

**“The return to work policies in a time of crisis:
a comparison between Germany and France”**

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Abstract:

Financial innovations for jobseekers have resulted, in Germany and France, in the implementation of financial incentives to return to work. These financial incentives have taken the form of permanent incentives with the payment of grants to return to work and of financial aids to business creation. They also have taken the form of transitory incentives through the tax credit mechanism and through the diminution of the marginal tax rate applied to the measure of “labour income plus social allowances”. The effects of the financial incentives on reintegration into the labour market remain ambiguous. Despite their rather positive impact on employment, they do not significantly increase the rate of return to work of the unemployed. In addition, they contribute to the development of low-wage jobs and do not always allow the recipients to go out of poverty.

Key words: financial incentives, return to work, Germany, France

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The return to work policies in a time of crisis: a comparison between Germany and France

European welfare states have developed instruments to ensure the reintegration of the excluded from the labour market (and the job retention of the employees). These instruments developed for the recipients receiving unemployment insurance benefits and for the welfare recipients (only for those who are able to work) have concerned two levels. In terms of financing of social policies, resources come from increasing taxation (social public expenditures are more financed by the tax and less by the social contributions). In terms of targeted people, these instruments have mainly consisted of financial incentives to return to work. Incentives to work can be positive incentives (opportunities and orientation of individuals' behaviours) or negative incentives (obligations and sanctions); but only the first ones, based on the logic of monetary motivation to work, can be seen as financial incentives.

Positive incentives are based on the principle of "making work pay", that is to say to stimulate job search and acceptance of a job or to encourage to remain in the labour market thanks to programmes that allow the targeted individual or household to get an additional income. To make attractive the employment, the idea is to play on the financial gap between the amount of benefits received and the amount of earned incomes. The cases of France and Germany are illustrative of "back-to-work" policies which are based on the implementation of such financial incentives to work since the 2000s. These programmes combine permanent measures and transitory devices that have ambiguous effects on the return to work.

1. Permanent incentives to work...

Permanent incentives to work refer to all the devices to guide and/or modify the behaviour of a beneficiary through the payment of grants and bonus so that he realizes a financial gain. These take the form of bonuses for obtaining a job, of financial aids to return to employment and of grants to return to work, but also of financial aids to create or take over a company.

1.1. The payment of bonuses, grants and allowances to return to work

One form of work incentive is the payment of bonus for obtaining a job, of financial aids to return to work, and of compensation for getting an employment. In France, a “Prime de retour à l’emploi” (PRE) of € 1,000 was established in 2006 for recipients of social benefits, registered as jobseekers for at least one year with the National Agency for Employment (NAE) and who begin a new job or who return to work. This bonus to return to work was paid by the office in charge of the payment of benefits before starting a new job, that is to say by the “Assedic” (*Association pour l’emploi dans l’industrie et le commerce*¹) or by the “CAF” (*Caisse d’allocations familiales*²). It was paid to recipients who returned to work and to those who created a company; and it could be granted only once in a period of 18 months from the first 4 months of work. The device of PRE was definitively repealed in 2010. But a fixed monthly bonus to return to work was established in 2006 for the beneficiaries of the “ASS” (*Allocation de solidarité spécifique*³). This one was paid monthly by “Pôle emploi” (NAE) and this bonus refers to a mechanism of fixed incentive for 12 months maximum when

¹ Association for Employment in Industry and Trade, office in charge of the payment of unemployment insurance benefits.

² Office in charge of the payment of child benefits and families allowances.

³ The Special Solidarity Allowance is a social assistance benefit paid by the State to the unemployed who have no (longer) entitlements to unemployment insurance.

employment is taken up by the beneficiary for a period sufficient to ensure his financial autonomy.

The bonuses for getting a job have been completed by financial aids to return to work, which have taken the form of the “APRE” (*Aide personnalisée de retour à l’emploi*) for the recipients of the “RSA” (*Revenu de solidarité active*) who have the obligation to search a job. The APRE has been created with the RSA to ensure the support towards employment for people who are furthest away from the labour market and its aim is to allow the recipients to begin a job or get one by taking in charge a part or all of the costs incurred in order to access or reintegrate the labour market (training, starting a business, return to work). This aid is approximately € 700 per beneficiary and it “is a real financial boost in the context of taking over a job by financing actions that are not supported by the law” (Bocquet, 2013: 5)⁴. Unlike the PRE or the fixed monthly bonus, the APRE is not uniform: the terms and conditions to obtain it differ depending on the department where the recipient lives and its amount depends on the categories of expenditures.

In Germany, the payment of a bonus to get a job takes the form of the compensation to offset the additional expenses related to work (*Arbeitsangelegenheiten mit Mehraufwandsentschädigung*) and the compensation to the basic allowance (*Aufwandsentschädigung*). Introduced in 2005 through the “Hartz IV” reform, *Arbeitsangelegenheiten mit Mehraufwandsentschädigung* is a compensation for "job opportunities" in the public sector that do not compete with the jobs in the regular labour market. It refers more specifically to the "one euro jobs" (*Ein-Euro-Job*), which are jobs for long term unemployed who are recipients of welfare benefits in order to maintain or regain their employability and, doing so, to ensure to them a "springboard" towards ordinary jobs in the labour market. This compensation is in addition to unemployment benefits up to a

⁴ Translated into English by the author from the following French quote: « représente un véritable coup de pouce dans un contexte de reprise d’activité en finançant des actions qui ne sont pas prises en charge par le droit commun ».

maximum of € 200 per month (corresponding to a job of 30 hours per week which is paid on average € 1.5 per hour). Paid in addition to unemployment benefits, "compensation for additional expenses" is not considered as a salary, but it helps to support the costs incurred in returning to work. *Aufwandsentschädigung* is a financial aid for supporting secondary activities as self-employed by taking in charge a part of the costs associated with volunteering. It is paid for a part-time job (maximum 13 hours per week) in a non-profit organization (including associations) or in a public administration and its amount depends on the economic sector of the activity.

A monthly bonus called "*Einstiegsgeld*" can also be given to the recipients of *Arbeitslosengeld II* (welfare benefits for the unemployed) if they agree to take a wage employment (involving social security contributions) or, in some cases, if they decide to start their own business (Kramarz *et al.*, 2012: 20). The payment of the bonus is left to the discretion of the competent authority. This bonus, whose aim is to support the return to work, is granted for a period of 24 months but its amount cannot be higher than the standard rate of the unemployment benefit II.

1.2. The financial aids to create or take over a company

Devices of aids and bonuses for the creation or takeover of companies have also been established to encourage the return to work. In Germany, self-employment was boosted via "*Ich-AG*" (*Ich-Aktiengesellschaft*) for the creation of individual micro-enterprises, which was partially replaced in 2006 by the bonus for the creation of an independent activity (*Gründungszuschuss*) (Koléda & Brun-Schammé, 2010). Introduced in 2003, *Ich-AG* consisted in granting a financial aid to the unemployed at the time of the recovery of an autonomous professional activity or during starting a business. Were eligible the unemployed

persons seeking to start their own activity and receiving unemployment benefits or benefiting from employment promotion measures. Paid for three years - with a declining annual amount (€ 600 per month the first year, 360 € in the second and 240 € in the third) - the granted aid led to suspend the payment of unemployment benefits. While the turnover of the company was subject to taxation, the aid, meanwhile, was not subject to tax. Starting in 2003, the financial aid for the start of activity (*Existenzgründungszuschuss*) has been the main financial instrument for promoting the adoption of auto-entrepreneur status.

Ich-AG was merged in 2006 with the transition allowance (*Überbrückungsgeld*), giving rise to the “Gründungszuschuss” programme (Bouvard *et al.*, 2013: 2; Kramarz *et al.*, 2012: 18). *Gründungszuschuss* was founded as *Ich-AG* on the logic of state subsidy for business creation for recipients of unemployment benefits so they stop their maintenance in the unemployment insurance system. This “basic aid” is a new, larger device (it concerns any independent activity and does not affect only the micro-enterprises) which incorporates the layouts of the measures introduced in 2006; it groups the transition allowance (*Überbrückungsgeld*) and the start-up grant (*Existenzgründungszuschuss*) into a single financial instrument. Are eligible jobseekers who receive unemployment insurance benefits (Arbeitslosengeld I) and who have the personal and professional skills required to create a company whose business is economically relevant. The aid is exempt from tax and is not subject to progressive tax rates.

In France, the aids for business creation and company takeover mainly consist in “ACCRE” (*Aide aux chômeurs créateurs ou repreneurs d’entreprise*) and the “ARCE” (*Aide à la reprise ou à la création d’entreprise*). The ACCRE is an incentive to business creation oriented towards the unemployed and the social assistance recipients. The aid is paid to people who create or take over a business or who want to exercise a self-employed profession other than they already have. It consists in a partial exemption from social security

contributions and it exempts from the payment of many social contributions for a period of one year (family allowances, sickness, disability, old age ...). Similarly, it allows certain categories to receive other aids or to continue to receive their social benefits during the first months of their business (it is the case of the recipients of the RSA and of ASS).

The ARCE is a financial aid paid by the job center for the unemployed who benefit from the “ARE” (*Allocation d'aide au retour à l'emploi*⁵) and who have previously received the ACCRE. This financial assistance is paid in two parts: 50% at the date of commencement of the activity and the remaining 50% within six months); it corresponds to 45% of unemployment benefits remaining due on the date of creation or takeover of the company. If the choice of ARCE leads to no longer receive benefits (the aid cannot be combined with the maintenance of the ARE provided in case of recovery of an occasional or reduced activity), the beneficiaries may, however, recover the remainder of their rights when their company had to close.

2. ...combined with transitory incentives to return to work

Transitory incentives to work are defined as the set of measures to encourage a recipient to behave in a certain way in exchange for temporary financial benefits granted to him. These transitory incentives take the form of the mechanism of tax credit and the one of the reduction in the marginal tax rate (MTR) associated with the possibility of accumulating benefits and earned income.

⁵ ARE is, in France, the unemployment insurance benefits, that is to say the jobseeker's allowance.

2.1. The mechanism of tax credit

Inspired from experiences abroad (“Working Tax Credit” in the United Kingdom, “Earned Income Tax Credit” in the United States ...), the “PPE” (*Prime pour l’emploi*) is a tax credit that has been introduced in France in 2001. The PPE is paid, for the year n , to households whose income tax reference and earned incomes of year $n-1$ do not exceed certain amounts and whose one of the members at least has a job, paid or unpaid, full-time or part-time. Some 6 million low-income households currently benefit from this tax credit. The PPE is a tax credit in the sense that the amount is automatically deducted from the income tax of the household (for taxable persons) or is paid directly by the Treasury (for non-taxable persons and for taxable persons whose amount of household tax income is below the PPE).

The work incentive is not so much in encouraging return to work but more in the financial support to take low-paid jobs. If payment of the bonus is not a tax measure itself, the device is nevertheless based on a tax mechanism in the sense that the income paid replaces the tax that could (and sometimes should) be paid. In this way, the individual of the household who benefits of the PPE is encouraged to remain in the labour market: the payment of the annual bonus or the deduction of income tax leads to accept a low-paid job. Such a device aims to discourage low-paid workers from leaving their job and switch into the welfare system. That measure does not exist in Germany for the moment and it is strongly questioned in France.

2.2. Reduction in the marginal tax rate and mechanism of “labour income plus social allowances”

Another embodiment of the incentive to work is to establish mechanisms of accumulating benefits with income from work playing on reducing the marginal tax rate (MTR). This type

of measurement provides welfare recipients the opportunity to retain a portion (or all) of the professional income they earn with the transfer incomes they receive. Both Germany and France have developed such mechanisms of reducing the MTR to incent to work or to avoid discouraging the return to work.

In France, this is the case, for example, with the introduction in 2009 of the RSA and, more specifically, with the formula of “RSA activity”. Next to the “RSA base”, which corresponds to a guaranteed minimum income paid to households with no resource, was established the “RSA activity”, which aims at encouraging activity by introducing mechanisms complement to labour income. When the household in which the recipient of the RSA has income from activity, the RSA provides additional resources if the earned income of the household is below a guaranteed minimum which takes into account the amount of wages collected and household composition. With the formula of “RSA activity”, the RSA amount paid to the beneficiary corresponds to the difference between the guaranteed minimum and the professional incomes of the household. This amount is equal to 62% of the earned income of the household, plus the amount of RSA base corresponding to the composition of the household: to every euro of income earned from activity, only 38 cents are suppressed, which allows the recipient to maintain 62 cents of earned income (excluding housing allowance possibly perceived) in addition to the base allowance.

Other features were introduced in France as the “supplement to ARE” in the unemployment insurance system and the “incentive to return to work” in the unemployment assistance system. The jobseekers registered at the job center, who receive unemployment benefits from the *Assedic* (ARE), have the possibility to maintain their earned income with a part of their unemployment insurance allowance when they return to work. This supplement is added to the gross monthly income activity and corresponds to the difference between the original amount of the ARE and the amount deducted (this one is equal the number of days of

unemployment benefits non-compensated in case of return to work). This layout applies for a period of fifteen consecutive or not months, which corresponds to fifteen continuous monthly payments of “supplement to ARE” (or discontinuous in the case of irregular activities). The same logic is at work in the unemployment assistance system through the device of the incentive to return to work for the beneficiaries of the ASS. Job seekers who perceive the ASS may combine their unemployment benefits with earned income if they fulfill certain conditions. This device of cumulating labour income with a part of the allowance is valid until the end of the unemployment assistance rights and within 12 months from the beginning of the professional activity.

Germany has preferred other methods of accumulation of a portion of earned income with social allowances. The financial incentive to take paid employment has indeed taken the form, inter alia, of reductions in social contributions employees focusing on atypical employment measures. This is the case of “mini-jobs” and “midi-jobs”: the first ones enjoy full exemption from payroll taxes, while the latter are partially exempt (although rates rise gradually to limit the effects of threshold). The *mini-jobs* were born in the late 1990s, and then were reformed with the law Hartz II which entered into force on 1 April 2003. They are forms of precarious employment, with low wages (maximum € 450 per month since 2013) or with very short-term (2 months or up to 50 days per year, without income limit), which complete a regular job or social incomes (including unemployment benefits). Present in all sectors of the economy (profit and non-profit sector), they allow to accumulate, without limitation of weekly work duration (the limit of 15 hours per week has been missing since 2003), several work contracts under different statutes; and their fundamental objective is to increase the incentive to return to work of the persons with low-paid (Conseil Central de l'Économie, 2013). All those who have a mini-job (the unemployed and the inactive people without income and also the

employed who have a main job but wish earn more money) are not subject to the payment of social security contributions nor to the payment of taxes (Lestrade, 2004).

Both in Germany and in France, part of the allocations is thus combined with labour income. For example, in Germany, the first hundred euros from activity can be fully cumulated with welfare benefits (20% up to 800 € and 10% up to € 1,200). Similarly, in France, income from paid work is fully cumulated with the RSA during the first three months and after it is possible to cumulate 62% of this allocation with income from employment (Boget, 2013: 114-115).

3. The ambiguous effects of financial incentives on the return to work of the unemployed

Evaluations conducted in France and Germany show that the effects of incentives to return to work are difficult to grasp. Permanent and transitory incentives indeed have a limited impact on the reintegration of the unemployed into the labour market.

3.1. The uncertain assessment of the transitory incentives to work

If it is difficult to properly assess the real effects of the PPE on the return to work, it should be noted that about half of the outputs of the measure is related to an improvement of the financial situation of the household concerned (Duval, 2009). The low incentive of the PPE - already mentioned in the year of its implementation in 2001 - made that this tax credit does not have a significant effect on employment, due to the low amount of the bonus and due to the long time passed between the reintegration into the labour market and the payment of this bonus (Cochard *et al.*, 2008). The increase of the household incomes is not necessarily the sign of getting a gainful job. It may indeed be due to the increase of the total amount of the

household incomes, which suppresses the perception of the bonus but does not mean a return to work of the recipient.

The evaluations show that the RSA has overall positive effects on employment. It induces an increase in the level of employment and of participation in the labour market, mainly by increasing part-time work (Mikol & Rémy, 2009). It also significantly improves the standard of living of poors and it provides support to people that work part-time or that have not worked full year (Bonnetoy, Buffeteau & Cazenave, 2009). The “RSA activité” has a real financial interest as it offers a monetary gain which increases sharply, especially for part-time jobs. Even if it is financially less advantageous in the short term than the “RMI” (*Revenu minimum d’insertion*⁶), the RSA becomes more interesting in the long-term for the recipients who find an employment paid at the minimum wage: the higher income over a longer term procured by the RSA compared to those obtained with the RMI explains that the introduction of this “new formula” of minimum income has led to higher rates of return to work of its beneficiaries (Simonnet, 2012). The RSA makes the return to work relatively more profitable than the RMI, including taking into account the incentive mechanism of the RMI (Anne & L’Horty, 2009). The positive effects of the RSA must however be discussed: although it has a significant impact on poverty of single-parent who work and of single-earner couples with children, it still does not allow a significant proportion of workers to go out of poverty. The French “Cour des Comptes” is also quite skeptical about the positive effects of the “RSA activité”. For its part, it considers that this allowance has a limited work incentive, that it has a low impact on the standard of living and poverty, that the financial gains to reintegrate the labour market are uncertain and, most of all, that monetary considerations are anyway not the only obstacle to return to work (Cour des Comptes, 2013). Finally, the rate of return to work is highly dependent on the family situation: it is higher for women, who are more sensitive to

⁶ The RMI is the former guaranteed minimum income which has been introduced in 1988 in France and which has been replaced by the RSA in 2009.

financial incentives than men, especially when they have dependent children (Danzin, Simonnet & Trancart, 2012: 113). In other words, the MTR of 38% applied in the “RSA activité” does not call into question the logic of the return to work of people with low incomes, those whose income for paid work is near the minimum wage.

Regarding the ACCRE, the business creators who have spent less than a year unemployed before receiving this aid do not have a significant exit rate from the unemployment compensation system; and this result can be explained by the significant role played by the selection of the unemployed who can get this help among those considered most likely to carry out such a project (Cabannes & Fougère, 2012).

The device of “supplement of ARE” is in the logic of “reduced activities” system, which involves a large number of recipients of the ARE (about 40% of them have a “reduced activity” each month). Well, the “reduced activities” system has positive effects on employment, especially in the objective and subjective dimension of the quality of the job occupied by those who have left the list of the job seekers. Objectively, most of the jobs found are full-time and the proportion of work contracts for one year or more is relatively high; subjectively, the recipients have predominantly positive perception of the impact of this device (personal interest in the job occupied, in the economic sector or in the business; employment seen as a means to acquire or develop professional experience and skills, but also as a way to stay close to the labour market and as a potential springboard to a permanent work contract) (Blouard *et al.*, 2012). From this point of view, the “supplement to ARE” would be an effective instrument to return into the labour market. However, these findings should be compared with the fact that the reduced activity is usually taken by default by beneficiaries of the unemployment insurance system and that they often have no choice but to accept a part-time job or a temporary job (Blouard *et al.*, 2012). In addition, the expansion of the reduced activity (+ 34% between 2008 and 2011) is related to the increase in short-term contracts and

to the use of part-time, which affects mainly the elderly and women (Blouard, Costanzo & Mühl, 2013). It is necessary to be careful about the lack of work incentives that can be generated by this type of device: make a short-term temporary job or get a fixed-term contract, even poorly paid, makes it possible to extend the term of the unemployment compensation.

The incentive mechanisms are poorly known from welfare recipients, so their behaviour for searching a job and for returning to work are not influenced by financial considerations (Deroyon *et al.*, 2009). These behaviours are not based solely on monetary motivations: non-financial barriers to return to work (childcare, health problems ...) lead to focus on non-monetary determinants of default of searching an employment or of refusal of a job offer; they thus relativize the role of financial incentives among the factors explaining the reintegration on the labour market (Deroyon *et al.*, 2009). Finally, it is possible that the financial situation of the unemployed is not improved with the obtaining of a remunerated activity, especially when he remains beneficiary of a social minimum (Deroyon *et al.*, 2009).

The *mini-jobs* have contributed to more than half of total employment created between 2002 and 2011: 2 percentage points of the 3.8% growth of the total paid employment are indeed due to the introduction of this device (Conseil Central de l'Économie, 2013). However, the “success” of the *mini-jobs* is relative because the *mini-jobbers* who have benefited most from the effects of the device are inactive people (pupils, students, pensioners) which are not considered as unemployed (Lestrade, 2004). Moreover, the *mini-jobs* explain only marginally the increase of the total employment in Germany (Bouvard *et al.*, 2013: 3). Although wage flexibility related to mini-jobs was facilitated by the absence of a statutory minimum wage – and this default is not compensated by the existence of conventional minima non-binding - the entry into force of a minimum wage in Germany from 1 January 2015 will not fundamentally change the situation. Adopted by the German Council of Ministers on 2 April 2014, the draft

law on the establishment of a national minimum wage (set at a minimum hourly rate of € 8.5 gross) does not concern all unemployed: the long-term unemployed who receive unemployment benefits will be paid, for a period of six months after being hired, at a level below the legal minimum.

3.2. *The relative impact of permanent incentives to return to work*

While the “*Ein-Euro-Job*” led to create over 95,000 jobs since 2004, their impact on the labour market remains rather disappointing (Bouvard *et al.*, 2013). They have made it possible to increase employment only by 0.3%, thus contributing only to 5.4% of the total growth in employment (Conseil Central de l'Économie, 2013). If they can improve the performance in terms of employment, the “one euro jobs” however lead their participants to have worse perspectives than the recipients engaged in traditional measures of job creation and work opportunities (Hohmeyer & Wolff, 2010). Thus, beyond their positive impact on the subsequent performance in the labour market, the “*Ein-Euro-Job*” appear rather ineffective in terms of re-employment of the beneficiaries, except for certain subgroups (Huber *and al.*, 2011). Beyond the heterogeneity caused by the duration of the activity and by the number of weekly hours worked, this type of job has generally moderate effects on employment (Hohmeyer, 2011). The effects of *Einstiegsgeld* remain, for their part, difficult to assess because few evaluations have been conducted on this subject. Nevertheless, some studies indicate that the participation in the labour market has increased for the recipients of the *Arbeitslosengeld II* who were entitled to this monthly bonus. Its payment for supporting business creation has led, two years after the program began, to increase from 11% to 16% the probability of not receiving *Arbeitslosengeld II* and to increase 20% the probability of not being registered as unemployed or jobseeker (Wolff & Nivorozhkin, 2008: 19).

Concerning aids and bonuses to business creation, it should be noted that *Ich-AG* has created jobs, from the first year of its entry into force. According to the German Agency for Employment, that measure has indeed benefited to nearly 41,000 people in 2003 and up to more than 233,000 in 2005 (Koléda & Brun-Schammé, 2010: 34). There is a very positive effect in the long-term of *Ich-AG* and of the “transition allowance” (*Überbrückungsgeld*) on the persons who have benefited of one of these two devices: The participants to the programmes have 15.6% chance of more than the non-participants to not be registered again unemployed 56 months after the start of their return to work and their probability to get a job (with positive effects in terms of income) is higher by 22.1 percentage points than the non-participants (Caliendo & Künn, 2011). For their part, aids to business creation (*Gründungszuschüsse*) have exerted a significant effect on the output of the allowance system (Bouvard *et al.*, 2013: 5). The financial aids for self-employment have in fact lowered the number of jobless claims in Germany (Lequillerier, 2013).

As regards France, the ARCE has also broadly positive impacts. Paid at 76,500 job seekers in 2011, the ARCE is a financial assistance which, in three cases out of four, is essential for the unemployed who want to start their business and whose amount is, for two recipients out of three, sufficient to cover the first financing needs of their project (Costanzo *et al.*, 2014). If more than one in four unemployed that create a company has faced financial problems which forced him to stop his activities, they are still nearly three out of four to pursue their activity two years after their business creation or business takeover; and among those who had to stop their activity, less than one out of eight is again looking for a job (Costanzo *et al.*, 2014). If this aid is participating in returning to work, it also helps to create employment: 1.9 jobs is created in addition to the job held by the entrepreneur former unemployed.

Established to facilitate access to employment for RSA beneficiaries by paying the costs of returning to professional activity, the APRE appears, for its part, as a “useful” assistance to

cover expenses related to their reintegration into the labour market (mobility, child care, environment and professional equipment ...) and to meet the needs not covered by other measures. Received by more than 5% of recipients of the RSA, this financial aid seems to lead, according to the few assessments made in France about its impact, to a professional activity rate greater than the average (Agence Nouvelle des Solidarités Actives, 2013). However, it is criticized by professional actors of the insertion. They consider this aid as insufficient in two respects: firstly, the duration of the payment is too short (the APRE cannot be mobilized during more than six months after the return to work); secondly, it is too focused on the timing of the return to work (which may lead to the exclusion of RSA beneficiaries at other stages of their integration process) (Agence Nouvelle des Solidarités Actives, 2013).

Conclusion

The financial measures for the jobseekers have more and more resulted, in Germany and France, in the implementation of financial incentive schemes to return to work. These two countries have tightened the access conditions to unemployment benefits and have reduced the replacement rate as well as they have increased the flexibility of the labour market (Koléda & Brun-Schammé, 2010). But both also have used incentive instruments in order to promote the reintegration of the unemployed into the labour market. If financial incentives can have positive effects on employment, they are not sufficient to significantly increase the rate of return to work. Oriented on the individuals the most distant from the labour market, they contribute to the development of low-wage jobs and cannot always get people out of poverty.

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