



European Commission



POVERTY AND SOCIAL EXCLUSION IN RURAL AREAS

Final Report

Annex I

Country Studies

**STUDY ON
POVERTY AND SOCIAL EXCLUSION
IN RURAL AREAS**



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FRANCE

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Contents

| | |
|--|-----------|
| Executive Summary | 25 |
| 1. Overview | 27 |
| 2. Main characteristics of rurality | 28 |
| 3. Main characteristics of rural poverty | 31 |
| 4. Rural poverty and policies | 36 |
| 5. Poverty and groups at risk: case studies on significant groups at risk | 43 |
| 6. Conclusions | 48 |
| 7. References | 51 |
| Annex EXAMPLES OF GOOD PRACTICES | 53 |

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Executive Summary

In France, poverty rates are higher in rural districts than in small cities, and slightly higher than in large cities: poverty and social exclusion are persistent phenomena in rural France.

This report stresses the diversity of rural France (section 2). In particular, the agricultural orientation of the economy is no longer predominant: rural areas with a residential orientation dominate, while those with a manufacturing orientation are strongly represented. This diversity notwithstanding, poverty and social exclusion display some distinctive features in rural areas (section 3): they are less correlated to long-term unemployment than in urban areas, less concentrated upon lone-mothers families, and often connected to the lack of decent housing and to bad access to services and employment, due to remoteness.

Policies impacting poverty and exclusion in rural areas (section 4) take three important orientations: they are rarely specifically targeted on rural areas; when they are, they disproportionately target the agricultural sector; moreover, they increasingly tend to select territories on their ability to produce local development strategies.

Are these good orientations? The analysis leads to balanced answers:

- While the lack of focus on rural characteristics may miss problems that are specific to the rural poor – e.g., their difficulty to activate their rights –, existing policies appropriately try to strengthen the links between rural and urban areas. This acknowledges the growing role played by these links, in particular through the residential function or rural areas.
- The “sectoral resistance” of French policies in favour of the agricultural sector is at odds with the declining role of agriculture in rural areas. However, forestry and agribusiness still have a significant weight in rural employment, and poverty among farmers is a real and persistent problem.
- Last, the selection of territories is explicitly conditioned by their ability to group in order to produce documents about their local development strategies. This bottom-up approach arguably increases the level of initiative. However, existing studies also suggest that more dynamic territories that have the appropriate human resources may disproportionately benefit from the funds, thus widening the gap between territories.

An important result of our review is that we lack true impact evaluations of the different policy measures. Clearly, counting the number of recipients or reporting the total spending is not enough. Several micro measures – for instance, subsidizing the investments of micro firms, or the diversification investment of farming households – would deserve rigorous econometric evaluations, and could even be evaluated by controlled experiments using randomized trials. Concerning more macro measures, we now have evaluations of objective 5b programs and of fiscal exemption measures granted to rural areas: the impact on economic activity and employment is not significant, begging the question of whether these measures are sufficiently focused and efficiently administered.

The case study of poor farmers (section 5) illustrates the persistence of poverty within this group. Poverty among farmers has highly specific features in the French context. Whereas poverty and exclusion is generally related to unemployment or underemployment, a substantial share of farmers (22%, according to the most recent numbers) constitute a group of full-time working poor. This specificity can be explained by a conjunction of factors: the structural decline in the price of agricultural goods; the specific adjustment process of the agricultural sector (adjustments take place through prices – revenues – rather than through quantities – employment –; correlatively, in most cases, farming remains a lifetime job); the relative independence with regard to national social policies (as exemplified by the low access to the minimum income, the RMI).

This begs the question of the efficiency of public policies concerning poor farmers. We find that the first pillar of the CAP probably helps reducing poverty occurrence among French farmers by providing a safe, though limited, income to all. The impact of rural development policies (including those of the CAP second pillar) on poverty among farmers remains uncertain, but is probably limited.

FRANCE

Given the diversity of the needs, the practices of specialized institutions and local associations may be appropriate responses to specific situations of poverty. We analyze two such practices (section 6): the measures put into place by the *Mutualité Sociale Agricole* to detect and prevent risks of social exclusion early; and the role played by two associations in Lorraine as intermediaries on the labour market for unskilled workers. We show that the relative success of these practices is based on the adaptation of national measures to specific territories and populations.

To summarize and tentatively conclude, this report shows that, after having been neglected for decades, the territorial dimension of poverty and social exclusion has been widely recognized in France, as well as the need for locally specified policy measures. The risk now seems that these measures may be insufficiently focused, unequally activated by the least organized territories and groups, and not everywhere efficiently implemented. More efficient policy interventions could be based upon less *ex ante* monitoring, better *ex post* evaluation – including true impact evaluations of some key policy measures – and a real involvement of the State in providing tools and expertise, and in disseminating to the whole territory the lessons learnt by local, experimental projects.

1. Overview

The strong heterogeneity of rural areas and the various types of rural poverty raise the question of the public policies that need to be developed. A recent policy evaluation report (Perrin, 2003) stresses the limit of policies targeted toward narrowly defined sectors (in particular, agriculture) and the need to involve local players more in order to adapt local policies to local needs. But in a different perspective (mostly based upon evidence of stigmatisation and resources spreading in urban areas), Maurin (2005) questions the whole logic of policies targeting territories: should they not instead target specific groups within territories?

If targeting specific groups or individuals is the road to be followed, then the findings of Pagès (2004) need to be borne in mind: exclusion in rural areas is, more often than in urban areas, linked to the difficulties or reluctance of poor people to apply for the benefits to which they are entitled, and the difficulties of social workers to find them.

The orientations currently taken by the policies that may affect poverty and social exclusion in rural areas are characterized by two features:

- A still strong sectoral bias toward agriculture;
- The predominance of the objective of developing employment through increased economic initiatives (consistently with the Lisbon strategy).

The net impact of these measures on employment in rural areas is not well-known – and this is probably the first finding of our analysis: the lack of true impact evaluations. One of the rare macroeconometric analyses available suggests that the impact could be quite mixed (Lofredi and Schmitt, 2006). This justifies the stress given by the European Commission not only in favour of *ex ante* but also of *ex post* evaluations of the existing programs. Taking net job creation as the measure of impact makes certainly sense; however, it would also progressively be necessary to translate this into an impact on the income distribution.

2. Main characteristics of rurality in France

2.1. Definitions of rural areas

Administrative documents currently use three alternative and complementary definitions of rural areas:

- The **OECD classification** of predominantly rural / urban / intermediary areas is used in the most recent documents (e.g. diagnostic in the National Strategic Plan for Rural Development (PDRH, 2007))
- The **Zonage en aire urbaine (ZAU)** definition is perhaps the most frequently used. It has been established by INSEE and extended to rural areas [Insee and Inra, 1998]. The ZAU defines rural areas and peri-urban areas by their degree of connection with urban centers, in terms of employment.

The classification is done at the municipality (*commune*) level which corresponds to LAU 2. Specifically:

- urban centers (*communes du pôle urbain*) are defined by the concentration of more than 5,000 jobs;
- peri-urban areas (*communes périurbaines*) have less than 5,000 jobs but have more than 40% of their residents commuting daily to urban centers or to other municipalities of the peri-urban area;
- rural areas (*communes rurales*) cover the remaining of the French territory.

Urban center(s) and their peri-urban areas constitute urban areas (*zones urbaines*). Rural areas themselves are subdivided into three sub-categories:

- rural areas under weak urban influence that have more than 20% and less than 40% of their residents commuting to an urban area;
 - rural centers (*pôles ruraux*) with 2,000 to 5,000 jobs, and their fringes;
 - remote rural areas (*rural isolé*).
- Beside the ZAU, the **old definition of rural municipalities** (dating back to the 1846 census) is still in use: a municipality is said to be rural if it has fewer than 2,000 inhabitants living in the same agglomeration (i.e. with less than 200 meters between two houses).

Policy zoning schemes

The National Report on Strategies for Social Protection and Social Inclusion (PNAI, 2006) rarely mentions rural areas specifically. The difficulties of urban fringes are more frequently mentioned than those of remote rural areas.

By contrast, **rural development policies** are often specified according to **different zoning schemes**. A report on rural development policies (Perrin, 2003) has insisted upon the fact that these zoning schemes overlap only partially. For instance, areas eligible for objective 5b and objective 2 programs differ generally from those eligible for fiscal exemption (*Zones de revitalisation rurale, ZRR*), although population density was one of the criteria used in both cases. The partial overlap of zoning schemes is sometimes viewed as a sign of inconsistency; but it can also be a way to smoothen the boundary effects that each individual scheme creates.

Rural zoning schemes have come under sharp criticism over the past ten years: they were viewed as too complex, arbitrary and useless given the existence of alternative targeting schemes (Mondot *et al.*, 2006). Instead of targeting broad regions or broad categories of space, rural development policies have tended to target individual recipients (e.g., farmers who sign a contract with the administration – *Contrat territorial d'exploitation* replaced in 2002 by the *Contrat d'agriculture durable*) or to fund local projects (e.g. LEADER program and *pôles d'excellence ruraux*). However, zoning schemes remain broadly used: for instance, the *Zones de revitalisation rurale* have been recently redesigned without major changes.

Comparison between classifications

The OECD classification aggregates communities defined as rural or urban on the basis of their population density into predominantly rural and predominantly urban regions.

By comparison, the French *Zonage en aires urbaines* does not barely rely upon population density, but also upon job concentration and home-to-work commuting flows. This has the advantage of focusing upon the connections

FRANCE

between urban and rural areas, whose importance has greatly increased over the past decades. Nonetheless, the OECD classification is more easily available and allows for international comparisons, whereas the *Zonage en aires urbaines* is derived from a complex algorithm.

The “rural index” developed by this study for cross-country comparisons cumulates information on the population density (excluding the largest urban area) and on the share of gross value added in agriculture. It thus approaches criteria that have been used at yet another administrative level (group of municipalities called *cantons*) in the selection for objective 5b and objective 2 programs.

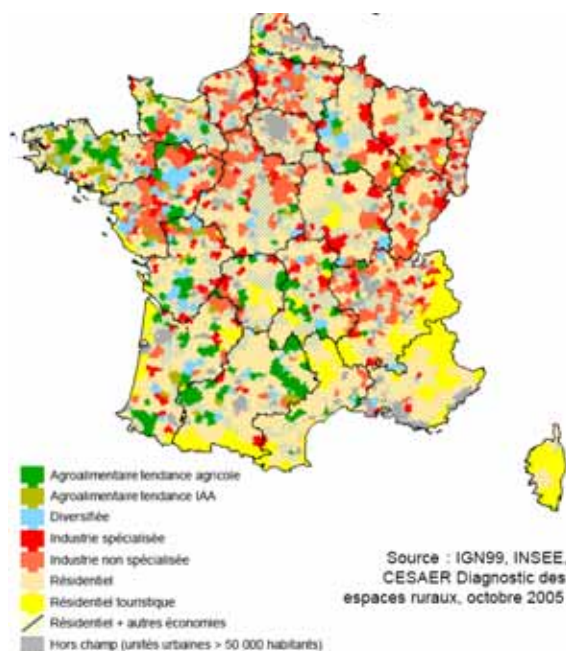
When using these various classifications, it is necessary to keep in mind the heterogeneity of rural areas in France. This is obvious from a physical geography viewpoint, with a sharp contrast between mountainous, sometimes quite remote areas, and the plains. A specific zoning is devoted to mountains (*zone de montagne*).

2.2. The different typologies of rurality in France

Besides geographical classifications, other space categories based on the economic orientation, the employment profile and the access to public facilities are probably more relevant to the study of poverty. Such categories have been recently proposed (DATAR, 2003): rural France has been divided into 1745 areas, organized around cities with fewer than 30,000 inhabitants. Each “living area” (*bassin de vie*) is defined as the space in which most inhabitants look for employment and for key public facilities (for health, education, shopping, etc.). Different typologies can then be proposed, to characterize the degree of autonomy of the areas (in terms of access to job and to public facilities) and their economic orientation. In particular, three broad categories of economic orientations have been defined: residential (48.7% of French territory and 21.9% of the population), agricultural (8.1% and 2.6%) and manufacturing (17.8% and 10.1%). This typology shows the limited role played by the agricultural orientation, and the persistent role manufacturing in French rural areas.

This classification has been used in a slightly modified version by the latest National strategic plan for rural development (PDRH, 2007; figure 1).

Figure 1: Classification of French municipalities according to their economic orientation



2.3. Main social and economic problems in rural areas in France

Although this is partly subjective, it is useful to list the main social and economic problems of French rural areas. We base this list on the diagnostic made by the French National strategic plan for rural development (PDRH, 2007):

FRANCE

- **Unemployment**

The high level of unemployment is common to rural as well as urban areas (while intermediary areas fare better).

One specificity of rural areas is the low employment rate of women (36.4% vs. 41.2% in intermediary areas). A higher fraction of women is looking for a job in rural areas (14.4% vs. 12.6%) or not participating to the labour market. This can in particular be due to the difficulties with child care (lack of child-minding services, transportation problems).

- **Spatial segregation and service availability**

Since 1975 the demographic decline of French rural areas has stopped and the population of rural areas has started growing again on average. However, cities also continue increasing their area of influence, and this creates increasing pressure on the price of land. Part of the population of households with a lower income has tended to move further away from the cities; as a result, there is a clear decreasing gradient in income as one moves away from cities. This is aggravated by the lower availability of services (shops, child-minding services, public transportation).

- **Population ageing**

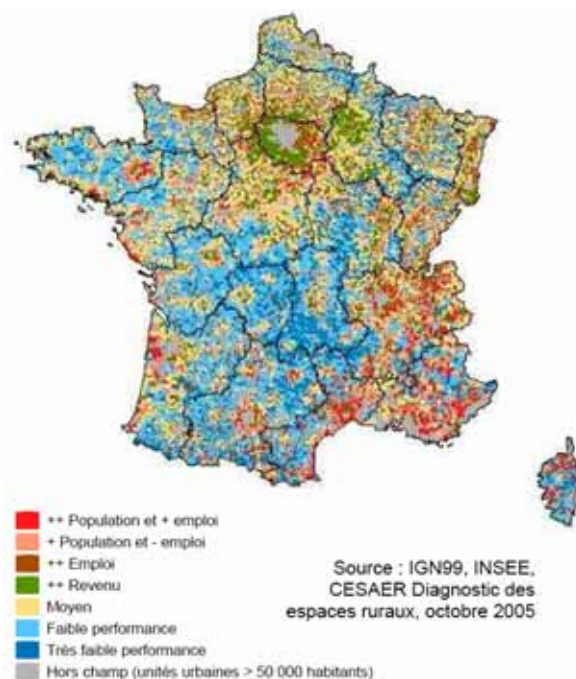
Population ageing is accentuated in rural areas. In 1999, more than 25% of the rural population was older than 60. For France as a whole, the proportion was only 21% (PDRH, 2007).

- **Heterogeneity**

Although underscoring these general trends is useful, it is probably even more useful to underscore the diverging socio-economic trends of different rural areas in France. Following the diagnostic made by the CAESAR research team, and as illustrated by figure 2, one can distinguish three different trends in French rural areas:

- Rural areas that benefit from the proximity of dynamic urban areas and that have a strong economic potential (*Rhône*s valley, South-East, Atlantic coast, *Ile-de-France*).
- Rural areas “in search of new equilibrium” (North, East).
- Fragile rural areas, characterized by a demographic and economic decline (*Auvergne*, *Limousin*).

Figure 2: Performance of rural areas



3. Main characters of rural poverty in France

3.1. Measurement of poverty in France

The national definition of the poverty rate has been aligned on the Eurostat definition: poor households have equivalised (per unit of consumption, OECD scale) disposable income below 60% of the national median. Regional thresholds are not normally used.

This statistic is computed from the SILC data as well as from a variety of sources: administrative fiscal data (*Revenus fiscaux*), consumption surveys (*Budget des familles*), and other household surveys.

However, recent research (see in particular the special issue of *Economie et statistiques* introduced by Verger, 2005) as well official reports by the national observatory of poverty and exclusion (*Observatoire national de la pauvreté et de l'exclusion sociale, ONPES*) have stressed the necessity to use a broader range of indicators to account for the multiple dimensions of poverty. The ONPES has thus proposed a list of ten indicators of poverty and exclusion:

- five poverty indicators: the poverty rate (as defined above), two indicators of poverty persistence and two indicators of poor living conditions;
- four indicators of exclusion, relating to:
 - employment (rate of unemployed workers who have exhausted their unemployment benefits);
 - health (rate of non access to health services by lack of resources);
 - education (rate of young people leaving school with low achievement);
 - housing (rate of unsatisfied housing demands);
- one indicator of inequality (the interdecile ratio).

Poverty rates in urban and rural areas

The poverty rate is available separately for rural and urban areas.

According to ONPES (2006), poverty tends to become more and more an urban phenomenon. Between 1996 and 2002, the poverty rate has grown in large cities (above 200,000 inhabitants) and decreased in small cities and rural areas. However, in the cross-section, rural districts (below 2,000 inhabitants) still have the highest proportion of poor people (slightly above 25%, compared to about 24% in cities above 200,000 and to about 13% in cities below 20,000).

It should be noted, however, that such comparisons of *poverty rates* are not robust to changes in the methodology: in particular, poverty rates decrease significantly in rural areas if they are corrected for the fact that many rural households own their home and do not pay rents. Moreover, these poverty rates do not account for local variations in the price of goods and services: in that sense, they may not capture differences in real income well.

3.2. Rural poverty in France

The analysis of rural poverty and exclusion involves a variety of stakeholders – local and national administrations, associations, local politicians, social workers, and researchers. In particular, the mid-term evaluation of the last National Rural Development Plan (2000-2006) has involved stakeholders at the regional and national levels in a long-ranging process (Lacombe *et al.*, 2006).

The “rediscovery” of the rural poor in official documents

The past few years have witnessed several policy reports on spatial inequalities, poverty and segregation. Until recently, most reports have focused upon urban areas, where problems are often perceived as the most acute. However, poverty in rural areas has been put forward by recent reports, in particular by the *Observatoire national de la pauvreté et de l'exclusion sociale* (ONPES, 2006¹). This “rediscovery” of rural poverty in policy reports reflects the increased attention to local poverty situations, partly induced by the decentralization of social policies.²

FRANCE

This decentralization is partly based on the premise of a strong variability across regions, but this diversity has not been well documented.³ Recent reports have therefore tried to use existing administrative data to document regional variations and to synthesize the existing local studies (see Mansuy and Pallez, 2002). The renewed attention to rural poverty is partly a result of this effort: as argued by Péchoux (2006), it probably reflects better statistical coverage more than changes in the phenomenon itself.

The last National Report on Strategies for Social Protection and Social Inclusion (NPAI, 2006) mentions two specific groups at risk:

- the seasonal agricultural workers;
- the young unemployed.

Main at-risk groups identified in the scientific literature

Davezies and Korsu (2002) show that older people (over 65) are overrepresented among the rural poor and lone parents and single individuals are underrepresented compared to what happens in urban areas. Moreover, rural poverty is less correlated to long-term unemployment than urban poverty.

In an analysis of the evolution of spatial income inequality during the past two decades, Behaghel (2006) shows how the contrasts between the rural and urban populations (share of farmers and blue collars, but also family structure, labour force participation and employment) can statistically explain a significant share of the differences in income per consumption units; the faster rise of unemployment in urban areas is one of the major forces driving the closing of the rural-urban income gap between 1984 and 2002.

Beyond these general characterizations of rural poverty, several studies have focused upon specific groups (younger or elderly people, blue collars, farmers, etc.). In particular, several studies have consistently shown the persistence of poverty among farmers, despite the steady decline in the number of farms that could have implied the survival of the most profitable ones (Jégouzo, Brangeon and Roze, 1998; Blanc and Perrier-Cornet, 2001; Guillaume, 1999). Blanc and Perrier-Cornet (2001) show that even when averaged over three years (1996-1998), farm income remains negative or below the minimum wage in about one farm out of five. A vast majority of those farmers complete their income with other activities, but the additional income is low in most cases. In addition, the opportunity for additional revenues appears to decrease with the distance to labour markets: the probability of relying on social assistance (*Revenu minimum d'insertion, RMI*) increases with the distance to large cities.

Davezies and Korsu (2002) suggest four factors to explain the different levels of poverty in France. The first one is the level of economic development: high levels of economic development help explain the low poverty rates in regions like Alsace, Ile-de-France and Rhône-Alpes. Second, the “form” of development comes into consideration: in particular they argue that dense networks of small or medium-size businesses resist better to economic shocks than regions with large businesses and few entrepreneurs. Third, the economic orientation matters: mono-industry manufacturing regions (Lorraine, Pas-de-Calais) have suffered from the decline of manufacturing in France. Last, the repatriation of poor people is largely driven by migrations: some regions tend to “export” poor people (e.g. Lorraine) while others attract them (e.g. Languedoc). On average, rural areas do not fare well on these four factors: “Generally speaking, rural areas – even more so in the Western part of the country – cumulate delayed economic development, weak demographic and economic dynamics and poverty” (Davezies and Korsu, 2002, p. 236). However, the authors recognize that this is not sufficient for causal analysis: what are the mechanisms behind these four factors?

Recent work in economic geography has attempted to deepen the analysis while dealing specifically with rural areas. In particular, the low density of the population in rural areas has been put forward as a specificity of rural areas that helps explain their economic specialization and some features of unemployment. Blanc, Aubert and Détang-Dessendre (1999) stress the impact of higher matching frictions on rural labour markets (difficulties for firms to find the desired worker, and symmetrically for worker). These frictions help explain why firms looking for a skilled workforce rarely settle in rural areas while those looking for a stable, unskilled workforce might be attracted by the lower equilibrium wages. This might have consequences on the share of “working poor”: the descriptive results of Davezies and Korsu (2002, p. 215) show that the share of low wage workers is somewhat higher in rural areas. Ongoing work by Détang-Dessendre and Gaigné (2006) analyzes the consequences of matching frictions on unemployment duration. It tends to show that, *ceteris paribus*, unemployed workers in rural areas have more difficulties finding a job when the density of the labour market gets lower.

The mechanisms of migrations and segregation have been studied from a variety of perspectives – geographic, economic, and sociological – but with a strong focus on cities and their close urban fringes. However, the same kind of mechanisms seems to apply to distant peri-urban areas and to rural areas. Guilluy and Noyé (2004) contend that the France of poor people is the France of peripheries – distant peri-urban areas and rural areas – to which households migrate, either to access home ownership, for those with sufficient resources, or in search of the lower cost

of living. In both cases, migrants are often caught in the trap of scarce public facilities and insufficient transportation systems that disconnect them from job opportunities. The specific case of poor urban people migrating to remote rural areas to take advantage of lower cost of living has been stressed by Maclouf (1986) who called them “refugees from cities” (*réfugiés de la ville*).

3.3. Multi-dimensional analysis of poverty and social exclusion in France

Geographical location

Poverty prevalence varies greatly across areas, even within a specific type of space (rural or urban). However, poverty rates are not computed locally, but an approximation is given by the share of households with low fiscal income (first decile). Poor households are concentrated in the South-West part of France (West of a line going from Saint Briec to Dignes) and in the North (Davezies and Korsu, 2002).

As stated above, poverty tends to become more and more an urban phenomenon (ONPES, 2006). Between 1996 and 2002, the poverty rate has grown in large cities (above 200,000 inhabitants) and decreased in small cities and rural areas. However, in the cross-section, rural districts (below 2,000 inhabitants) still have the highest proportion of poor people (slightly above 25%, compared to about 24% in cities above 200,000 and to about 13% in cities below 20,000)⁴. Such comparisons of *poverty rates* are not robust to changes in the methodology: in particular, poverty rates decrease significantly in rural areas if they are corrected for the fact that many rural households own their home and do not pay rents.

Physical infrastructure, accessibility (roads, railways, etc.), housing quality and utilities

In January 2004, 98.4% of the population lived at less than 45 minutes from one at least of the three following transportation infrastructures: a railway station with more than 50 departures per day, a highway or an airport. The rest of the population lives in mountainous, low density areas. As measured by the ORATE program, accessibility is lower in mostly rural *départements* of the Massif Central or in the West of France (DATAR, 2005, pages 95 and 96).

Poor households own their house more frequently in the South-West part of France (West from a line going from Cherbourg to Montpellier) and in rural areas: 50% of households in the lowest income decile own their house in rural areas, compared to 18% in the Paris region (Davezies and Korsu, 2002). However, housing quality is often low: 40% of non decent housing is found in rural areas (PNAI, 2006).

The distance to services such as mail offices, police station (*gendarmerie*) in unequipped municipalities has remained roughly stable in France in past decades. It was 5.6 km and 7 km, respectively, in 1998.

Access to health care and long term care

The supply of health care can vary significantly from one region to the other. For instance, the number of doctors per inhabitants is 70% higher in *Ile-de-France* and *Provence-Alpes-Côte d’Azur* than in *Picardie*. In 2004, the *Observatoire National de la démographie des professions de santé* established a typology showing that 1.6% of the population suffered from a low access to health care, mainly in the North of France and in overseas regions (DATAR, 2005).

Environmental problems

Environmental problems take very different forms in rural and urban areas: air pollution in cities, water pollution in some agricultural regions such as *Bretagne* (DATAR, 2005).

Types of activities and labour market structure

However, other space categories based on the economic orientation, the employment profile and the access to public facilities are probably more relevant to the study of poverty. Such categories have been recently proposed (DATAR, 2003): rural France has been divided into 1745 areas, organized around cities with fewer than 30,000 inhabitants. Each “living area” (*bassin de vie*) is defined as the space in which most inhabitants look for employment and for key public facilities (for health, education, shopping, etc.). Different typologies can then be proposed, to characterize the degree of autonomy of the areas (in terms of access to job and to public facilities) and their economic orientation. In particular, three broad categories of economic orientations have been defined: residential (48.7% of French territory and 21.9% of the population), agricultural (8.1% and 2.6%) and manufacturing (17.8% and 10.1%). This typology shows the limited role played by the agricultural orientation, and the persistent role manufacturing in French rural areas.

FRANCE

Farming, farmers and agricultural employees subsistence economy, unpaid family workers

As stated above, several studies have consistently shown the persistence of poverty among farmers, despite the steady decline in the number of farms that could have implied the survival of the most profitable ones (Jégouzo, Brangeon and Roze, 1998; Blanc and Perrier-Cornet, 2001; Guillaume, 1999). Blanc and Perrier-Cornet (2001) show that even when averaged over three years (1996-1998), farm income remains negative or below the minimum wage in about one farm out of five. A vast majority of those farmers complete their income with other activities, but the additional income is low in most cases. In addition, the opportunity for additional revenues appears to decrease with the distance to labour markets: the probability of relying on social assistance (*Revenu minimum d'insertion, RMI*) increases with the distance to large cities.

More recently, the attention has been drawn upon the difficulties faced by seasonal agricultural workers (NPAI, 2006).

Family composition

Lone parents and lone men and women are less frequent in rural areas (table 1).

Table 1: Family composition in urban and rural areas

| Type of family | Urban areas | Rural areas |
|------------------------------------|-------------|-------------|
| Lone man | 16.0 | 10.5 |
| Lone woman | 22.6 | 16.2 |
| Couple without children | 21.4 | 11.8 |
| Couple with one child | 11.1 | 11.8 |
| Couple with two children | 11.1 | 11.8 |
| Couple with three children or more | 4.5 | 3.5 |
| Lone parent family | 4.4 | 1.6 |
| Other households | 8.9 | 17.0 |
| Total | 100 | 100 |

Source: Fall and Verger (2005), based on the ECHP (2001)

Even when controlling for this structural difference, the risk of poverty is somewhat lower among rural lone parents / lone men or women than among their urban counterparts (Davezies and Korsu, 2002).

Age structure

The age pyramid is skewed toward older people in rural areas (table 2).

Table 2: Age structure of households

| Age of the household head | Urban areas | Rural areas |
|---------------------------|-------------|-------------|
| <30 | 7.0 | 6.1 |
| 30-39 | 18.0 | 20.3 |
| 40-49 | 21.5 | 15.4 |
| 50-59 | 15.6 | 15.0 |
| 60-69 | 12.1 | 14.8 |
| >70 | 25.8 | 28.4 |
| Total | 100 | 100 |

Source: Fall and Verger (2005), based on the ECHP (2001)

FRANCE

Moreover, the risk of poverty is above average the corresponding national average in rural areas among households whose head is aged below 25 or above 60, whereas it is close to the national average for those aged 25 to 59.

Taken together, these two facts explain why poverty in rural areas predominantly concerns households whose head is above 60: they make up to 50% of the poor, compared to 34% on average in France (Davezies and Korsu, 2002). However, this specific feature of rural poverty tends to decline, in particular due to improving retirement conditions.

Access to education

The average distance to primary schools has increased from 1.6 km in 1980 to 3.7 km in 1998 for (rural) municipalities which do not have a primary school, while the corresponding average distance to secondary schools has decreased over the same period, from 8.3 km to 7.6 km. As of 1994, 54% of municipalities in remote rural areas (as defined by the *Zonage en aires urbaines*) had a primary school. The decline in the number of rural primary schools is linked to a strategy of grouping schools over two to six municipalities when the number of pupils becomes too small.

Gender

Lone women and lone parent families are less frequent in rural areas (see table 1 above). Overall in France, poverty rates are higher among women than men: respectively 12.6% and 11.8% in 2002. This gender gap increases with age: the poverty rates are 11.6% and 9.7% above age 64 (ONPES 2006). This difference, however, is not documented as specific to rural areas.

Ethnicity

French statistics do not produce data on ethnicity as such.

Migration

Recent decades have witnessed a reversal of migration flows from urban to rural areas. However, the population of urban areas keeps growing faster due to higher natural growth (fertility is higher). There are strong disparities from one region to the other (Perrin, 2003, page 31).

Foreign immigration mostly concentrates in urban areas.

As noted by Davezies and Korsu (2002), the repartition of poor people is largely driven by migrations: some regions tend to “export” poor people (e.g. Lorraine) while others attract them (e.g. Languedoc). The extent to which migration of poor urban people to the rural areas is a significant source of rural poverty is still discussed. As noted above, Guilluy and Noyé (2004) contend that the France of poor people is the France of peripheries – distant peri-urban areas and rural areas – to which households migrate, either to access home ownership, for those with sufficient resources, or in search of the lower cost of living.

Commuting

Commuting has been extending quickly over the past decades. The share of the population living in municipalities with more than 40% of residents commuting to the urban center has risen from 9% in 1982 to 18% in 1999 (Behaghel, 2006).

Crime

Rural areas usually witness lower crime rates than rural areas (predominantly rural regions like *Limousin*, *Auvergne* and *Bretagne* had a crime rate below 45 per 1000 inhabitants in 2004, compared to a national average of 64).

Notes

¹ See chapter 3 about “Territories and poverty”.

² E.g., the distribution of minimum income – RMI – by local authorities – the *départements* – since 2003.

³ As noted in ONPES (2006), poverty rates are not available at the *département* level.

⁴ These figures are based on relative poverty measures.

4. Rural poverty and policies

4.1 Rural poverty and social policies in France

The last National Report on Strategies for Social Protection and Social Inclusion (NPAI, 2006) sets three priorities for the 2006-2008 period:

1. Increasing the access to employment for those who are the furthest away from employment;
2. Improving the integration of young people into the job market;
3. Developing the supply of social housing.

These priorities are transversal and are not specially targeted at rural areas. Some specific implications for rural areas are nonetheless mentioned in the report:

1. Concerning access to employment, the report stresses the need to encourage alternatives to public transportation for the unemployed in remote rural areas;
2. The case of young rural people and their integration into the job market is not addressed specifically;
3. Concerning social housing, the report stresses the lack of decent housing for seasonal agricultural workers as well as the bad housing conditions of a significant fraction of rural residents.

4.2 Rural poverty and main policies affecting rural areas

Assessing the effectiveness of European / national policies to reduce poverty and social exclusion in rural areas requires defining criteria of achievement and agreeing on evaluation methods. Evaluations should ultimately include an evaluation of the policies' impact on the outcome of interest (see for instance the guidelines given by the European Commission that recalls the distinction between the output, the outcome and the long-run impact of a policy – European Commission, 1999).

The econometric and statistical literature on program evaluation underscores the difficulty of true impact evaluations outside experimental contexts and sets the standards for analyzing the causal impact of policies (Heckman, Lalonde and Smith, 1999). The goal of impact evaluation is precisely stated in the framework of the Rubin model (Rubin, 1974). The causal effect of a program, for a given individual (or entity), is defined as the difference between the outcome for this individual in the presence of the program and the outcome for the same individual in the absence of the program (the *counterfactual*). The same individual is never observed at the same time in the presence and in the absence of the program; in other terms, the counterfactual is never directly observed, and it has to be reconstituted by the evaluator. This requires making assumptions that are more or less credible. The goal of impact evaluation is to make inference that relies upon minimal, plausible identifying assumptions. The “gold standard” for impact evaluation is thus given by controlled social experiments which are based on randomized trials: recipients and non-recipients are randomly chosen so that the control group – the non-recipients – are on average statistically identical to the treatment group – the recipients – and therefore constitute a valid counterfactual under minimum assumptions.

By contrast, the indicators often used are rather output indicators that do not allow for impact evaluation. Take the measure 311 in the National Strategic Plan for Agricultural and Rural Development (PDRH, 2007). This measure aims at facilitating the diversification of farming households towards non agricultural activities by subsidizing the investments made by the households. The indicators monitored are the number of recipients and the total volume of investment subsidized. This measure of output is not sufficient to assess the causal impact of the measure on the share of farming households that diversify their activity. Indeed, the measure may be used by those who would have developed the activity anyway, crowding out those who need the credits more, and having no aggregate impact on diversification. Typically, on such micro measures, better impact evaluations are feasible, e.g. randomizing the timing of the introduction of the subsidies, or with variations in the rate of public funding. This would allow to infer what the measure actually changes to multiactivity of farming households, hence to poverty.

A first result of our review and assessment of public policies related to poverty and social exclusion in rural areas

is the lack of evaluations that meet the standards of true impact evaluations. And a first recommendation is to anticipate the need of impact evaluations, not only, as is already well done by EC programs, by requiring *ex ante*, *ex post* and *in itinerae* evaluations, but also, whenever possible, by designing the policy and its implementation in ways that allow for robust impact evaluations.

A second difficulty is the multidimensional nature of poverty and social exclusion. Individual policy measures do not try to reduce all aspects of poverty. They are combined into policies that entail a variety of measures. Moreover, policies that matter for poverty and social exclusions in rural areas are not always intended to fight poverty; when they are, it is not always their only objectives. It is thus necessary to disentangle the impact on poverty and social exclusion in rural areas of a variety of measures, included in a variety of policies that also have different objectives.

This being said, our assessment of existing measures will follow two main approaches:

1. The first one is to look for measures and existing policies for which we can come the closest to impact evaluations in terms of variables that are important drivers of poverty and exclusion (e.g. employment). However, focusing only on these measures would run the risk of assessing a specific group of measures at the expense of other measures that are harder to evaluate, but that may be shaping poverty and exclusion as well. Therefore, this first approach provides useful “zooms” through robust *ex post* assessment of specific measures, but is not sufficient to get a comprehensive picture of the reality.
2. The second approach is an *a priori* assessment of policy designs. Are they targeted towards groups that are most at risk of poverty? Are the various measures combined into a consistent policy? Such *ex ante* evaluation strongly relies upon the evaluators’ knowledge (or beliefs) about what works and what does not work. Furthermore, it does not tell whether the policies were implemented according to the initial design. It thus needs to be complemented by the first approach.

By convenience, our assessment will be divided into two groups of policies. Section 1 will assess agricultural and rural development policies (in particular, the Common Agricultural Policy, CAP). Section 2 will address structural policies.

4.2.1. Agricultural and rural development policies

The French Strategic Plan for Agricultural and Rural Development provides an up-to-date reference to agricultural and rural development policies for the 2007-2013 period. We focus on the measures for metropolitan France detailed in the PDRH (2007).

We first review the overall policy structure, and then focus upon two specific measures: the past experience of objective 5b programs (an example of an integrated rural development program) and the fiscal exemption measures concerning the *Zones de revitalisation rurales* (ZRR).

➤ Overall policy structure: recent trends and the 2007-2013 National plan

Sectoral resistance: the focus on agriculture

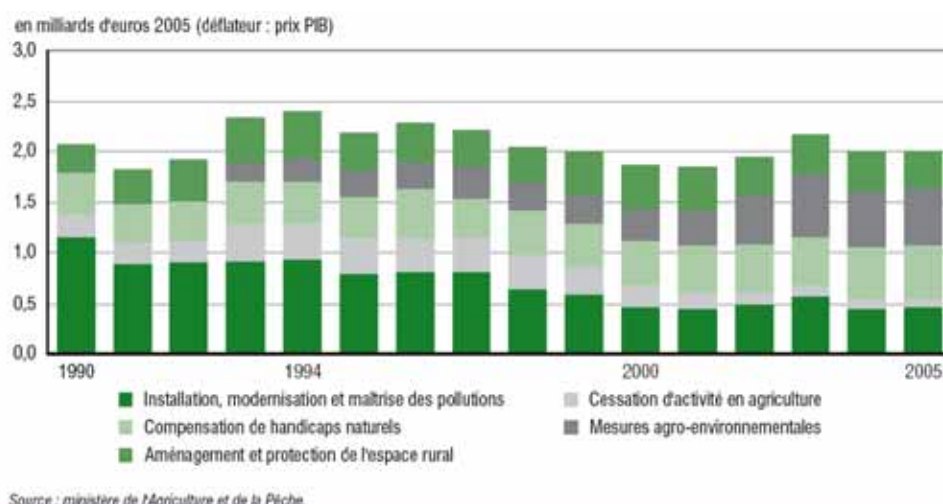
The allocation of financial resources shows what Guérin (2006) calls the “sectoral resistance” of French policies in rural areas: they remain predominantly targeted at the agricultural and agribusiness sectors.

The appendix details the overall public spending for rural areas and agriculture, adding national and EU funds. As of 2005, a few facts stand out. The interventions on agricultural markets (the domain of the 1st pillar) represent more than 10 billion euros out of a total of 12.6 billion. Moreover, that share tends to grow: between 1990 and 2005, it rose from 78.8% to 82.3%.

Figure 3 details the evolution of the funds allocated to rural development policies. The total spending has actually declined sharply from 1994 to a low point in 2001, before rising and stabilizing. The structure of spending has also evolved: agri-environment measures and transfers to less favoured areas have been progressively substituted to subsidies devoted to young farmers starting up in farming.

FRANCE

Figure 3: Evolution of public funds allocated to rural development in France



Source: Dervieux (2007)

The recent French Strategic Plan for Agricultural and Rural Development confirms these trends. Within the 2nd pillar, France has chosen to devote the minimum (10%) of EU credits to rural development policies. And within these rural development policies, a significant share goes to the agricultural sector (in particular, agri-environment measures and measures in favour of less favoured areas).

The question of whether this sectoral bias in favour of agriculture is efficient and sustainable is debated. As the Strategic Plan recalls, agriculture, forestry and agribusiness still have a significant weight in rural employment (1.2m jobs in agriculture and 0.6m in agribusiness). Agribusiness represents 10% of the manufacturing sector. Nonetheless, as discussed by Perrier-Cornet (2006), in the most likely scenarios, the economic role of agriculture will continue declining, putting the current bias of public policies into question.

The 2007-2013 rural development plan

Following the EU guidelines, the PDRH (2007) is divided into 34 measures classified along four axes:

- Axis 1: Improving the competitiveness of the agricultural and forestry sectors: 31% of EU funds;
- Axis 2: Improving the environment and countryside: 58% of EU funds;
- Axis 3: Improving the quality of life in rural environment and encouraging diversification: 10% of EU funds;
- Axis 4 (Leader): Building local capacity for employment and diversification (5% of EU funds spread over the first three axes).

We focus our review on axis 3 to complement the review of the sectoral measures reviewed in the case study about poor farmers, and provide a brief *ex ante* assessment of some key measures:

- Measure 311 provides subsidies to facilitate the diversification of farming households towards non agricultural activities. This is consistent with the finding that multiactivity is a way of exiting poverty for farming households. The focus of the measure (agritourism, tourist accommodation, services, direct sale of farm products) is also consistent with the evidence that the residential function is an important source of growth for rural areas: for instance, Davezies (2001) claims that revenues brought by new residents (in particular, retired people) play an important role in local economies and help explain the equalization of income across regions. On these grounds, measure 311 is likely to help reduce poverty and social exclusion among farmers.

However, as noticed above, the indicators used are insufficient to assess the true impact of the measure. This is problematic as there are some serious potential drawbacks to such subsidies. First, the measure may disproportionately benefit those who are already better off, as they may be more prone to develop new activities and more able to satisfy the administrative requirements linked to obtaining the subsidies (filing in the

FRANCE

appropriate application); second, the measure may be used by those who would have developed the activity anyway, crowding out those who need the credits more, and having no aggregate impact on diversification.

- Measure 312 subsidizes investments made by micro-firms (employing less than 10 persons). The economic rationale is that small firms in commerce and crafts may accompany the development of the residential function in rural areas, while providing jobs to local people. Once again, however, there are issues on the efficient level of subsidies – how large should they be to internalize the positive externalities linked to these activities? Monitoring the number of aided firms and the total amount of investments does not say much on the selectivity of the measure (who gets it?) nor on its net effect.
- Measure 313 aims at promoting rural tourism by subsidizing equipment investments and immaterial investments. The focus is on the quality and the sustainability of the tourism activities developed. Here, the goal is to leverage the externalities linked to the residential and tourism functions of rural areas. Again, redistributive and welfare effects cannot be monitored on the sole basis of the indicators used, which only measure the volume of the aid.

Measures 311 to 313 follow a common rationale: develop employment by subsidizing private and public investments, so as to better internalize their positive effects on local activities. However, the public funds allocated to these activities remain quite modest: about 200 million euros, less than 2% of the public funds allocated to the PDRH.

- Measure 321 targets the development or preservation of basic services to the rural population (health, culture, employment, transportation).
- Measure 331 provides subsidies (up to 70%) to training and information actions. This measure of capacity building is likely to be complementary, in the economic sense, with measures 311 to 313. They are however thought separately.

Overall, measures in axis 3 follow the general policy outlined by the European Council at Lisbon (2001) in the sense that they are predominantly active policies to promote employment. One key issue with such measures is to check that they also reach the most vulnerable members of rural societies. To that end, indicators on the individual characteristics of the persons effectively reached would certainly be helpful. Sources such as the *Observatoire du développement rural* that aims at combining individual information on the recipients' situation (income) and the subsidies received will be particularly useful.

Moreover, a general concern with subsidies to economic activities is that they may go to activities that would have taken place anyway and increase public spending without creating additional activities. Here is an area in which standard microeconomic experimental and non experimental methods would be necessary to assess the measures' net effects.

Two cases of ex post evaluations of rural development measures

Although *ex post* evaluations of rural development policies are rare, some examples lead to interesting, yet somewhat troubling results. We review the results of two different types of evaluations:

- one that makes a global assessment of rural development policies that took place in the EU objective 5b program;
- the other that focuses on a specific measure: the fiscal exemption granted to the *Zones de revitalisation rurale (ZRR)*.

Assessing the macroeconomic impact of integrated rural development policies: the case of objective 5b programs in France

We base our assessment of objective 5b programs in France on a recent econometric study by Lofredi and Schmitt (2006). The evaluation concerns programs that took place between 1994 and 1999. However, these programs have many characteristics in common with the rural development policies planned for 2007-2013.

Three priorities were set to objective 5b rural development programs:

- the diversification of farming and forestry;
- the development of small and medium-sized businesses;
- the development of rural tourism.

FRANCE

The allocation of funds was decentralized so as to target the most vulnerable areas at a subregional scale. This was done within each region by selecting small administrative units (*cantons*, corresponding to NUTS 4).

Two aspects are of direct interest in order to assess the impact on poverty and social exclusion: how were the funds allocated? And what was the impact of these funds? The econometric analyses presented by the authors shed light on the two questions.

- *Fund allocation:*

Eligible areas were selected applying the criteria defined in Regulation (EC)2052/88, that concerned the level of development, the demographic trends and the share of rural activities. However, these criteria did not mechanically determine the treated areas, as they did not define explicit eligibility rules (threshold values on well-defined indicators) and as only imperfect measures of the criteria were available in France at the NUTS 4 level. In practice, the selection of the eligible areas was rather the results of a negotiation process involving the Regional assemblies (Conseils régionaux), the structures in charge of European affairs in the region (the *Secrétariats généraux pour les affaires régionales*, SGAR) under the monitoring of the authority representing the State (*préfets* and *sous-préfets*). This implies that political, administrative as well as socio-economic considerations interfered in the selection process.

Overall, the selection process did not lead to a concentrated fund allocation. Within the 18 regions concerned (out of 22 French regions), 1590 *cantons* were selected, covering 60% of the land and representing a population of 10 million inhabitants. Over the program's five years, 910 euros were spent per inhabitant (on average; there was limited variation across regions: standard deviation of 193 euros). This tendency to spread resources may imply coordination problems, lack of visibility, less leverage and less impact on the most disadvantaged areas. Moreover, the statistical analysis shows that the selection criteria were not very closely followed. *Cantons* that were close in terms of *ex ante* socio-economic indicators were not treated identically, some of them becoming eligible, and some of them not. Technically speaking, the overlap in the support of the propensity scores of the treated and non treated areas is quite large (see the graphics in Lofredi and Schmidt, 2006, page 29).

- *Outcome*

Even though it means that the program was not really focused, this support overlap is an opportunity for impact evaluation. Non selected *cantons* with observable characteristics similar to *cantons* that were selected provide a natural counterfactual to assess the impact of the program. The underlying assumption is that, had there been no objective 5b program, selected *cantons* would have performed similarly to similar non selected cantons. This remains a strong and non tested assumption. It could be violated if, for instance, regional assemblies were able to target *cantons* which faced particularly bad economic prospects – in which case the effect of objective 5b programs will be underestimated by the evaluation.

This notwithstanding, the results are mixed. The most robust effect is that objective 5b programs have increased the average income per inhabitant. However, there is no clear-cut evidence that they created new jobs over the 1990-99 period, once preceding trends have been controlled for. Last, the programs were unsuccessful in inverting demographic trends.

Assessing the employment effects of a targeted tax exemption: the case of the Zones de revitalisation rurales

The weak aggregate impact of objective 5b programs in France begs the question of whether more targeted micro measures may have stronger detectable impacts. One such measure may be the tax exemption granted to selected rural areas. In the short assessment that follows, we build upon the analysis by Lofredi (2006) as well as our own statistical analyses.

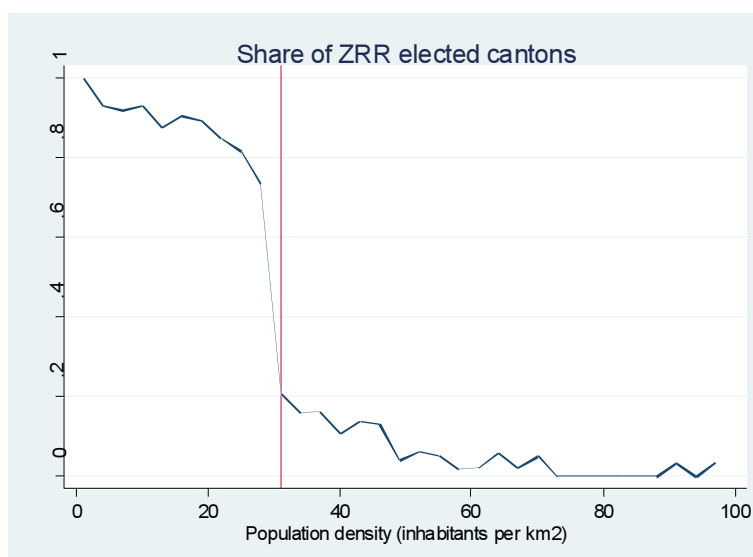
Like enterprise zones in the US, the ZRR program aims at providing incentives for entrepreneurs to set up or expand their activities in economically less-developed zones. The incentives include regulatory simplifications and fiscal alleviation on such taxes as payroll taxes.

A key difference with the objective 5b program is that an explicit quantitative criterion was defined for the selection of areas (again, the *cantons*) into the measure. Besides secondary criteria, *cantons* with a low population density (<31 inhabitants per km²) were targeted. Indeed, as shown by Figure 4 there is a clear discontinuity in the chances of being eligible to the ZRR program at the population density threshold of 30 vs. 31 inhabitants per km².

This makes it possible to compare *cantons* close to the threshold of 31 inhabitants per km². As these *cantons* are similar except for a discontinuous jump in the probability of being eligible into the program, the differences in the evolution of employment can be safely attributed to the tax exemptions. Results based on this approach confirm those of Lofredi (2006) that are based on more standard methods: the program did not succeed in raising employ-

FRANCE

Figure 4: Selection process into ZRR



ment and in attracting firms. A possible explanation is that the measure suffered from underpromotion and lack of readability; moreover, its criteria might have been too restrictive.

4.2.2 Structural policies

We organize the analysis of structural policies around the recent National Strategic Reference Framework for Regional Policy 2007-2013 (*Cadre de référence stratégique nationale, CRSN 2006*). These orientations are enforced at a regional level, which may result in some diversity. They are however a good starting point for an *ex ante* assessment of what could be the impact of structural policies on poverty and social exclusion in rural areas.

Our analysis is done separately for overseas territories (*Départements d'outre-mer, DOM*) and Metropolitan France. The former are Convergence regions and will receive around 2.8 billion euros from the structural funds; the latter are all Competition regions and will receive 9.1 billion euros.

Policies affecting the DOM

With per capita income below 75% of the median EU income, the DOM are classified as Convergence regions. Their insularity and the distance to metropolitan France make them highly specific. They are predominantly rural with high poverty rates and a large share of the population depending upon social minima (RMI and other forms of minimum income).

The key orientations for the DOM detailed in the National Strategic Reference Framework for Regional Policy 2007-2013 (CRSN, 2006) are the following:

1. For competitiveness, the stress is put on the specific transportation and communication needs, involving in particular public investments in New Information and Communication Technologies (NTIC).
2. For territorial cohesion, the stress is put on urban rather than rural development. The objective is to reintegrate suburban districts that have spread without appropriate infrastructures; the infrastructures for rural areas appear a lower priority.
3. The employment policy follows the same line as the general employment policy, except for an effort targeted at improving the bad image of some occupations.
4. Fighting illiteracy is given a high priority.

These orientations are consistent with the diagnostic of these territories suffering from a low integration to the rest of France. However, they strikingly remain transversal or predominantly urban-oriented policies.

Policies for Metropolitan France

The main orientations for employment, human capital development and social inclusion are common to rural as

FRANCE

well as urban areas. They are strongly focused upon employment policies. One key feature is the effort to better coordinate local players such as the public employment service (ANPE) and the unemployment insurance system (Unédic), local authorities, associations and firms through local employment planning (the *Plans locaux pour l'insertion et l'emploi*, PLIE). However, the statistics reveal that these plans are more frequent in large urban municipalities (5000 of the 36,000 French municipalities have a PLIE, but they cover 24 million inhabitants).

Some important orientations for competitiveness are more specific to rural areas. In particular, a specific effort is planned to facilitate the appropriation of and the access to New Information and Communication Technologies (NTIC) by small and medium-sized firms in rural areas. It is important to relate this policy to the post-schooling training policies that have come under the responsibility of the French regions. Indeed, economic theory (in particular literature on the endogenous adoption of new technologies, e.g. Acemoglu, 2002) and empirical analyses (e.g. Behaghel, Caroli and Walkowiak, 2007) underscore the fact that the adoption of NTIC is endogenous and is in particular driven by the characteristics of the labour force. Lowering the cost of physical investments in NTIC is not enough to facilitate adoption; the issue for firms is also to adapt the skills of their labour force. Statistical analyses show that small firms in urban areas tend to do so by relying upon the external labour market, i.e. by hiring workers in more skilled occupation and/or getting rid of workers in less skilled ones. This is however less of a possibility for small firms in rural areas that face in less dense labour market. This likely delays the adoption of new technologies. In that sense, theoretical as well as empirical results confirm the hypothesized complementarity between human capital policies and the investment in communication infrastructures to reduce the technological gap between rural and urban areas.

Though this has to be implemented locally by the regions, a specific development of the National Strategic Reference Framework for Regional Policy 2007-2013 (CRSN, 2006) is devoted to the territorial adaptation of the policies. Concerning rural areas, three specific orientations are of interest:

1. The diversification of economic activities has a specific focus upon research and development activities, as well as innovative services to businesses (consulting, training). Interestingly, these have been for long specific targets of the *Zones de revitalisation rurale* that we have analysed above. The results do not seem good, raising the question of whether these activities can be developed at the appropriate scale in rural areas. This priority thus appears questionable.
2. Strengthening the links between rural and urban areas is one priority. This acknowledges the major role played by these links, in particular through the residential function of rural areas. This move is consistent with recent dynamics (e.g. Perrier-Cornet, 2006).
3. The selection of territories is explicitly conditioned by their ability to group in order to produce documents about their local development strategies. This bottom-up approach arguably increases the level of initiative. However, existing studies also suggest that more dynamic territories that have the appropriate human resources may disproportionately benefit from the funds, thus widening the gap between territories (Guérin, 2006).

To summarize, the current orientations for structural funds into rural areas confirm the national trends. However, the move toward a better integration of the specific needs of rural areas is partially confirmed. This may help reduce one of the main drawbacks of preceding programs in rural areas: as Guérin (2006) puts it, “Objective 5b followed by objective 2 programs have used training and insertion policies to induce rural development, with rather substantial means and realizations, but with limited impacts due to the predominance of a logic of standardized supply with little territorial variations”.

Concluding remarks on policy assessment

- The orientations currently taken by the policies that may affect poverty and social exclusion in rural areas are characterized by two features:
- A still strong sectoral bias toward agriculture;
- The predominance of the objective of developing employment through increased economic initiatives (consistently with the Lisbonne strategy).

The net impact of these measures on employment in rural areas is not well-known – and this is probably the first finding of our analysis: the lack of true impact evaluations. One of the rare econometric analyses available suggests that the impact could be quite mixed (Lofredi and Schmitt, 2006). This justifies the stress put by the European Commission not only in favour of *ex ante* but also of *ex post* evaluations of the existing programs. Moreover, besides taking net job creation as the measure of impact, it would also progressively be necessary to translate this into an impact on the income distribution.

5. Poverty and groups at risk: case study on poor farmers

In year 2003, 12% of the French lived in households with equivalised disposable income below 60% of the national median. Among French farmers, this relative poverty rate amounted to 22%. Clearly, poverty among farmers is an important issue to understand poverty and social exclusion in French rural areas.

The case study proceeds in three steps. First, the historical perspective will underscore the role of macroeconomic factors shaping the income distribution in agriculture, hence the risk of poverty among farmers. Second, a more detailed description of the different forms of poverty will show various micro-economic forces shaping farmers' poverty. Third, we will consider the impact of public policies and examples of good practices targeted or not at French poor farmers but that affect them.

The recent history of poverty among French farmers

Over the past 50 years (in particular under the influence of the CAP and the French orientation laws passed in 1960 and 1962), the agricultural sector has undergone major structural changes. In particular, the share of farmers in the labor force has dropped from about 30% in 1955 to less than 5% today. Simultaneously, the number of persons living in farming households has been divided by four. The modernization of the sector is clear from a variety of indicators: the share of so-called "professional" farms (growing more than 12 ha in wheat, or the equivalent) has risen to 60% in 2003; 23% of farms are incorporated. Productivity has improved dramatically.

However, agricultural prices have witnessed a declining trend, with strong fluctuations due in particular to changes in the CAP. Poverty rates among farmers have probably been closely affected by these average income movements. Although we lack consistent time series on the distribution of equivalised disposable income of farmers over these five decades, Jégouzo et al. (1998) conclude that poverty rates among farmers have slightly declined between the 1980s and the 1990s, remaining above the national average. As shown by Table 3, poverty has developed among farmers between 1997 and 2003, with the poverty rate rising from 19.8% to 22.0%, while the national poverty rate was declining from 13.4% to 12.0%.

Table 3: Poverty rates in 1997 and 2003 (based on Guillemin and Legris, 2007)

| | 50% threshold | | 60% threshold | |
|-------------------|---------------|------|---------------|------|
| | 1997 | 2003 | 1997 | 2003 |
| French population | 6.9 | 6.3 | 13.4 | 12.0 |
| Farmers | 13.0 | 15.9 | 19.8 | 22.0 |

This contrast reflects the fact that the average disposable has decreased by 1.3% per year between 1997 and 2003, this being mostly due to the falling agricultural revenues (-5.5% per year).

Other indicators have been used, in particular those based on consumption and deprivations. Over a longer time period, an unusual indicator turns out to reveal interesting phenomena: the rate of men remaining single at age 35 to 54. The information has been available in France since the 1926 population census. In 1926, male farmers do not distinguishing themselves from other men. In 1954, single men start being strongly overrepresented among farmers aged 35 to 54. Research has shown how this can be interpreted as a sign of social exclusion of poor farmers who cannot marry women who are reluctant to share their poor living conditions. The phenomenon is persistent; it particularly concerns small farms and less favored areas (in particular mountains: 32% of male farmers aged 35 to 54 are single in Savoie, 29% in Ariège and Lozère).

Forms of poverty among French farmers

a. Dimension and location of the group

About 2 million people live in agricultural households in France today. Their weight in rural areas is higher: depending on the definition of rural areas, they represent about 10% of the population. The spatial distribution of

agricultural income and poverty depends on many factors, in particular on the presence of natural handicaps. The distribution of income is clearly less favorable in high mountains (1% of farms), mountains (15%), piedmont (4%) and other less favored areas (21%).

b. Gender and age

As discussed above, the group of poor farmers is characterized by an unbalanced sex ratio, with a large share of single men.

Another relevant gender dimension is the growing share of farming households where the woman works outside agriculture. The resulting second source of income substantially increases the household's disposable income: actually, for such households, the poverty rate is no longer higher than the national rate.

Again, the phenomenon is not evenly spread over the territory: more remote areas (in particular mountainous ones) lag behind in terms of the share of women working outside the farm. This can be related to the lower density of local labour markets in these areas: women may have more difficulties finding the jobs that would provide the additional source of income.

Differentiation across age groups is also strong. Poverty rates used to be high among retired farmers, due to low pensions. This is no longer the case. Pensioned farmers hold higher disposable income than younger ones in 1997; the gap increases when the latter experience a sharp drop in agricultural income between 1997 and 2003.

Public policies

Farmers single out as a group that has been targeted by a broad variety of national and European public policies for years. Maintaining the income of farmers has been a goal of European policies since the Treaty of Rome (1957). A variety of tools has been used. This session attempts to assess their impact. To what extent is the persistence of high poverty rates among French farmers a sign of the failure of public policies?

a. The key role of the CAP and rural development policies

At the macro level, as shown by the first section, the CAP is a major driver of agricultural income. Such micro analyses as by Jégouzo et al. (1998) show that the initial forms taken by the PAC (the price guarantee mechanism which implies that subsidies are based on production levels) have had lasting consequences on the distribution of subsidies, with higher transfers going to high-income farmers.

To some extent, the choice made in France to base the new single payment on the level of subsidies received over the years 2000-2002 follows the same direction: CAP subsidies are not primarily used as a redistributive tool to reduce poverty among farmers. Modulation (direct payments exceeding EUR 5,000 a year being reduced by 5% from 2007 onward) is too limited to induce major redistributive effect. This judgement however needs to be qualified by two considerations.

1. First, even though CAP subsidies are lower for smaller farms, they constitute a significant share of their income. Jégouzo et al. (1998) argue that these subsidies have been decisive in allowing poor farmers to remain in the agricultural sector until retirement, and that this helps explain why farms with negative income before transfers have been able to survive.

This does not necessarily mean that subsidies have had a negative social impact by allowing persistent poverty and maintaining unsustainable economic activities. Besides equity considerations, subsidies to small farmers may be efficient to internalize two sources of externality:

The first one is linked to mass unemployment in France: if poor farmers left their agricultural activities, it is unclear what fraction of them would find a job. The remaining fraction would have to rely upon the unemployment insurance system. The induced social cost has to be weighed against the cost of the CAP subsidies.

The second externality, explicitly taken into account by the CAP reforms, is the environmental externality linked to maintaining agriculture in less favoured areas (*Indemnités compensatrices de handicap naturel, ICHN*). This is a justification for the high share of subsidies in the income of farmers working in these areas. Subsidies to less favoured areas represent a significant share of the CAP second pillar in France. According to the 2007-2013 Strategic Plan for Agricultural and Rural Development (PDRH, 2007), they represent 63% of the credits of axis 2 (environnement), i.e. about 30% of total spending. Such amounts have a decisive impact on the income of farmers in these areas. According to the 2000 agricultural census, they amount to 75% of the agricultural income in mountainous areas and to 110% in other less favoured areas (meaning

FRANCE

that, without subsidies, agricultural activities there would produce an average negative income).

2. The first goal of the *single payment for farmers* introduced by the Luxemburg reform (2003) was to reduce the trade distortions linked to other types of subsidies. A side effect is to disconnect part of the farmers' income from market fluctuations. This turns out to have strong implications on poor farming households, as they are particularly vulnerable to such fluctuations.

There are other measures from the CAP 2nd pillar that impact poverty among farmers. Let us underscore two of them: measures targeted at younger farmers, and measures in favour of diversification and multiactivity among farming households.

Younger farmers

Younger farmers face a higher risk of poverty than older ones. As analysed in the recent Strategic Plan for Agricultural and Rural Development (PDRH, 2007), there are many (young) candidates to instalment in agriculture, but they face rising costs (rising price of land and initial investment costs). Subsidized loans and transfers have been traditionally used to facilitate instalment. They help explain the high 'survival rates' among newly installed French farmers, as compared to the other self-employed: indeed, using a panel extracted from population Census data, Jégouzo et al. (1998) find that compared to other self-employed occupations (crafts and commerce), farmers are characterized by extremely low exit rates from agriculture (three to four times less).

In its most recent version, the measure (PDRH, 2007) is not explicitly designed as a redistributive tool: it is accessible to all newly installed farmers aged less than 40 and satisfying some education requirements. However, the level of the transfer is modulated on the basis of whether the area is more or less favoured, and of whether the farm development plan is more or less innovative. Moreover, the subsidized loans are redistributive as they contribute to reduce the effect of the imperfection of credit markets on poorer farmers: due to the lack of collateral, farmers with less capital find it harder or more costly to borrow on the market.

Multiactivity

Multiactivity of farming households is linked to much lower poverty incidence. There is a risk of poverty trap if multiactivity becomes necessary for having sufficient incomes and, at the same time, a high level of income is necessary to develop multiactivity (to provide the funds needed for initial investments or to pay for the cost of searching a job). As a consequence, measures in favour of multiactivity may be a powerful poverty reduction tool especially if they are able to reduce the costs and risks faced by poorer farmers attempting to diversify their sources of income.

The recent French Strategic Plan for Agricultural and Rural Development (PDRH, 2007) activates this lever. Measure 311 ("diversification") provides subsidies to finance diversification investments. However, the measure is modestly funded (EUR 29 millions, compared to the almost 2 billion devoted to less favoured areas).

The level of spending is of course not a sufficient criterion to assess the effectiveness of the measure. The criterion put forward in the French Strategic Plan is the number of recipients. This too is insufficient for at least two reasons: first, the measure may disproportionately benefit those who are already better off, as they may be more prone to develop new activities and more able to satisfy the administrative requirements linked to the credit (filing the appropriate application); second, the measure may be used by those who would have developed the activity anyway, crowding out those who need the credits more, and having no aggregate impact on multiactivity. On such micro measures as subsidizing multiactivity, better impact evaluations are feasible, e.g. with randomized introduction of a new type of subsidies, or with variations in the rate of public funding. They could be usefully implemented to get a better sense of the impact of such measures on economic activity and on poverty (see Duflo et al., 2006).

To summarize, CAP related policies have a direct and massive impact on the farmers' income, hence on poverty among farmers. However, these policies have not been systematically analysed for their redistributive impact, and it is hard to assess their impact on poverty globally, especially if one wants to take into account the behavioural responses of farmers. Some effects are, however, more clearly identified.

In particular, it appears clearly that 1st pillar subsidies (and the recently introduced single payments) as well as 2nd pillar subsidies to less favoured areas bring a minimal but stable income to poorer farmers. They thus act as an insurance tool, kept separate from other social insurance tools (like the minimum income), as they also have a role in internalizing the positive impact of small farmers on the environment (especially in remote areas).

Besides direct transfers, a variety of specific policies may impact farmers' income, but it is harder to assess their impact on poverty. Here, impact evaluations such as those developed in microeconometrics would be particularly useful.

b. Social policies and the issue of activating rights

The RMI (*Revenu Minimum d'Insertion*) plays a central role within French social policies. Introduced in 1988, it provides a minimum income to households up to a threshold that depends on the family structure. It is in principle combined with an agreement on the action that the recipient will conduct in order to progressively better integrate (the so-called *contrat d'insertion*).

The RMI was introduced in a context of mass unemployment, in a predominantly urban society, and was therefore mostly targeted at urban, jobless poor households. It was extended in 1992 to the agricultural sector, i.e. to a very different public: working poor in rural areas. As documented by Perrier-Cornet and Blanc (2000), only a small share of farming households whose income is below the RMI threshold actually receive it: about 40,000 farms generated agricultural income below half the minimum wage, but 7,000 farmers received the RMI. Similarly, based on case studies, Pagès (2004) shows that potential recipients and social workers in rural areas face specific obstacles. He finds cases where the potential recipients is not informed of his rights or refuses to apply by fear of stigmatisation, and cases where social workers are not informed of people living in really bad conditions. This raises important questions: does the RMI miss its target among farmers, why and what could be done?

More in-depth statistical analyses show that the probability that a farmer receives the RMI unsurprisingly reflects such *ceteris paribus* determinants as the size of the farm, the date of installation (with farmers installed recently but when they were older being more at risk), and the remoteness of the area (which probably indicates a labour market effect, since farming households living in more remote areas are less likely to find employment opportunities outside the farm). However, once these poverty determinants as well as the type of crops are controlled for, there still are substantial regional specificities. Keeping other things equal, farmers in the south of France are more likely to benefit from the RMI than farmers in the north of France (Perrier-Cornet and Blanc, 2000). This points toward the role of the institutional context of the RMI implementation:

The rule of eligibility makes a distinction according to the tax regime of the farm. Those taxed on the basis of their actual income can only receive the RMI by derogation, which depends on decisions by local public authorities (*préfets*). According to MSA (2005), this derogatory access is actually partially random. Moreover, in four *departments*, Perrier-Cornet and Blanc (2000) find that derogatory access to the RMI is the rule rather than the exception (75% of farmers receiving the RMI).

The lack of support from leaders of the agricultural sector (in particular, farmer unions) may also have impeded the diffusion of the measure. The persistence of an important share of poor farmers does not fit in well with the official vision of a modernized agriculture, promoting the model of medium-size farms.

Last, the fear of stigmatisation may play a role. However, the sociological survey conducted in Perrier-Cornet and Blanc (2000) shows that things have probably changed: at least, farmers who receive the RMI have overcome this fear.

Case study conclusion: the specific features of farmers' poverty

Poverty among farmers has highly specific features in the French context. Whereas poverty and exclusion is generally related to unemployment or underemployment, a substantial share of farmers (22%, according to the most recent numbers) constitute a group of full-time working poor.

This specificity can be explained by a conjunction of factors:

- the structural decline in the price of agricultural goods;
- the specific adjustment process of the agricultural sector:
 - adjustments take place through prices (revenues) rather than through quantities (employment); this comes into contrast with the overall functioning of the French labour market;
 - correlatively, in most cases, farming remains a lifetime job. The reason for that may be strong individual preference for the agricultural lifestyle, but it may also be related to the guaranteed minimum income provided by agricultural policies.
- The relative independence with regard to national social policies (as exemplified by the low access to the RMI).

FRANCE

This begs the question of the efficiency of public policies. The main findings are the following:

- The first pillar of CAP probably helps reducing poverty occurrence among French farmers by providing a safe, though limited, income to all.
- The impact of rural development policies (including those of the CAP second pillar) on poverty among farmers remains uncertain, but is probably limited.
- The systematic implementation of national social policies remains an issue.

6. Conclusion

After having been neglected for decades, the territorial dimension of poverty and social exclusion is now widely recognized in France. However, rural areas come only second in attracting attention, far behind suburban areas (*les banlieues*).

The main findings of the report have already been summarized in the overview (section 1). We would like to finish with a series of key questions:

Features of poverty and social exclusion in rural France

The OMC at a sub-national level?

Applying the open method of coordination (OMC) at a sub-national level would imply the definition of shared objectives and common indicators, the redaction of regional reports and their synthesis, as well as an exchange on good practices.

Some of these elements are already in place among regions in France. In particular, the French rural development plans (2007-2013) is based on regional plans. There remain national measures – those that are national by scope or that enable interregional redistribution – but many measures are being decided upon and evaluated at the regional level.

Some lessons can be learnt from the 2000-2006 experience. Part of rural development measures were integrated with European Structural Funds measures within regional documents (the “Document unique de programmation”, DOCUP). The process appeared to be successful in involving stakeholders in the discussion; however, it remained complex and unequally efficient (see Lacombe, Vindel and Vollet, 2007). This underscores the cost and the high requirements of successful coordination: the process takes time and requires energy, information, and administrative capacities. Moreover, the transaction costs that it induces have to be taken into account.

On the use of success stories in fighting poverty and social exclusion in rural areas

This report has searched for evidence on success stories in fighting poverty and social exclusion in rural areas. Such evidence is hard to find. Moreover, it is not clear whether searching for success stories is always the good way to learn. A perverse effect can be that administrations and associations promote their actions and mitigate the problems they have encountered, and from which there is also much to learn.

This being said, the case of Mutualité Sociale Agricole, for instance, is useful to understand how a decentralized structure can develop synergies by sharing “good practices”. Independent reports have stressed the efficiency of a project where the national structure developed tools and shared information with local entities (see section 6).

On the local use of Laeken indicators

Such indicators as the Laeken ones have a clear value in focussing policy makers’ attention and moving the political agenda by making it possible to set clear objectives. In that sense, they have a natural use at the national level, where key decisions are taken. However, the decentralization of social policies begs the question of developing these indicators at the regional level. There is a strong demand for it among regional policy makers and stakeholders.

Asking whether we should monitor indicators along the rural versus urban divide is yet another question. Indeed, this divide is not directly linked with different centres of decision. So its primary use would be to monitor gaps, inequality within entities. This might be quite useful. At the national level, comparing rural and urban areas can be important. Note that this does not require to have data at very low aggregation levels: indeed, representative household surveys can be matched with different zoning schemes. Fine-tuned indicators can thus be computed, as they pool rich individual data together (for an example, see Behaghel, 2007).

Agricultural and rural development perspectives

How could agricultural and rural development policies better target poverty and social exclusion?

A feature of French rural development policies and the CAP is that they are not primarily policies to fight poverty and social exclusion. Symmetrically, many policies targeted at reducing poverty rarely have a specific rural focus. This does not mean that they have no effect on rural poverty. But, in the two cases, it is fair to say that we know relatively little on the impact of these policies on rural poverty and social exclusion. The call for better policy evaluation stems from the finding of this report that many indicators used to monitor the policies are not true impact indicators, and that the few existing impact evaluations indicate rather poor impacts. We believe that a specific effort could be made on evaluating these policies. As valid evaluations require heavy investments for local projects but benefit to all, we argue that such evaluation should be mutualised and funded by higher levels of government.

What is the role of agricultural and rural development policies to fight unfavourable socio-demographic trends?

The “sectoral bias” of current French policies is at odds with the declining role of agriculture in rural areas. However, forestry and agribusiness still have a significant weight in rural employment, and poverty among farmers is a real and persistent problem. Finding the right balance implies to take into account the fact that agriculture used to be a lifetime employment: diversification needs time and support. On the other hand, in any plausible scenario, it seems that the “residential function” of rural areas will dominate: activities in this area need to be supported most.

Is there an appropriate level of diversity in the set of chosen measures?

This is an old debate and unilateral answers seem inappropriate. Indeed, policies need to take into account conflicting goals (economies of scale vs. local adaptation, efficiency vs. equity, incentives vs. insurance).

A plausible solution lies in the subsidiarity principle. It would imply that most funds are used by member states and regions with limited constraints. These constraints involve the respect of procedures (to ensure good governance) and to be consistent with general common orientations. This, however, may not be enough. One way to do so is to give incentives for experimenting on new measures at the local level, with additional funds being allocated conditionally on setting up credible impact evaluations from which other states / regions may learn. The value of such practice would be to internalize the benefits of knowledge for the whole community.

Social and regional development policies

Are further efforts needed to take specific features of poverty and social exclusion into account in the design and implementation of the national, regional and local strategies for social inclusion?

Policies impacting poverty and exclusion in rural areas are rarely specifically targeted on rural areas. However, poverty and social exclusion display some distinctive features in rural areas (section 3): they are less correlated to long-term unemployment than in urban areas, less concentrated upon lone-mothers families, and often connected to the lack of decent housing and to bad access to services and employment, due to remoteness. Furthermore, a specific difficulty of rural areas is the difficulty to find the human resources to develop projects – such as those valued by the LEADER approach.

Therefore, specific efforts may be needed in two key directions: activating the rights of rural poor or excluded people that lack information or fear the stigma of relying on assistance; developing capacity building through education and dissemination of information. But this should not be done at the cost of stressing the gap between rural and urban areas: existing policies appropriately try to strengthen the links between rural and urban areas. This acknowledges the growing role played by these links, in particular through the residential function or rural areas.

How could regional policies become more oriented towards fighting poverty?

Current regional policies in France have three specific orientations concerning rural areas in France (see section 4): a focus on research and development; the promotion of links between rural and urban areas; a selection of territories on the basis of their ability to produce documents on their local development strategies.

This calls for two cautionary tales. Concerning the first point, it is unclear whether developing innovative servic-

FRANCE

es to businesses (consulting, training) is feasible, as the experience of the *Zones de revitalisation rurales* suggests. More modest objectives may therefore be more efficient (e.g. diversification toward new activities along the residential function of rural territories; industrial policies to maintain employment in the still quite significant rural manufacturing sector).

Concerning the third point, one needs to be cautious and proceed by steps in demanding more and more elaborate bottom-up initiatives: existing studies suggest that more dynamic territories that have the appropriate human resources may disproportionately benefit from the funds, thus widening the gap between territories.

How can social cohesion policy respond to unfavourable socio-demographic trends?

The case of the *Départements d'Outre-Mer* (DOM) is here emblematic. A generous transfer policy is required, with a focus on infrastructures, education and employment public policies. Emigration is an equilibrium response and the causes are better fought than the consequences; long-term changes require shifting the equilibrium.

It should however be noted that, overall in France, the situation concerning migrations is quite mixed, with reverse migrations taking place from cities to rural areas.

Subsidiarity and cooperation

How can awareness be raised and how could the Social Partners be motivated?

This report argues that awareness must take two dimensions: recognizing some specific features of poverty and social exclusion in rural areas (without overstating them) and recognizing that we know little (and invest insufficiently to learn) on the best policies to fight this poverty and social exclusion.

To raise this awareness, indicators or communication campaigns are not enough. A key lever for better cooperation and awareness is to collectively invest in actions that adequately evaluated. The interest raised by such recent projects as the *Revenu de solidarité active* (RSA) in France (not a specifically rural policy) has to do with this experimental approach. The method may in the long run turn be a source of consensus.

What could be the role of the social economy?

Bridging the gap between existing measures and targeted people is a specific difficulty in rural areas, and the social economy has a role to play here. We believe that the practices of *Familles rurales* in Lorraine are a good example (see section 6).

7. References

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Annex - Examples of Good Practices

GOOD PRACTICE N. 1:

Familles rurales service and Familles rurales interim: a ladder toward (re)integration on the job market in rural Lorraine - France

*Familles rurales services (FRS) and Familles rurales interim (FRI) are two not-for-profit organizations that aim at providing employment to the unemployed with specific difficulties.¹ They provide an example among many of job market intermediaries which have developed with a specific objective of fighting exclusion from the labour market. Moreover, they target the sector of proximity services in an area characterized by high unemployment (rural Lorraine). The analysis below is based upon a report to the French administration² (Hidet, Kaiser and Streicher, 2003, *L'économie solidaire en Région Lorraine: développement local, création de services et gestion de l'emploi en milieu rural*).*

The context

FRS and FRI have developed their activity in a mostly rural area located in Meurthe-et-Moselle: the region south of Nancy (*Sud Nancyen*) and nearby *Vid-de-Lorraine*. Historically, the local labour market was characterized by the importance of the manufacturing sector (in connection with the steel industry), whose decline since the 1970s has heavily hit the local economy. Unemployment rates are particularly high among young people, and the long-term unemployed account for 28.4% of total unemployment in 2005 (INSEE Lorraine, 2005).

Summary description of the practice

FRS and FRI employ low-skilled workers, providing them with temporary jobs mostly in the service sector (services to households, to municipalities, and to small businesses).

The distinction between the two legal entities – FRS and FRI – is linked to the progressive development of the activity in the direction of an enlarged population:

- Before FRS was founded, *Familles rurales* had developed activities that benefited particularly to families hit by unemployment (mostly activities targeted at children: *Centres de loisir avec hébergement*, educational activities, school meals);
- In 1987, members of this association decided to target directly the unemployment problem of these families. They created *Familles rurales service* (FRS), an association whose aim was to match the demand for services in the rural area with the labour supply of those in need for a job. It took the legal status of *Association intermédiaire*.
- In 1997, FRS created a new structure and legal entity, *Familles rurales interim*, with a status close to the status of temporary agencies. The aim was in particular to release the legal constraint weighing upon the *associations intermédiaires* (in particular, the number of employment hours per year and per worker was limited to 240 at a given employer).

As an intermediary on the labour market, FRS and FRI had to develop a variety of partnerships. These can be classified in three groups:

1. The employers (the 'clients' of FRS and FRI). Besides individual households and municipalities, key clients include small businesses and craftsmen. A close relationship to employers is decisive for the success of the job placement: it makes it possible to select the right worker for the right firm. In particular, FRS has progressively recognized that craftsmen are core clients, as they appear to be willing to train the temporary worker and have sufficient time for that.
2. The public employment service (*Agence nationale pour l'emploi*, ANPE). The particular legal statuses of FRS and FRI imply advantages (in the form of tax exemption and/or subsidies), but they also imply consi-

tions on the placement jobs and on the selection of eligible workers. The compliance is monitored *ex ante* by the ANPE which validates the job placements. The relationship with the ANPE is felt as highly constraining: “*Nous sommes très contrainvés, nous n’avons pas de marge de manœuvre, l’ANPE a droit de vie et de mort sur les structures*”.

3. The other governmental agencies / State authorities that provide subsidies. Some of these subsidies are specific to FRI or to FRS, other are common:
 - a. FRI benefits from a subsidy for each created job (1 500 euros);
 - b. FRI and FRS benefit from social contribution exemptions up to the SMIC level (in addition to the exemption benefiting to all low-wage workers);
 - c. The *Chantiers d’insertion* organized by FRS are fully funded by local authorities;
 - d. Moreover, in the two associations, some of the staff wages are paid for by the government.

Characteristics of the practice

The principal objective of FRS and FRI is the reintegration of low-skill, long-term unemployed workers on the labour market, or the integration of young workers without work experience. The satisfaction of an (essential) demand for services in rural areas can at first sight be considered as a means rather than a goal. The two associations, however, stress the fact that developing a high-quality service and getting workers closer and closer to market conditions is part of the (re)integration. Satisfying a demand may thus become a goal in itself.

Though legally distinct, FRS and FRI implement a consistent strategy:

1. The distinction between two legal entities is instrumental in getting the best from public subsidies in the different situations, closely matching the possibilities and the rights of each worker. This also creates a segmented labour market within the secondary market.
2. However, this ‘segmentation’ can also be conceived as a ladder, on which the worker progressively climbs up to jobs on the primary market. The steps of the ladder are the following:
 - a. For those who are the furthest away from employment, jobs are available in the protected environment of the *Chantiers d’insertion*. These jobs are fully subsidized (aided) contracts: CBS, CEC. The *chantiers* are managed by FRS.
 - b. For those with a higher degree of autonomy, short-term placements are managed by FRS. They are limited by the ceiling of 240 hours per year at a given employer.
 - c. Through FRI, the most autonomous get temporary work at client firms. The goal is to transform these positions into structural jobs.
3. A key condition for this ladder to function is to permit the circulation of information and eventually of workers from one association to the other. There is one director for the two structures (FRS and FRI) and part of the staff shares its time between the two associations.

This organization allows FRS and FRI to comply with the legal segmentation induced by fiscal incentives while avoiding that this segmentation limits the prospects of the workers.

Another aspect of FRS and FRI strategy is the investment in the human capital of the workers to be placed. This is done in different and complementary ways:

1. Spending time at the beginning to meet the worker and to try building self-confidence again;
2. Leveraging training partnerships: choosing to send the worker to a craftsman with whom the relationship will be easier;
3. Systematically use training opportunities offered by mutualized training structures (for temporary workers, the RAFTT) that collect funds from all temporary agencies (including the for-profit ones) and organize training that are rarely attended by temporary workers from for-profit agencies. This ‘externality’ is important for FRI.

FRANCE

Last, the FRI agency itself provides the workers with the experience of working within a firm on a quite competitive market. In particular, workers are asked to look for new clients (employers).

Results

FRS and FRI are significant players on the placement market for unskilled, long-term unemployed or for young workers with no previous job experience:

- FRS employs 36 full-time equivalents (FTEs) in the *chambres d'insertion*;
- FRI is a medium-sized temporary agency with more than 80 FTEs.

Quantitative information on the long-term employment outcomes is not available; qualitative evidence, though, suggests that the 'three-step ladder' has made it possible for a significant number of workers to (re)integrate the labour market.

The general lessons from the FRS and FRI experiences are probably to be found in the way public policies (including subsidized jobs; training regulations) have been successfully used by the two intermediary associations to create "reintegration paths" in the context of a specific local labour market. The balance between legal segmentation and organizational fluidity is exemplary.

Notes

¹ *Familles rurales* is a not-for-profit organization federating local organizations of families in rural areas (with a total of 130,000 member families). Though they were initially related to *Familles rurales* and kept the name, *Familles rurales services* and *Familles rurales inter-az* are two independent structures.

² More precisely, to the *Département Interministériel à l'Innovation sociale et à l'Économie sociale*.

FRANCE

Summary table. FRS and FRI. A ladder toward (re)integration on the job market in rural Lorraine

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| Reconstruction of the context | <p>Mostly rural area south of Nancy (Meurthe-et-Moselle)</p> <p>Local economy characterized by a declining manufacturing sector, long-term unemployment and a rise in the service sector.</p> |
| Summary description of the practice | <p>FRS and FRI act as intermediary on the job market, providing unskilled workers with temporary jobs mostly in the service sector (services to households, to municipalities, and to small businesses)</p> <p>As an intermediary, FRS and FRI develop partnerships with a variety of institutions:</p> <ol style="list-style-type: none"> 1. The employers (the 'clients' of FRS and FRI). Besides individual households and municipalities, key clients include small businesses and craftsmen. 2. The public employment service (Agence nationale pour l'emploi, ANPE). The particular legal statuses of FRS and FRI imply advantages (in the form of tax exemption and/or subsidies), but they also imply conditions on the placement job and on the selection of eligible workers. The compliance is monitored ex ante by the ANPE which validates the job placements. 3. The other governmental agencies / State authorities that provide subsidies. |
| Characteristics of the practice | <p>FRS and FRI can be described as an institutional arrangement that takes the most of the opportunities raised for the employment of the unskilled workers in rural areas, while providing them with a ladder that climbs up to jobs on the primary labour market. The steps of the ladder are the following:</p> <ul style="list-style-type: none"> - For those who are the furthest away from employment, jobs are available in the protected environment of the Chantiers d'insertion. These jobs are fully subsidized (aided contracts: CES, CEC). The chantiers are managed by FRS. - For those with a higher degree of autonomy, short-term placements are managed by FRS. They are limited by the ceiling of 240 hours per year at a given employer. - Through FRI, the most autonomous workers get temporary work at client firms. The goal is to transform these positions into standard jobs. <p>The success of reintegration is based upon:</p> <ul style="list-style-type: none"> - circulating information throughout the structure, so that the worker himself can be oriented and then move throughout the labour market; - invest in self-confidence and human capital; - progressively provide the experience of a competitive labour market, in the temporary agency itself and at the client firms. |
| Results of the practice | <p>FRS and FRI are significant local players on the placement market for unskilled, long-term unemployed or for young workers with no previous job experience:</p> <ul style="list-style-type: none"> - FRS employs 36 full-time equivalents (FTEs) in the chantiers d'insertion; - FRI is a medium-sized temporary agency with more than 80 FTEs. <p>Quantitative information on the long-term employment outcomes is not available; qualitative evidence, though, suggests that the 'three-step ladder' had made it possible for a significant number of workers to (re)integrate the labour market.</p> <p>FRS and FRI have successfully used public policies (including subsidized jobs; training regulations) to create "reintegration paths" in the context of a specific local labour market.</p> |

GOOD PRACTICE N. 2: Detecting and preventing exclusion in the agricultural sector: The MSA action plan and its local implementation in Maine-et-Loire and Cher - France

The *Mutualité Sociale Agricole* (MSA) is the French organization in charge of social insurance for the workers of the agricultural sector and their families, covering a population of around 4 million members. Since the 1970s, its objectives also include the development of rural areas. The MSA has launched an action plan against exclusion (the *Plan de lutte contre la précarité*, PLCL) at the end of the 1990s. This first analysis is based on the evaluation of that plan in 2004 - 2005 (IGAS, 2005; Benvarl Brumhes Consultants, 2003).

The context

- The PLCL is launched at the end of the 1990s, in the context of a national effort toward preventing social exclusion. A law is passed in 1998 that aims at involving the local authorities and the various social insurance organizations (like the MSA) at the side of the State:

«La lutte contre les exclusions est un impératif national et une priorité de l'ensemble des politiques publiques de la Nation.»

«L'Etat, les collectivités territoriales, les établissements publics dont les centres communaux et intercommunaux d'action sociale, les organismes de sécurité sociale ainsi que les institutions sociales et médico-sociales, participent à la mise en œuvre de ces principes.» (Loi de prévention et de lutte contre les exclusions, 29/07/1998).

- A specific issue concerns access to welfare of those who are entitled: there is evidence that a significant share of the populations at risk do not receive the side to which they are entitled, in particular in remote rural areas (Pagès, 2004) – reluctance, lack of information?
- This explicit call on social insurance institutions finds a strong echo in the tradition of the MSA of developing a comprehensive coverage of its members in order to reduce the risks of poverty and social exclusion, in particular through a dedicated structure (the *Action sociale et sociale*). In 1997, the MSA numbers 1 563 social workers, which makes it a significant player in the welfare system in rural areas.
- A specificity of the MSA is that it is focused on agricultural workers (self-employed or wage-earners) and their family, to whom it provides social insurance and side in four domains:
 1. Family allowances;
 2. Retirement;
 3. Health and maternity;
 4. Accidents.

Moreover, the MSA has a decentralized structure: it is divided into local *Caisse de Mutualité Sociale Agricole* (CMSA, roughly one per *département*) that are quite autonomous.

- Between 1999 and 2001, 69 CMSAs elaborated a diagnostic of poverty, thus engaging on a voluntary basis in the MSA national plan against exclusion (*Plan de Lutte Contre la Précarité*). The actions started taking place in 2001. The commitment of the MSA at a national level was reaffirmed in 2002, with a twofold focus on detecting risks of precariousness and developing partnerships to improve the living of poor members in a variety of domains: housing, health, employment, training, culture and leisure). At the end of 2004, an evaluation of the local practices was conducted, including:
 - A quantitative survey sent to the 69 CMSAs
 - A qualitative analysis conducted by an external consultancy (Benvarl Brumhes Consultants)
 - A case study in two CMSAs conducted by an inspection body of the French ministry of social affairs (the *Inspection générale des affaires sociales*, IGAS).

The analysis below will focus upon the "best practices" identified in these two CMSAs: the Maine-et-Loire and the Cher

Summary description of the practice

The practice mainly consists in developing new procedures in the two CMsAs in order to better anticipate the risks of poverty at the individual level, and to provide appropriate answers more quickly if the risk realizes.

The actions take place at two different levels:

1. At the internal level (within and between the different services of the CMsA), processes are improved to better circulate and analyze the information. Training and information sessions are provided to all workers of the CMsA (including "technical", i.e. back-office staff); processes to signal persons at risk between the technical services and the field social workers are developed.
2. At the external level, partnerships are developed with local authorities and other organizations (health services, professional organizations of the agricultural sector, ...) to facilitate the transmission of the information and to develop specific projects.

Characteristics of the practice

The principal objectives are:

1. To develop advanced interventions (before the individual risk of exclusion realizes);
2. To reach those who do not apply in spite of being entitled to aids;
3. To support projects and initiatives that benefit to the population of rural areas (not only those working in the agricultural sector).

The strategy is based on the comparative advantage of the local CMsAs – their strong local networks – and on the synergies guaranteed, at the national level, by the functional support provided by the Caisse Centrale de la Mutualité Sociale Agricole (CCMSA) and by the exchange on practices between local CMsAs:

- The MSA aims at leveraging its comparative advantage in rural areas, i.e.
 - The fact that it covers four domains of intervention that account for important sources of exclusion (family, retirement, health and work accidents);
 - The fact that it has developed a broad network of correspondents (*délégués*) in the local administration or among elected officials (e.g., members of municipal councils). For instance, in Maine-et-Loire, the CMsA has 299 correspondents at the *canton* level, and 1439 at the municipality (*commune*) level.
- The national strategy mixes top-down and bottom-up initiatives:
 - The plan was developed consistently with the principle of autonomy of the CMsAs: each CMsA adheres or not, on a voluntary basis, and develops its plan based on its diagnostic;
 - The national structure (the CCMSA) provides the CMsAs with tools (e.g., software developments) and organizes exchanges between the CMsAs upon their practices.
- Locally, the plan relies upon the motivation of the staff, reinvesting the meaning of "Social" in the name and the mission of the Mutualité Sociale Agricole.

As summarized above, the actions implemented in Maine-et-Loire and Cher take place at two levels:

1. The development of new internal procedures to better detect the risk of poverty among individual members, and to intervene earlier. In the two CMsAs, the common method is to better disseminate and analyze the information available in the different services. This involves new IT tools as well as new procedures. Here are key examples:
 - In Cher, the back-office writes a list of all members who for the first time do not pay their social contributions. A form on this person is circulated among the different services to alert them of possible difficulties and to gather all the relevant information the different services have. A meeting takes place three times a year to review all the cases, decide on the action to take (in most cases, a social worker visits the person), and to monitor the actions taken.
 - In Maine-et-Loire, the first channel of information is the network of correspondents who alert the CMsA in case of difficulty. The second channel is an alert system based on a software that assesses risk profiles based on the characteristics of the individual and the information on events that concern him (e.g., death of a relative, loss of a job).

FRANCE

2. Actions based upon partnerships with other organizations, often targeted at groups and not only on individual members:
 - In Cher, the detection of indebted farmers mobilizes a partnership involving a bank (the *Crédit agricole*), the local agricultural professional organization (the *Chambre d'agriculture*) and the main local agricultural cooperative.
 - In Maine-et-Loire, a program is developed in favour of seasonal workers (partly funded) by the EQUAL program). The actions taken include the harmonization of interventions toward employees, actions to improve housing conditions and the development of child-mixing services.
 - In Maine-et-Loire, the CMISA provides financial support to develop feasibility studies for local projects developed by the inhabitants of distressed areas. Realizations in one of these areas include the creation of a day nursery, and the development of a group of volunteers visiting the elderly at their home.

Results of the practice

As supported by the evaluation studies, in particular in IGAS (2005), the quality and the innovative content of the practice consist mostly of:

- The fine-tuned mobilization of a local network (the social workers and their correspondents, as well as the back-office staff of the CMISA) to anticipate the needs of populations at risk and to provide them with early support;
- The flexible implementation by local CMISAs that makes it possible to adapt actions to the local needs and to the human resources available locally;
- The knowledge and information transmission within the national networks of the MSA.

The overall effectiveness of the practice is hard to assess. The quantitative survey to the 69 CMISAs reveals that the measures (including the routines for advanced) detections of individual risks) have not always been implemented in a systematic manner and on a regular basis, which is a real problem as individual situations evolve rapidly. Here are some elements toward a more global assessment:

- There is a consensus that the tools for early detections of individual risks have improved the situation. In Cher, the detection through delays in the payment of social contributions has allowed to detect 82 problematic individual cases in 2004.
- However, there is a lack of systematic result indicators.
 - For instance, the accelerated procedures for individual cases classified as complex were put into place in 33 CMISAs. There is a feeling that this has made it possible to limit the number of temporary ruptures in benefits, but no indicator is available.
 - Once individuals at risk are identified, actions are taken (in most cases, a visit by a social worker). However, no statistical monitoring has been put into place. The number of visits has been recorded in only 11 CMISAs over a total of more than 50 CMISAs which have put a detection procedure into place.

The transferability and reproducibility of these practices is arguably high within the different CMISAs, and the diffusion of practices actually seems to be at work. As discussed in IGAS (2005), the transfer of these practices to other populations is made more difficult by their heterogeneity, the workers of the agricultural sector being arguably more homogeneous and stable. Perhaps the key lessons, however, are to be taken from an organizational model that crosses the boundaries that often impedes social actions:

1. As argued by IGAS (2005), the role of the central structure (the CCMISA) has been decisive in allowing economies of scale and reinforcing each CMISA's learning process. The report argues that this may entail lessons on the way the State (the central administration) may provide support to social services in local authorities like the *conseils généraux* (at the department level).

«Si la crise centrale s'était contentée de fixer des objectifs et des priorités, les crises locales auraient dû, pour chacune d'elle, réfléchir aux actions à mettre en œuvre, aux outils à forger dans des groupes de travail, etc. Ceci aurait consommé inutilement beaucoup d'énergie et de temps. Cette mutualisation et cette mise à disposition d'outils est fondamentale. ; elle est une fonction essentielle de ce qui doit être un pilotage national – fonction que l'Etat lui-même remplit beaucoup moins bien voire pas du tout à l'égard d'acteurs locaux autonomes comme les conseils généraux.»

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2. A second lesson relates to the comparative advantage of a unified structure – or network – following the different needs of individuals. The recent call for reform of the social minimum income (RMI) and its redesign within the *Revenu de solidarité active*, RSA) builds partly upon the idea that the diversification of measures has gone in France with the multiplication of services providing aids to the poor. However, this diversity is presumably linked to the diversities of the needs. The MSA might be interesting in that it promoted a consistent network without falling into uniformity.

Summary table. The MSA action plan. Detecting and preventing exclusion in the agricultural sector

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| Reconstruction of the context | <p>Specific issue in rural areas of subpopulations that do not receive the aids to which they are entitled</p> <p>Comparative advantage of the MSA through its comprehensive coverage of four domains in social insurance (family allowances, retirement, health and maternity, work accidents) and through its historical involvement in social work in rural areas</p> |
| Summary description of the practice | <p>Practice studied in two specific départements (Cher and Maine-et-Loire), as each CMSA developed its own practice.</p> <p>The practice mainly consists in developing new procedures in the two CMSAs in order to better anticipate the risks of poverty at the individual level, and to provide appropriate answers more quickly if the risk realizes.</p> |
| Characteristics of the practice | <p>The actions take place at two levels:</p> <ul style="list-style-type: none"> - The development of new internal procedures to better detect the risk of poverty among individual members, and to intervene earlier. In the two CMSAs, the common method is to better disseminate and analyze the information available in the different services. - Actions based upon partnerships with other organizations, often targeted at groups and not only at individual members (support to local development projects). <p>The national strategy mixes top-down and bottom-up initiatives:</p> <ul style="list-style-type: none"> - The plan was developed consistently with the principle of autonomy of the CMSAs: each CMSA adheres or not, on a voluntary basis, and develops its plan based on its diagnostic; - The national structure (the CCMSA) provides the CMSAs with tools (e.g., software developments) and organizes exchanges between the CMSAs. <p>The local strategies aim at leveraging the MSA comparative advantage in rural areas:</p> <ul style="list-style-type: none"> - The fact that it covers four domains of intervention that account for the important sources of exclusion (family, retirement, health and work accidents); - The fact that it has developed a broad network of correspondents (délégués) in the local administration or among elected officials (e.g., members of municipal councils). For instance, in Maine-et-Loire, the CMSA has 299 correspondents at the canton level, and 1039 at the municipality (commune) level. |
| Results of the practice | <p>The quality and the innovative content of the practice consist mostly of:</p> <ul style="list-style-type: none"> - The fine-tuned mobilization of a local network (the social workers and their correspondents, as well as the back-office staff of the CMSA) to anticipate the needs of populations at risk and to provide them with early support; - The flexible implementation by local CMSAs that makes it possible to adapt actions to the local needs and to the human resources available locally; - The knowledge and information transmission within the national networks of the MSA. <p>Two possible lessons:</p> <ul style="list-style-type: none"> - The effectiveness of the central structure (the CCMSA) has been decisive in allowing economies of scale and reducing each CMSA's learning process. - The usefulness of a unified structure – or network – following the different needs of individuals. |