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Original Article

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Abstract To what extent have the recent re-enforcement of the EU budgetary competences lead to a stronger capacity of the EU to prescribe welfare state reforms in France? To answer this question, we compare the situation before and after the regulatory changes at the EU level. We first analyse long-term trends in French welfare reform since the early 1990s until 2009. We underline a strong consistency between EU recommendations and French reforms, despite an absence of explicit reference to EU guidelines when French politicians are presenting the reforms. Governments were afraid that referring to Europe would reinforce opposition to already unpopular welfare reforms. Second, we focus on the reforms adopted when France has been subjected to Excessive Deficit Procedure (in 2009 and since 2013). French authorities have (re)-discovered that the EU has gained two means of pressure: first, the need for deficit reduction is now explicitly integrated into French political discourses and policies (thus having a strong impact on control over social spending) and, second, the EU is able to demand evidence of reform. Finally, we show that France has maintained some flexibility on the timing and content of the reforms. Because, on the one side, welfare state reforms need to be negotiated domestically and, on the other side, of growing market concern about public debt, it remains difficult to claim that Brussels is the main driver of welfare state reform
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The impact of the European Union (EU) on French public policies is often discussed in the literature (Rozenberg, 2013). In the social policy area, this influence is obvious in new fields, such as anti-discrimination and disability, where new actors have been actively mobilising European legal resources (especially directives) and successfully changing the field's principles and instruments (Caune *et al*, 2011). In most of the traditional domains (pensions, employment and health care) that we will examine here, the picture is more ambiguous. Decision makers have tended to deny European influence, but there are several indications that important reforms following European-defined guidelines or ideas were adopted since the end of the 1990s (Caune *et al*, 2011).

Regarding the impact of EU integration and policies on national welfare state reforms the consensus in the literature before the crisis was that the EU's ability to impose specific welfare state reforms was very limited (for a survey, see Jacquot, 2008). The EU was perceived as having no direct competence on the core of social protection but merely 'subsidiary competence provisions' under which intervention is possible only if considered functional to market integration (Hantrais, 2007). Research has shown that the Europeanisation of continental welfare state reforms has historically been channelled through economics: it was in order to be competitive in the single market and to protect the strength of the single currency that certain welfare reforms aimed at retrenchment were seen as necessary (Palier, 2000). If the channel of influence is merely an economic one, the fact that the European Commission's (EC) powers in economic and budgetary issues have recently been enhanced (as demonstrated by de la Porte and Heins in this special issue) may reinforce its capacity to weigh in on national welfare state reforms through the budgetary angle. In that regard France offers a very interesting case for the analysis of EU influence from a comparative standpoint. France did not experience a sovereign debt crisis (contrasting with the Southern European countries, France continues to be able to borrow on international markets at very low rates of interest) but was put twice under the excessive deficit procedure (EDP) since 2009.

Therefore our main question is: to what extent have the new rules adopted since 2010 (the European Semester, Fiscal Compact, Six-Pack) changed this ambiguous relationship between France and Europe in the field of welfare policies? In this article we will analyse these changes at three levels: first, the level of the content of welfare state reforms and of EU recommendations; second, the level of political discourses related to these reforms and recommendations; and third the level of policy decision processes, looking at the different national actors involved. In order to test whether the hardening of EU economic instruments is followed by greater EU influence on social policy than in the past, we will compare the role played by the EU in French welfare state reform before and after 2010, that is, before and after the changes in the EU rules, focusing on the three policy domains most targeted by EU guidelines and representing the heaviest financial burden: pensions, health care and employment policies.

Our analytical perspective is based on the concept of Europeanisation[1] in order to catch the different channels of influence of the EU on French Welfare state policies. The article is first particularly interested in harder budgetary constraints, requested by the EC through new tougher instruments (see de la Porte and Heins in this issue), but where competitiveness and market confidence also come into the picture. It is second interested in cognitive diffusion of policy orientations, where discourses can be used by the French actors in different ways (on the notion of usage of Europe, see Jacquot and Woll, 2003, 2010; Graziano *et al*, 2011). Third, the political dimension of reforms is very important in the case of France because of the high level of politicisation of welfare issues (especially pensions) and the deep political polarisation on EU conceptions, as shown by the 55 per cent of 'No' votes in the referendum on the European Constitutional treaty in 2005. Since the 2005 ballot, French governmental actors are very cautious with references to Europe, which is often used by political opponents to delegitimize reform proposals. It partly explains the importance of 'silent Europeanisation' and the political limits of EU impact in the French case, at least before the crisis and before the development of new and tougher EU instruments in the area of budgetary control. In this article, we will therefore analyse whether the recent re-enforcement of the EU budgetary competences has led to a stronger capacity of the EU to prescribe reforms in France, and whether this has led to certain evolutions in the national actors' behaviour towards EU pressure for change.

We will first analyse long-term trends in French welfare reform, since the early 1990s until 2009. We will underline a strong consistency between EU recommendations and French reforms, despite an absence of explicit reference to EU guidelines when French politicians are presenting the reforms. At the time, governments were afraid that referring to Europe would reinforce opposition to already unpopular welfare reforms. Second, we will focus on the reforms adopted when France has been subjected to EDP (in 2009 and since 2013). French authorities have (re)-discovered that the EU has gained two means of pressure: first, the need for deficit reduction is now explicitly integrated into French political discourses and policies (thus having a strong impact on control over social spending) and second, the EU is able to demand evidence of reform. Finally, we will show that France has maintained some flexibility on the timing and content of the reforms. Yet, because, on the one side, welfare state reforms need to be negotiated domestically, and on the other side despite growing market concern about public debt, it remains difficult to claim that Brussels is the main driver of welfare state reform (as it is for pension reforms in Denmark and Italy, see De la Porte and Natali, 2014).

Welfare Reforms before the Crisis: Going Silently in the EU-Defined Direction

Welfare reform since the 1990s goes to the heart of France's paradoxical relationship with Europe. Since the 1990s, specific policy measures have led to a shift in social policies in France. This reorientation of social policies is in line with the main ideas promoted at the EU level. However, there are also great gaps between practice and discourse, because when governments justified reforms they hardly ever linked the reform of traditional social policies to EU development. In this section, we will underscore the coincidences between EU guidelines and the direction of French social policy development, particularly for pensions and employment policies.

Employment: Lowering the cost of labour, developing activation measures

French labour market policy has experienced many reforms since the mid-1990s. One of the main themes in the 1990s was the negative effects of social protection on employment, with the cost of labour supposedly preventing job creation in France (Palier, 2005, Chapter 7). The argument was two-pronged: first, labour costs were supposedly too high for companies, preventing them from hiring; second, welfare payments were too passive and thus created a disincentive for the unemployed to return to active employment. Two new typically supply-side sets of policies were developed to address this: policies to lower the cost of labour and activation policies. These reforms marked a break with the French conservative–corporatist model of social protection (Palier, 2010).

In the 1990s, France made lowering 'social charges' a primary objective of its employment policies. Policies were at first very specifically targeted, and then later applied to all lower wages. Despite the lack of an explicit reference, one cannot help but notice that this change echoed the Commission's *White Paper on Growth, Competitiveness and Employment*, as well as the criteria set in Maastricht.

Since the 1980s, there has been a paradigm shift in employment policies, away from a vision of involuntary unemployment, and towards an analysis of voluntary unemployment resulting from individual behaviour. In light of these new conceptions, new policies have gradually been developed based on the will to activate social policies (Barbier, 2002). Policy measures started to focus on unemployment insurance in 1992. The *allocation unique degressive* reduced both the level of unemployment benefits and their duration. Activation was implemented across the board with the 2001 reform of unemployment insurance schemes. The allowance paid was changed from an unemployment benefit to a job-seeking allowance (*allocation pour la recherche d'emploi* – ARE), which was necessarily accompanied with a return-to-employment action plan signed by the beneficiary (*plan d'action pour le retour à l'emploi* – PARE). In addition, a new measure aiming to foster employment was introduced in 2001, the 'employment bonus' (*prime pour l'emploi*) which aimed to 'make work pay'.

Following this trend, a new benefit was created in 2008, the RSA (*revenu de solidarité active*), replacing the minimum benefit payment created in 1988, the RMI. The RSA sought to benefit anyone taking a low-income job with a state-financed subsidy that guaranteed its beneficiaries a better income than the RMI (Palier, 2010). Also here, the national actors who implemented these policies (mainly the social partners for unemployment insurance, and the government for minimum income schemes) did not refer to the EU discourses on activation or the European Employment strategy (De la Porte and Jacobsson, 2012).

Pensions: Returning to work, remaining on the labour market

The pension reforms in the 1990s have been few and remained partial. The Balladur reform, adopted on 1993 only concerned private sector employees. The principal measure was the lengthening of the contribution record to be entitled to a full pension from 37.5 to 40 years. It also involved a change in the way the base for calculating the level of pension was calculated and pension were indexed on inflation rather than on wage (Palier, 2000).

After the re-election of French President Jacques Chirac in 2002, the Prime Minister, Jean-Pierre Raffarin set pension reform on the agenda. The principal initiative was the alignment of public sector employees with private sector regimes. Measures were enacted in an attempt to significantly curb the rise in early retirements, once viewed as the preferred instrument to complement economic reorganisation. Despite a big social movement and major strikes in May 2003, the government obtained the agreement of the employers' organisations and of two trade unions, CFDT (*Confédération Française Démocratique du Travail*) and CGC (*Confédération Générale des Cadres*), to adopt the reform. A strong majority of the Parliament supported the reform bill, which was adopted in July 2003. A voluntary regime of pensions, financed through capitalisation for private sector employees was also accepted by Parliament (Palier, 2010).

This reform followed the main policy prescriptions of the EU: ensuring the financial sustainability of the pension system, introducing some parametric measures (lengthening the period of contribution), and developing some supplementary private pension plans in order to compensate for the diminution of the public pension. It also follows the EU's policy prescriptions concerning active ageing: to encourage people to work longer and to close the early retirement schemes. Finally, the EU's orientation to the principle of equity and alignment between the public and private sector pension regimes is also taken into account (Mandin and Palier, 2004). Here again, despite being in line with EU recommendations, the French government did not refer to the EU.

Health care: The agenda setting of cost containment

For health care, the connection with the ideas promoted at the European level is far more limited than in the social policy sectors analysed previously. However, the Maastricht criteria were a strong agenda-setting factor of cost containment measures in the 1996 Juppé reform and the 2004 Law on Health Insurance.

In the 1990s, the EC, in line with other international organisations (especially the OECD), promoted the ideas of 'organised competition' and '*quasi*-markets' in health care, mainly referencing the 1991 British reform (Hassenteufel *et al*, 2000). Because of the characteristics of the French health insurance system, especially the already existing competitive elements (based on free choice of doctors and hospitals by patients), these policy reform orientations were not really discussed. Some proposals, inspired by the American HMO model, were made by liberal think tanks in order to introduce competition between health insurers (especially between the publicly funded sickness funds and private insurers), but were not adopted by the French government (Benamouzig, 2012). The main structural reform adopted during that period concerned the role of GP's in the health-care system. The 1996 reform made it possible for GP's to act as gate-keepers for patients who agree to contract with them (*médecins référents*). This system was replaced by another (*médecin traitant*) in 2004, geared to making GP's the 'drivers' of patients in the health system. All insured French citizens had to choose their 'médecin traitant' (a GP). The EU dimension seems not to play any role here (except through comparisons of different health care systems). Rather, it was mainly the result of the creation of a new GP organisation (MG France) and of negotiations with doctors' organisations (Hassenteufel, 2010).

The main European impact on French health care was the orientation towards cost containment. Even if cost containment policies started in the 1980s, the Maastricht criteria had a direct impact on the agenda setting of new cost containment policies in 1996 and 2004. The 1996 reform, aimed to curb growth in health spending to tackle the social security system's large deficit (€6.05 billion deficit for health insurance in 1995), which was threatening the adoption of the Euro in France. It introduced capped budgets for all health insurance expenditures based on National Health Insurance Spending Objectives (ONDAM – *Objectif National de Dépenses d'Assurances Maladie*) for ambulatory and hospital care, voted every year by the Parliament. Nevertheless, health expenditures continued to grow very fast and the deficit still deepened. The target of ONDAM was temporarily reached in 1997 but never again in subsequent years (until 2010). These budgets were ineffective because of insufficient sanction mechanisms. Doctors led a successful legal battle against penalties, which were finally abandoned (Hassenteufel, 2003).

In 2003, the deteriorating finances of the health branch of the social security system (which posted a €10.6 billion deficit in 2003) contributed to the violation of the Stability Growth Pact (SGP) criteria and led to the drafting of a new health insurance legislation adopted by the French parliament in August 2004. This reform marked a clear shift in cost-containment policies, favoring industry over consumers (Hassenteufel, 2008). The policy of capping health budgets, introduced by the Juppé plan in 1996, was *de facto* withdrawn because the law made no mention of penalties on doctors if they exceeded expenditure objectives. At the same time, the law required patients to increase their own financial contribution to their health care costs via increased hospital co-payments and discontinued reimbursement for a number of expensive drugs. This trend was followed in 2005 with the introduction of a payment of €18 for acute medical procedures (*actes lourds*). During his election campaign, Nicolas Sarkozy, announced his intention to introduce prescription charges, a measure thus included in the 2008 social security finance law. Until 2008, the health insurance deficit decreased to €4.4 billions. The other consequence was that health coverage by the public health insurance system has decreased from 77 per cent in 2004 to 75.5 per cent in 2008. If chronic diseases and hospital care are still well-covered, non acute care coverage has been reduced to 55 per cent (Tabuteau, 2010, p. 88).

The main European influence on the health-care policy reforms of 1996 and 2004 were the Maastricht Criteria. But the contents of health-care reforms were much less influenced by European orientations than for employment and pension policies. They were reshaped or even countered by other considerations, such as elections and fear of street protests. In addition, other reforms created new rights and benefits, for example, allowances for frail elderly or a specific health insurance scheme for the poorest adopted in 2000. Hence, France's level of social expenditures continued to become one of the world's highest and its governments continually flaunted EMU budgetary rules. Thus, the tightening of these rules because of the crisis introduced a major change.

Since 2010: France under Surveillance

At his start of term, President Nicolas Sarkozy, justified several pre-financial crisis reforms, like the adoption of the RSA and the decrease in employer contributions, as fulfilment of campaign promises made in 2007 (Hassenteufel, 2012a). The national French political agenda's dominance was still obvious when the parliament passed the 2009 health-care reform even though the reform contained many of the same policy objectives as those contained in the Open Method of Coordination (for example, better distribution of doctors over the territory to improve equality of access, limiting overbilling to restrain financial discrimination, empowerment of hospital directors and creation of regional health agencies to improve the coherence and consistency of health policies, better coordination between ambulatory and hospital care, improved prevention and so on).

The trend towards the dominance of French national policy agenda continued through 2009 regarding welfare reforms, in line with Nicolas Sarkozy's discourse at the time, when he was defending the French social model. The change occurred in 2010 with the deterioration of the French financial situation coinciding with stronger European pressure. French authorities were afraid of being unable to refinance their debt on acceptable terms and becoming the next Greece or Italy. Under these acute financial conditions, French actors have been more willing to listen to the EC, partly because they may need its support, should refinancing become difficult, and partly because the EC can help reassure international bond markets that France is on the right path, hence reassuring lenders about France's capacity to repay.

This shift in attitude is very visible with the passage in 2010 of a new pension reform, clearly linked to EU recommendations and financial market demands. In contrast to the previous pension reforms that were negotiated with the trade unions and involved substantial give and take, the post-2009 reforms have conceded almost nothing to the trade unions. The case of pension reform illustrates the significant shift in French government behaviour since 2010, which is more than in the past taking into account the EC's recommendations. Therefore, we will analyse France as a test case in order to show how the European Semester and the new criteria under the new SGP are having an impact on a country that is under an EDP, and more generally, in the context of the crisis, but without being at it centre: unlike the other countries studied in this Special issue France has not been put under a bailout.

Table 1 shows that France has long been under EU scrutiny, mostly because deficits have most frequently been higher than the 3 per cent public deficit criterion stipulated by the SGP. Even if the formal 60 per cent for public debt had been overpassed in 2003, it is mainly since 2009 that the debt ratio has also gone far beyond the SGP rules.

Since 2009, France has clearly operated far from meeting the European criteria and the EU has replied with multiplied warnings and actions. On 27 April 2009, the European Council published a 'recommendation to France with a view to bringing an end to this situation of an excessive government deficit'. The Council recognised the existence of special circumstances and therefore allowed the correction of the excessive deficit to be set in a medium-term framework. The Council placed France under enhanced surveillance and required it to explain every 6 months the type of decisions it has taken to reduce the excessive deficit. In the Council's recommendation, the intrusiveness into French welfare state reforms remains relatively limited though. The only explicit reference to the content of reforms appears when the Council 'recommends to swiftly implement the planned measures and reforms to contain current expenditure over the coming years, especially in the areas of health care and local authorities'.

On 11 November 2009, the EC reported that France needed to make further policy changes to end its excessive deficits. More precision about the content of the reforms were proposed, since the EC suggested that the Council recommend to 'French authorities to implement reforms with a view to enhancing the quality of public

Table 1: French Public deficit and debt

	French public deficit and debt as calculated by the EU												
	2001	*2002*	*2003*	*2004*	*2005*	*2006*	*2007*	*2008*	*2009*	*2010*	*2011*	*2012*	*2013*
Public deficit (as a percentage of GDP)	−1.5	−3.1	−4.1	−3.6	−2.9	−2.3	−2.7	−3.3	−7.5	−7.1	−5.3	−4.8	−4.3 (INSEE)
Public debt (as a percentage of GDP)	56.9	58.8	62.9	64.9	66.4	63.7	64.2	68.2	79.2	82.4	85.8	90.2	93.5 (INSEEE)

Source: Eurostat, except for 2013.

finances and raising potential GDP growth. Increased enforceability of expenditure control, notably in the areas of health care and local authorities, and the reduction of the multiple existing tax exemptions would improve the quality of public finances. In addition, France should improve the overall competition framework, with particular emphasis on the network industries, further reform the pension system, modernise employment protection and enhance life-long learning to enhance potential GDP growth'. In December 2009, after President Sarkozy, communicated to the Council that France planned policy changes in the regulation of labour market and a pension reform for 2010, the Council adopted a text that soft pedalled these issues and was much less detailed than what the EC proposed.

On June 2010, after strong lobbying from national governments, in which France played a big role along with Spain and Italy, the EU decided to step back from overtly harsh pressures for fiscal adjustments that endangered the tenuous economic recovery. In its assessment of national policy making, the Commission decided that France along with 11 other countries required no further procedure to reduce their excessive deficit. The assessment of the French case, however, was rather ambiguous. The Commission noted positively that France was reducing its recovery plan, but voiced concern that France had been increasing its public spending. The Commission recommended that France should specify more deficit-reduction reforms and make sure that the previously announced pension reform would be implemented indeed.

Between 2010 and late 2012, the EC did not put France under any specific scrutiny but in February 2013 issued an analysis of the French budgetary situation. It called for putting France again under an EDP. Remarkably, in this analysis, the EC extensively detailed the decisions (called discretionary measures) that France had already taken, including health care, labour market and pension policy changes. In this case, it was to show that more efforts had been done than were visible if only looking at the gross numbers, such as the public deficit or the debt ratio.

Despite the acknowledgement of these measures, according to the Commission services' 2013 Spring Forecast, 'France is not expected to correct its excessive deficit by the deadline established in the Council recommendation of 2 December 2009'. Consequently, the Commission recommended a new procedure for France to end its excessive deficit. The French government asked for an extended deadline to reach the defined goal without threatening the beginning of the economic recovery. At the end of May 2013, the Commission granted France 'two additional years for correcting its excessive deficit' because of the negative impact that a long-lasting economic recession in France could have on the EU as a whole. This extended deadline was presented by the French Finance Minister, Pierre Moscovici as an illustration of the capacity of the French government to influence the Commission's policy: 'France is not alone. It is a general measure. It is a new doctrine for the Commission: it has been aware that structural deficits are more important than nominal deficits. It is a discussion that I had with Olli Rehn for one year. It shows the necessity to reorient the European policy' (Ricard, 2013).

In the Recommendation that followed this negotiation, published on 18 June 2013, the Council decided to put France again under a procedure to end its excessive government deficit but with a 2 year extended deadline. In exchange for this extension, the Council recommended that the budgetary measures the French government announced must be effectively implemented. The Council concluded in very explicit and detailed points that the French government's announced pension reform was necessary to meet the extended deadline: 'the French authorities should strengthen the long-term sustainability of the pension system by further adjusting all relevant parameters. In particular, the planned reform, as currently envisaged, should be adopted by the end of this year, and bring the system into balance in a sustainable manner no later than 2020 while avoiding any further increase in the cost of labour'. Consequently, in January 2014, France adopted a new pension reform law, with a very small majority in the Parliament. The Council's recommendation also concerned labour market reforms: lowering labour costs, better integration of the youngest and oldest workers, reducing the segmentation of the labour market, and more flexibility in the firing and hiring regulation.

Pension Reforms to Satisfy Brussels

This survey of the recent history of France under European scrutiny shows a relatively strong connection between the EDPs, the negotiation of a delay and pension reforms in France (in 2010 and 2013). However, France has enacted pension reforms in the past (notably in 1993, 2003 and 2007) that were not closely related to the European procedures. In order to see whether the recent procedures have changed the relation of French welfare state reforms to the EU, we need to look more closely at the content of the most recent pension reforms from a political discourse point of view (Were the reforms justified by the necessity to comply with Brussels?) and from a content point of view (Do they seem to fit more than in the past with EU orientations?).

The European dimension of the 2010 pension reform

In compliance with the EU Commission's Spring 2009 EDP, President Sarkozy, announced in June 2009 that the government would seek to reform statutory pension schemes in 2010. He neither mentioned this type of reform during his presidential campaign nor during the subsequent legislative campaign in 2007. This new reform had been justified in French national discourse largely because of the sharp increase in the PAYG schemes' deficits following the financial crisis. The government made it clear that the main aims of the reform were to deal with these deficits, to demonstrate to the EU France's commitment to reduce its budget deficit and to improve its credibility in financial markets.

The government presented its draft bill in June 2010, which the Parliament adopted in autumn. It included an increase in the minimum statutory retirement age from 60 to 62 years by 2018, an increase in the minimum age to get a full pension without a penalty from 65 to 67 years by 2023, an increase in the minimum contribution period to 41.5 years by 2010, the harmonisation of contribution rates between public-sector and private-sector statutory schemes within 10 years,[2] additional resources of €3.7 billion through an increase in the highest income tax bracket from 40 to 41 per cent, and increased taxes on dividends, stock options and final-salary supplementary pensions offered mostly to senior executives in private companies. The government also maintained the early retirement schemes for long careers and introduced a right to retire at the age of 60 instead of the age of 62 for workers employed in 'hard working conditions' who would have a 'rate of incapacity to work' of 20 per cent (Naczyk *et al*, 2011).

The implementation of the reform was accelerated in autumn 2011 because of the enduring deficit of the pension system (€8.9 billion in 2010). In November 2011, the government announced it would increase the minimum retirement age to 62 years by 2017 instead of 2018, as planned by the 2010 reform. This measure was taken after Moody's announced at the end of October it would reassess and possibly downgrade France's credit rating. The government's decision to accelerate the increase in the retirement age was thus clearly a reaction to this threat, although it did not prevent Standard and Poor's to cut France's credit rating in January 2012 (Naczyk *et al*, 2011).

Broadly speaking, the 2010 pension reform and its acceleration in 2011 are in line with the goals set by the EU 2020 strategy, the 2011 Annual Growth Survey, and the country specific recommendations of the Commission and the Council published in July 2011. With the 2010 reform and its November 2011 decision to increase its pace, France's priority has been to ensure the long-term sustainability of the pension system by increasing the statutory retirement age. In the National Reform Programme it submitted in spring 2011 (http://ec.europa.eu/europe2020/pdf/nrp/nrp_france_en.pdf), the French government emphasised the fact that the 2010 reform bill would reduce the public deficit by 0.5 per cent of GDP by 2013 and 1.25 per cent by 2020, resulting in a reduction of public debt by 10 per cent of GDP in 2020 (p. 13). This would mean an improvement in the financial sustainability of the pension system.

The EU strikes back: The 2013 pension reform

In July 2012, the new socialist government made good on its promise to revert the retirement age back to 60 for those people who started working before the age of 20. It also extended the types of non-working situations that are taken into account in the calculation of workers' contribution record (two additional semesters of maternity leave and of unemployment). However, slow economic growth and the forecasts made by the Pension Orientation Council (*Comité d'orientation des retraites – COR*) in December

2012 have again put the pension reform in front of the political agenda, despite the fact that this was not at all announced by François Hollande during his presidential campaign. The COR announced that the deficit would grow up to more than €18 billions in 2017 and more than €20 billions in 2020 if no new measures were taken.

In the meantime, the Commission prepared a recommendation for putting France under an EDP again (adopted in Spring 2013 as shown above). The pension reform was explicitly encouraged by the EC. In its recommendations made in May 2013 (twice as long as those made 1 year before), the Commission insisted that the French government had to tackle the roots of the public finance deficit, in exchange for a 2 years delay (up to 2015) for the return to the 3 per cent of the GDP public deficit threshold. This would require again reforming the pension system that was not considered as financially sustainable after 2018.

Despite François Hollande's declaration that 'the European Commission does not dictate us what to do. We have to respect our European commitments for public deficits. Concerning structural reforms we are the only one to decide what the right way to achieve the goal is' (Roger, 2013), the content of the reform presented in Spring 2013 was in phase with the recommendations. The main aspects were the increase of contributions (+0.3 percentage point for employee and employers from 2014 to 2017), of the length of contribution (one trimester more every 3 years up from 2020) and the decision to postpone by 3 months the revalorisation of pensions. It also created a 'hard working conditions account' (compte pénibilité) for workers with difficult working conditions and included measures aimed at improving pension adequacy for women, youths and workers employed in non-standard forms of employment (Naczyk *et al*, 2013). However, in November 2013 the EC criticised this reform for not being ambitious enough. The EC argued this was the case because the reforms maintained the legal retirement age and lacked measures harmonising the different pensions systems, especially the 'special regimes' for public service employees. The reforms has however been adopted in Parliament on 18 December 2013, with the content planned by the government and some adjustments made to obtain the votes of the more left-leaning MPs (hence going in the other direction than the one supported by the EC).

The case of the 2013 pension reform shows that French governments are still reluctant to explicitly accept and refer to EU constraints. This is not only a matter of political legitimisation but also because of the political necessity to negotiate welfare reforms with the social partners.

National Translation through Negotiation: Reforms *à la française*

The conflict dimension of French welfare state reforms is often highlighted, especially for pensions, with the strong mobilisations against the Plan Juppé in 1995, the 2003 Fillon Reform and in 2007 against the special regime reform. From this point of view, the 2010 Pension reform did not differ. Most unions as well as the left-wing opposition were opposed to an increase in the retirement age, arguing that it would not solve the problem of a low employment rate of older workers. Unions also strongly criticised the increase in the minimum age for a full pension without a penalty, arguing that it would most strongly harm women, whose pensions are usually lower because of broken career records. Because of their opposition to the reform, unions organised demonstrations in the spring and the summer of 2010. Strikes continued through the autumn while Parliament debated the bill. Because of the union mobilisation, the government made some concessions at the beginning of September. It agreed to decrease from 20 to 10 per cent the 'rate of incapacity to work' that would allow workers employed in 'hard working conditions' to retire from the age of 60 instead of the age of 62. Before the reform bill progressed to the Senate, the government announced another concession, agreeing to maintain the right to a full pension without penalty at the age of 65 for around 1 30 000 mothers born before 1956. However, no concession was made on the flagship measure of the increase in the statutory minimum retirement age.

In 2013, the French government criticised the EC's recommendations and remarks, arguing that they would hamper negotiations with its social partners. The negotiation of pension reform was put strongly forward by the new government in line with the 'social-democratic' line favoured by the newly-elected President Hollande: the reform was announced at the end of August 2013 after 2 days of consultations with all the social partners. This highlights the importance given to the negotiation process in domestic politics, not only for pensions, but more generally for any welfare reforms. This way of doing is also obvious for employment and health-care policies.

Negotiated reforms in employment and health-care policies

The most important negotiated change in employment policies, in line with European orientations, is the combination of flexibility and a new kind of protection. This turn to flexicurity was first tried before the crisis, under Nicolas Sarkozy's presidential mandate with the agreement on the securization of professional tracks (*sécurisation des parcours professionnels*), which was negotiated by the social partners (but not signed by the CGT) and then enacted by law in 2008. During the Parliamentary debates the governement and the MPs from the right-wing majority used frequently the expression *flexicurité à la française* in order to stress the translation of the Scandinavian model by the French policy actors (Caune, 2013, pp. 454–456). However, it had limited effects because it concerned mostly qualified workers (Cahuc and Zylberberg, 2010, p. 58).

A new negotiation, launched by the new socialist government, took place during autumn 2012. The national agreement (*Accord National Interprofessionnel*) signed between the social partners (but not by the CGT) in January 2013 is clearly a deal brokering more flexibility (companies can more easily sign an agreement with salary or working time decreases in order to protect jobs and force their employee to change jobs in the same company, laying-off workers is also facilitated) and new securities (complementary health insurance for all employees in the private sector, reloadable rights to unemployment benefits, higher taxation of short time contracts, bottom level of weekly working hours for part-time contracts, personal accounts for training). Like in 2008, the social partners and political actors supporting the agreement used the expression *flexicurité à la française* and mentioned the 'German model' to legitimise it (Caune, 2013, pp. 475–479). Parliament passed the law enacting this agreement few weeks later, despite strong opposition from the Communist Party and the Left Party, supported by the two trade-unions who did not sign the agreement: CGT and FO. At the end of 2013, it was followed by a new negotiation on professional training concluded by a national agreement between business associations and trade-unions, creating the 'individual training account' for the whole professional career (including unemployment periods) and reforming the complex training financing system.

In health care the cost containment policies adopted since 2004 were not able to prevent the rise of the health insurance deficit from €4.4 billion in 2008 to €10.6 billion in 2009 (Hassenteufel, 2012b). This deep deficit (see Table 2), contributing to the general deterioration of French public finances and to closer European scrutiny as we have seen, led to the adoption of new measures in the Social security Finance laws since 2010: mainly price reduction for drugs, biology and technical medical acts (especially radiology), the standing rise in the proportion of generic prescription and efficiency gains in hospitals and sickness funds. The amount of the annual evolution of the ONDAM has been progressively trimmed from 3.6 per cent in 2009 to 2.4 per cent in 2013 and respected since 2010.[3]

In the field of health care too, negotiations between the national sickness fund organisation (UNCAM, created by the 2004 reform and tightly controlled by the government), and the organisations representing doctors in the ambulatory sector have taken place since the crisis. First, they concerned the creation of a new payment system inspired by the British 'payment for performance' system (Hassenteufel, 2012b). In 2009, 'contracts for enhancing doctors' individual practice' (*Contrats d'amélioration des pratiques individuelles*, CAPI) were introduced on a voluntary basis. Doctors are paid €7 for completing 16 health objectives for each patient

Table 2: Development of Health insurance expenditure and deficit

	2009	*2010*	*2011*	*2012*	*2013*
Health insurance deficit (billion Euros)	−10.6	−11.4	−8.6	−5.9	−6.8
Evolution of health insurance spendings (%)	+3.6	+2.6	+2.7	+2.3	+2.4

Source: Les Comptes de la Sécurité sociale, 2014.

(among them: vaccination against influenza for persons of more than 65 years, screening breast cancer for women over 50 years, increased generic prescriptions and better monitoring of chronic diseases). In the national agreement (*convention médicale*) signed in July 2011 between the UNCAM and the main doctors organisations, this payment for performance system was extended and its remuneration increased. In 2012, the new socialist government put pressure on the UNCAM to negotiate with doctors' organisations in order to regulate overbilling. The agreement signed in October 2012 creates a new contract (*contrat d'accès aux soins*) limiting the amount and proportion of overbilling for doctors (in exchange of lower social contributions). It is a voluntary contract, like the 'Territory Health Pact' proposed by the new Health Minister to attract doctors in under-served areas. Thus, the effectiveness of these new policy tools depends of the good will of doctors: the successive Health ministers, since the failure of the implementation of the Juppé Plan in the end of the 1990s, are reluctant to confront directly with doctors organisations and therefore avoid to use more constraining policy tools.

A last illustration of the importance of the national negotiations is the one concerning the 'responsibility pact' announced by President Hollande in January 2014, based on the reduction of labour costs for companies (by reducing social contributions, especially those aimed at financing family policy), in order to boost competitiveness, in exchange for job creation, and financed by a €50 billion cuts in public spending over 3 years. In March 2014 three trade-unions and the two business associations agreed to open negotiations in every branch for the job creation objectives and to participate to a tripartite Observatory of the implementation of the Pact, which is the core element of the economic policy and public finance strategy presented to the EC by the new Prime Minister Manuel Valls in spring 2014.

Conclusion

Our review of recent French welfare state reforms clearly show that France is more and more obliged to follow EU timing and recommendations. As far as pension reforms and health-care cost containment are concerned, the timing shows how much the EU pressures now seem to (really) matter in France. France implemented pension reforms in 2010 and 2013 and since 2010, the national targets of health insurance expenses, fixed more tightly, were reached, showing a stabilisation of the evolution of health insurance costs. The pension reforms were not announced during the 2007 or 2012 electoral campaigns as part of the policy programme of the winning candidates (on the contrary, for Hollande the promise was to undo the Sarkozy pension reform). However, both Sarkozy and Hollande have implemented pension reforms when the EU placed France under EDP.

When looking at the political discourse and content of these pension reforms, French authorities continue, as in the past, to deny that they act 'because of Europe' and justify the reforms with reference to the economic and demographic situation. Moreover, they try to find political room for manoeuver in the content of the reform in order for it to be accepted (in the last pension reform especially the 'hard-working conditions account' – *compte pénibilité*). However, the French government is now obliged to show to EU authorities that reforms are decided and implemented. Moreover, France is now on permanent welfare reform stress. After the pension and labour markets reforms in 2013, in 2014 health insurance is at the top of the welfare policy reform agenda.[4] And the contents of the reforms are similar to those adopted since 2010 in the countries under MoU analysed in this Special issue.

A traditional French strategy to avoid excessive EU pressure and interference on domestic social and economic reforms is to find allies in Europe, as did President Chirac and Chancellor Schroeder in 2003 and again President Sarkozy in 2010. But after his election in 2012, François Hollande had not been able to the renegotiate the Fiscal Compact, though it was a strong and loud promise made during his successful electoral campaign.[5] The only concession obtained in 2013, was the 2 years additional delay to reach the level of 3 per cent public deficit.

Since 2009, French authorities are more constrained in a second way. The Great Recession has revealed the alarming erosion of France's competitiveness, especially in manufacturing. Consequently, French governments, of left and right alike, are convinced that they must provide more support for business. The French government is under heightened 'surveillance' not only from the Commission and bond markets, but also from French employers, and both sets of actors are making demands that threaten or crowd out French social protection. If concerns about sovereign debt make the government prioritise deficit reduction, concerns about competitiveness push in the opposite direction. Perhaps the biggest reason why the Hollande government is having so much trouble bringing down France's budget deficit is that the government is simultaneously providing €30 billion in tax breaks to French corporations in the hope of improving competitiveness and hiring.

Finally, if the Europeanisation of French welfare policies is louder than before since 2010, the Crisis does not mean a radical shift: most of the measures adopted since 2010 are rooted in long term reform paths starting in the 1990's: retrenchment in pensions, control of health-care expenditures, activation of unemployment policies … Therefore French social security reforms continue to reinforce the separation of the two 'worlds of welfare' (Palier, 2010) within the French social protection system.

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Notes

1 On the notion of Europeanisation, see Featherstone and Radaelli (2003).
2 Contribution rates were traditionally higher in private sector schemes. Public sector contribution rates were thus increased from 7.85 to 10.55 per cent.
3 This evolution cannot only be related to these measures: the decrease of the number of doctors and the absence of new pharmaceutical 'blockbusters' are two main factors to take into account (Tabuteau, 2013, p. 195) as well as the broader context of the crisis. Health expenditure is stabilised or in decrease in almost all OECD countries since 2010.
4 In the €50 billions reduction of public spending planned for the 2015–2017 period, €10 billions concern health insurance and €11 billions other social policies (mainly based on the freeze of the amount of social benefits).
5 Already in 1997 Lionel Jospin, the new Prime Minister after the victory of the left parties at the parliamentary election, did not succeed to renegotiate the Amsterdam treaty.

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