. It is just stated that this reform would create a more equitable universal system by eliminating the differences between the various existing retirement pension schemes.

The "social" area on which the French RRP puts the most focus is with no doubt vocational training, especially for young people, as approximately €4.6 billion will be dedicated to measures fostering jobs and training for this particular group. In this regard, the RRP mentions a series of recent initiatives, such as the so-called "1 young person, 1 solution" ("1 *jeune*, 1 *solution*") scheme, aimed at supporting apprenticeships and subsidies for hiring young people under 26 years of age. More specifically, the government announced that by the end of 2022 the plan will have subsidised 65,000 contracts with increased access to training and personal guidance for young people, personalised training for 10,500 early school leavers aged 16 to 18, and personalised guidance towards employment for 130,000 young NEETs ("not in employment, education or training").[18] The plan also promises to finance 337,000 youth-targeted hiring subsidies and more than 330,000 apprenticeship contracts.[19]

Finally, the French RRP contains some measures touching upon broader welfare issues, with a particular focus on health care. More specifically, €2.5 billion will be dedicated to the modernisation of the health system by allowing for the renovation of buildings, ensuring the availability of proper equipment and supporting the integration of hospital and outpatient

[14] *See* France's Recovery and Resilience Plan, 2021, 608–614.
[15] *Ibid.*, 600–603.
[16] *Ibid.*, 595–598.
[17] *Ibid.*, 26.
[18] *Ibid.*, 532, 549 and 554.
[19] *Ibid.*, 507 and 515.

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care, and €1.5 billion will be invested in the renovation of medical centres and residential care homes for elderly people.[20] These investments are accompanied by a number of legislative reforms, such as those aimed at improving the health system or creating a new "autonomy" branch of social security for people, especially the elderly, whose independence has been compromised by physical, sensory or mental illnesses and disabilities.[21]

3. The social and labour dimensions of France's plan.

3.1 General assessment of the plan.

According to Regulation (EU) 2021/241, Member States' RRPs are first carefully examined by the Commission (Art. 19),[22] whose assessment is then approved by an implementing decision of the Council (Art. 20). More specifically, the Commission assesses the relevance, effectiveness, efficiency and coherence of the RRPs, considering 11 criteria set out in Art. 19 (3) of the Regulation. Regarding the relevance of the plan, these criteria require in particular an assessment of whether the national reforms and investments: (i) represent a comprehensive and adequately balanced response to the economic and social situation; (ii) effectively tackle the challenges identified in the relevant country-specific recommendations (CSRs) addressed to the Member State concerned; (iii) strengthen the growth potential, job creation, and economic, social and institutional resilience of the Member State and contribute to the implementation of the European Pillar of Social Rights (EPSR); (iv) ensure that no measure does significant harm to environmental objectives; (v) and (vi) support the green and digital transitions.

Considering all the above mentioned criteria, the Commission adopted a (very) positive assessment of France's RRP on 23 June 2021.[23] The Commission's assessment was then officially approved by the Council through an implementing decision of 6 July 2021.[24] This was an important step, as it allowed for a first disbursement of €5.1 billion in pre-financing, representing 13 per cent of the total amount allocated to France.[25] Regarding in particular the "social" aspects of the RRP, they were found to be in line with the CSRs addressed to France in 2019 and 2020, as well as with the principles set out in the EPSR.

[20] *Ibid.*, 641.
[21] *Ibid.*, 695 and 700.
[22] Regarding the role of the Commission in the functioning of the RRF, *see* Corti F., Núñez Ferrer J., *Steering and monitoring the recovery and resilience plans. Reading between the lines*, in *CEPS,* April 2021.
[23] *See* European Commission, nt. (12).
[24] *See* Council of the European Union, nt. (10).
[25] *See* https://ec.europa.eu/commission/presscorner/detail/en/ip_21_4225 .

3.2 Compliance with the 2019 and 2020 Country-Specific Recommendations.[26]

The 2019 CSRs addressed to France contained two series of recommendations in the social field: on one hand, "reform the pension system to progressively unify the rules of the different pension regimes, with a view to enhancing their fairness and sustainability", and, on the other hand, "foster labour market integration for all job seekers, ensure equal opportunities with a particular focus on vulnerable groups, including people with a migrant background, and address skills shortages and mismatches".[27] As for the 2020 CSRs – which were prepared by the European Commission in May 2020 just after the outbreak of the Covid-19 pandemic – they also contained two "social" recommendations, focused mainly on alleviating the repercussions of the health crisis: "strengthen the resilience of the health system by ensuring adequate supplies of critical medical products and a balanced distribution of health workers, and by investing in e-Health", and "mitigate the employment and social impact of the crisis, including by promoting skills and active support for all jobseekers".[28]

Overall, the drafters of the French RRP put a lot of effort into demonstrating the consistency of the plan with the 2019 and 2020 CSRs. Indeed, after the technical description of each and every national measure, the plan expressly mentions the relevant 2019 or 2020 CSRs and sometimes goes into detail as to how the measures envisaged will contribute to the effective implementation of the European recommendations. With particular regard to "social" reforms and investments, the RRP addresses all four 2019 and 2020 CSRs mentioned above. For instance, the measures regarding unemployment insurance and training for young people are meant to address the 2019 and 2020 CSRs on market integration for all jobseekers, equal opportunities for vulnerable groups, and promotion of skills. Likewise, the measures related to the transformation of the governance of hospitals and the renovation of medical centres and residential care homes for elderly people are expected to contribute to the resilience of the national health-care and long-term care systems.

In its extensive assessment of the French RRP of 23 June 2021, the European Commission clearly acknowledges the general consistency of the plan with the 2019 and 2020 CSRs. It therefore considers that the RRP "constitutes a comprehensive package of reforms and investments" expected to effectively address "all or a significant subset of challenges identified in the country-specific recommendations" and concludes that "this would warrant a rating of A under the assessment criterion 2.2 in Annex V to the Recovery and Resilience Facility Regulation".[29] In the same vein, in its decision on the approval of the French RRP of July 2021, the Council considers that the plan includes "an extensive set of mutually

[26] On the link between the European Semester and the RRF, *see* Vanhercke B., Verdun A., Atanasova A., Spasova S., and Thomson M., *From the European Semester to the Recovery and Resilience Facility. Some social actors are (not) resurfacing*, ETUI Working Paper, 13, 2021.
[27] Council Recommendation of 9 July 2019 on the 2019 National Reform Programme of France and delivering a Council opinion on the 2019 Stability Programme of France, OJEU, C 301, 5.9.2019*,* rec. 1 and 2.
[28] Council Recommendation of 20 July 2020 on the 2020 National Reform Programme of France and delivering a Council opinion on the 2020 Stability Programme of France, OJEU, C 282, 26.8.2020, rec. 1 and 2.
[29] European Commission, nt. (12), 47-48.

reinforcing reforms and investments that contribute to effectively addressing all or a significant subset of the economic and social challenges outlined in the country-specific recommendations", in particular with regard to labour market policies and the resilience of the health-care system.[30] The Council also makes special mention of the measures dedicated to the fight against unemployment, such as those focusing on training for young people and unemployment benefits.[31]

That said, in its assessment of the French RRP, the European Commission identifies two 'social' areas that are not sufficiently covered by the plan: retirement pensions and labour market measures for vulnerable groups other than young people. Regarding retirement pensions, the Commission notes that although "the French authorities explain that they plan on resuming the suspended parliamentary discussions on the pension reform", the RRP is not accompanied by milestones and targets for the implementation of said reform. It therefore underlines that, given its key importance for labour mobility and productivity, the planned retirement pensions reform will be closely monitored, including its implications in terms of fiscal sustainability.[32] As far as labour market measures for vulnerable groups are concerned, the Commission observes that while the plan includes a strong targeting on young people, "further measures may be required to address the labour market challenges faced by vulnerable groups other than young people". This mainly concerns persons with disabilities and elderly people, which are particularly exposed to unemployment and poverty, especially in the context of the Covid-19 pandemic.[33]

3.3 Compliance with the European Pillar of Social Rights.

Unlike the 2019 and 2020 CSRs, the European Pillar of Social Rights (EPSR) is the subject of much more scattered references in the French RRP. This text is in fact mentioned mainly in the introductory part of the plan, as well as in the last part dealing with the general impact of the measures announced. In this last part, the RRP drafters refer to the three chapters of the EPSR (equal opportunities and access to the labour market, fair working conditions, and social protection and inclusion) and summarise the national measures aimed at implementing the various rights and principles set out in each chapter.[34] It is worth noting, however, that the RRP makes no mention of the social scoreboard indicators monitoring the Member State's performance in relation to the EPSR.

Overall, the majority of the "social" reforms and investments contained in the French RRP are meant to implement the principles set out in the first chapter of the EPSR on equal opportunities and labour market access. A case in point are the various national measures on vocational training (in particular for employees in partial activity and young people) and

[30] *See* Council of the European Union, nt. (10), expl. par. 15.
[31] *Ibid.*, expl. par. 18.
[32] European Commission, nt. (12), 40-41.
[33] *Ibid.*, 47.
[34] *See* France's Recovery and Resilience Plan, 2021, 738–739.

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unemployment insurance, which are aimed at implementing the EPSR principles related to education, training and lifelong learning (Art. 1), equal opportunities (Art. 3) and active support to employment (Art. 4). Some other smaller scale reforms are expected to help promote the principles of the EPSR's second chapter, on fair working conditions. For example, the occupational health and safety reform is aimed at implementing Art. 10 (a) of the EPSR, according to which "workers have the right to a high level of protection of their health and safety at work". Finally, an important part of the national measures on the healthcare and social security systems are naturally meant to implement some of the principles contained in the last chapter of the EPSR, such as those related to social protection (Art. 12), health care (Art. 16) or long-term care (Art. 18).

In its extensive assessment of the French RRP, the European Commission seems generally satisfied by the various different national measures it contains. Indeed, taking into consideration all reforms and investments envisaged by France, the Commission considers that the plan is expected to have a "high impact" on EPSR implementation and that this "would warrant a rating of A under the assessment criterion 2.3 in Annex V to the Recovery and Resilience Facility Regulation".[35] Likewise, in its decision on the approval of France's RRP, the Council concluded that the RRP is expected to have a "high impact (Rating A) on […] contributing to the implementation of the European Pillar of Social Rights, including through the promotion of policies for children and youth".[36]

In its assessment of the French RRP, however, the European Commission identifies once again a number of shortcomings related to the first and third chapters of the EPSR, namely labour market access and social protection and inclusion. Regarding labour market access, it is observed that although the French plan includes significant investments to address the challenge of labour market integration of young people, it "has a more limited targeting of other vulnerable groups or deprived areas".[37] In addition, the Commission notes that the national vocational training measures envisaged are less accessible to atypical workers, particularly affected by the crisis, as well as to the low qualified, who tend to have lower access to training provisions.[38] As for social protection and inclusion, it is observed that "the exposure to social risks of some vulnerable groups is not directly addressed in the plan, nor is its potential impact on child poverty".[39] This mainly concerns the low-skilled, people with a migrant background (particularly women), single-parent households, workers on temporary contracts and atypical workers. Finally, the same general observation is made regarding access to affordable housing, which is also not directly addressed in the French RRP.[40]

[35] European Commission, nt. (12), 55.
[36] Council of the European Union, nt. (10), expl. par. 20.
[37] European Commission, nt. (12), 56.
[38] *Ibid.*, 57.
[39] *Ibid.*
[40] *Ibid.*

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4. Lessons from the previous crisis

4.1 A difficult past: austerity policies in labour law and unemployment insurance.

Unlike other EU Member States (particularly Greece, Portugal, Cyprus and Ireland), France has never been the subject of strict financial and budgetary surveillance under the infamous Memorandums of Understanding (MoU). Nevertheless, from the very beginning of the 2010 Euro-crisis and for nearly a decade, the country was under intense scrutiny by the European institutions, mainly within the framework of the Excessive Deficit Procedure (EDP) and the Excessive Imbalance Procedure (EIP).[41] It was not until 2018 that France was finally able to exit the EDP and be classified among Member States with 'reduced risk' of macroeconomic imbalances. According to the European institutions, these positive developments were due mainly to the reduction of the deficit below the 3 per cent of GDP Treaty reference value,[42] as well as to "enhanced policy action [having] contributed to a gradual correction of existing challenges".[43]

From the very first European semester cycle in 2011 and until about 2016, France was systematically asked to implement various social austerity measures, including loosening employment protection legislation and facilitating derogations from sectoral collective agreements by company-level agreements.[44] Since 2016–2017 and the so-called "socialisation" of the European Semester,[45] growing importance has been attached to issues of labour market segmentation and social exclusion, without, however, calling into question the "austerity dogma". For instance, although since 2017 the CSRs have been insisting in revising "the system of vocational education and training"[46] and ensuring "equal opportunities [for] vulnerable groups, including people with a migrant background",[47] the government has also been requested to "consolidate the measures reducing the cost of labour

[41] The EDP is initiated when the deficit and the public debt of a Member State exceed certain thresholds, namely, 3 per cent of GDP for the deficit and 60 per cent of GDP for public debt. The state concerned is then placed under enhanced surveillance, which may result in annual financial penalties ranging from 0.2 to 0.5 per cent of GDP. As for the EIP, it is initiated when a state is facing excessive macroeconomic imbalances. The state concerned must then draw up an action plan, presenting specific measures intended to correct the imbalances detected. It must be noted that the insufficiency of the plan or the non-application of the measures announced can give rise to annual financial sanctions of 0.1 per cent of GDP.

[42] Council Decision (EU) 2018/924 of 22 June 2018 abrogating Decision 2009/414/EC on the existence of an excessive deficit in France, OJEU, L 164, 29.6.2018.

[43] Communication from the Commission to the European Parliament, the Council, the European Central Bank and the Eurogroup, *2018 European Semester: assessment of progress on structural reforms, prevention and correction of macroeconomic imbalances, and results of in-depth reviews under Regulation (EU) No 1176/2011*, 7.3.2018, COM (2018) 120 final, 6.

[44] *See*, for example, Council Recommendation of 14 July 2015 on the 2015 National Reform Programme of France and delivering a Council opinion on the 2015 Stability Programme of France, OJEU, C 272, 18.8.2015.

[45] *See*, among others, Zeitlin J., Vanhercke B., *Socializing the European Semester: EU social and economic policy co-ordination in crisis and beyond*, in *Journal of European Public Policy*, 2017, 149; Bekker S., *Flexicurity in the European Semester: still a relevant policy concept?*, in *Journal of European Public Policy*, 2017, 175.

[46] *See*, for example, Council Recommendation of 13 July 2018 on the 2018 National Reform Programme of France and delivering a Council opinion on the 2018 Stability Programme of France, OJEU, C 320, 10.9.2018.

[47] *See*, for example, Council Recommendation of 9 July 2019 on the 2019 National Reform Programme of France and delivering a Council opinion on the 2019 Stability Programme of France, OJEU, C 301, 5.9.2019.

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[in order] to maximise their efficiency in a budget-neutral manner".[48] In addition, with particular regard to social protection issues, France has been repeatedly asked to reform the retirement pension system and the unemployment insurance system, in order to improve their financial sustainability.[49]

Over the years, these various European recommendations have had a significant impact on national law.[50] First, between 2016 and 2018, the French legislator embarked on a series of far-reaching reforms that ultimately led to a profound transformation of French labour law and the employment relations system. These reforms resulted, among other things, in a reduction of the sanctions attached to unjustified dismissals, as well as the decentralisation of the collective bargaining system. Second, between 2019 and 2021, the legislator also embarked on an important reform of the unemployment insurance system, as mentioned in the French RRP. While this reform extended (under strict conditions) unemployment insurance to self-employed workers and workers who have resigned, it also considerably limited the eligibility conditions for employees and tightened the rules to calculate and accumulate unemployment benefits. Last but not least, since 2019, the French government has been trying persistently to introduce a retirement pension reform that may result in a rise in the retirement age. All in all, the only significant 'non-austerity' reform of recent years was a 2018 reform of vocational training.

4.2 A not so bright future: retirement pension reform.

Even though France managed to exit the EDP and the EIP in 2018, its financial and budgetary situation remains very fragile. Indeed, after the outbreak of the Covid-19 pandemic, the Commission found that the country still faces macroeconomic imbalances and a significant public debt, both of which need to be addressed by various legislative measures. More specifically, in the Commission's in-depth review issued in May 2022, it was found that France was experiencing macroeconomic imbalances because of "high public debt, as well as competitiveness challenges related to low productivity growth".[51] Likewise, it was noted that the deficit and debt criteria set by the Treaty were not fulfilled, as the general government deficit exceeded 3 per cent of GDP, while the debt exceeded 60 per cent of GDP and did not respect the debt reduction benchmark.[52] Although the Commission decided for the moment not to open any new excessive deficit procedures, it announced that

[48] *See*: Council Recommendation of 11 July 2017 on the 2017 National Reform Programme of France and delivering a Council opinion on the 2017 Stability Programme of France, OJEU, C 261, 9.8.2017.
[49] *See*, for example, Council Recommendation of 12 July 2016 on the 2016 National Reform Programme of France and delivering a Council opinion on the 2016 Stability Programme of France, *OJEU*, C 299, 18.8.2016; Council Recommendation of 9 July 2019 on the 2019 National Reform Programme of France and delivering a Council opinion on the 2019 Stability Programme of France, OJEU, C 301, 5.9.2019.
[50] For a recent account of these reforms, *see* Chatzilaou K., nt. (13).
[51] European Commission, *Commission staff working document: 2022 Country report – France*, Brussels, 23.5.2022, SWD (2022) 612 final, 58.
[52] *Ibid.*, 63.

it would reassess them in autumn 2022,[53] and it is clear that France is one of the EU Member States at "high risk" of being put under this procedure.

This negative financial and budgetary situation is clearly reflected in both the 2020 and 2022 CSRs. To remedy this situation, the recommendations focus mainly on further investing in health care, vocational training and education,[54] but they also contain some purely 'austerity' incentives, especially in the field of social protection. For instance, in explanatory paragraph No. 17 of the 2020 CSRs, it is noted that the unemployment rate in France is set to rise, and the government is thus requested to complete the reform of the unemployment insurance system in order to improve its financial sustainability. More specifically, France is asked to reform the indemnification rules related to unemployment benefits, which have been characterised in previous European Semester cycles as quite "generous".[55] In the same vein, in explanatory paragraph No. 20 of the 2022 CSRs, it is noted that French public pension expenditure is the third highest in the EU because of "a relatively high replacement ratio (i.e. pension compared to final annual wages), life expectancy, a relatively early effective retirement age (around 62 years) and an elevated number of pension beneficiaries out of the total population". According to the Commission, this "contributes to the accumulation of public debt despite a heavy tax burden, leading France to face high fiscal sustainability risks over the medium term". The government is thus explicitly requested, in the very first recommendation of the 2022 CSRs, to "reform the pension system [in order] to progressively unify the rules of the different pension regimes [and] to enhance its fairness while underpinning its sustainability".

These austerity-driven recommendations find a clear echo in current French legislative plans in the social field. Indeed, in addition to the unemployment insurance reform which was fully implemented in December 2021, the newly re-elected President Emmanuel Macron has already expressed his intention to pursue the suspended reform of the retirement pension system. More specifically, according to Macron's recent declarations, the retirement age could be increased, "gradually and in stages", from 62 to 65. Considered essential for the financial balancing of the pension system, the reform could be initiated as early as in autumn 2022.

[53] Communication from the Commission to the Council, *Fiscal policy guidance 2023*, Brussels, 2.3.2022, COM (2022) 85 final, 8.

[54] Indeed, according to the 2020 CSRs, France is requested to "strengthen the resilience of the health system", as well as to "mitigate the employment and social impact of the crisis, including by promoting skills and active support for all jobseekers" (*see* Council Recommendation of 20 July 2020, nt. (28)). As for the 2022 CSRs, they recommend to "address the shortage of skills by raising the level of basic skills, providing additional work-based learning options and improving the learning outcomes of all students, notably by adapting resources and methods to the needs of disadvantaged students and schools and by improving the working conditions and continuous training of teachers" (*see* Recommendation for a Council recommendation on the 2022 National reform programme of France, Brussels, 23.5.2022, COM (2022) 612 final).

[55] European Commission, *France – Review of progress on policy measures relevant on the correction of macroeconomic imbalances*, Brussels, December 2016, 20.

5. Conclusions

Reading the French RRP (along with the assessment documents of the Commission and the Council) leads to the following general observation: overall, France's plan seems to put a strong focus on social and broader welfare issues, as the reforms and investments announced in these areas occupy the third most important place after the various measures aimed at accelerating the green and digital transitions. In particular, the reforms and investments in favour of jobs and vocational training for young people are, in comparison with other national plans, quite significant, as they represent approximately 10 per cent of total grants requested. As underlined by the drafters of the RRP, France makes a conscious effort "to invest massively in favour of young people, given their particularly vulnerable employment situation and their difficulty in integrating in the labour market in times of crisis".[56]

Apart from the ambitious national plans to strengthen youth labour market integration and renovate the health-care system, however, France's RRP contains no other major reform in the social field. This is particularly true regarding issues relevant to labour law and employment relations, as the plan contains no measures to improve wages and other working conditions, particularly affected by the recent austerity-driven legislative reforms and the current Covid-19 crisis. In addition, the plan is also rather lacking in measures aimed at improving social protection and labour market integration for vulnerable groups other than young people, such as people (particularly women) with a migrant background and atypical workers.

What is more, the RRP announces some new austerity-driven legislative plans, especially in the area of retirement pensions. Indeed, as seen in the previous subsection, the next retirement pension reform may well result in a further rise in the retirement age, perceived by some as the only way to guarantee the system's financial sustainability. In this regard, it is worth noting that while the plan itself does not go into detail, the Commission directly addresses the retirement pensions issue from a public finances perspective,[57] thereby confirming the (still) very strong link established between national social policies and fiscal sustainability.

[56] *See* France's Recovery and Resilience Plan, 2021, 28.
[57] European Commission, nt. (12), 40-41.

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