

LOW-WAGE WORK IN FRANCE[#]

[*Preliminary Draft. Do not quote*]

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This paper is part of a wider research project on low-wage work in France. It aims at providing background elements to the different industry reports (on food processing; hotels, call centers, hospitals, retail trade and temporary work agencies) based on case studies.

Section 1 presents the global context of the French labor market. Section 2 draws the global picture of low-wage employment and low wage workers. Section 3 depicts how the institutional framework impacts labor demand, labor supply, as well as the employment and working conditions of low-wage workers. Eventually, section 4 draws some preliminary conclusions, relating the evolution of low-wage work to the dynamics of the French model of employment.

1. The global context

1.1 Growth, employment and unemployment trends

1.1.1. The mediocre French performance in terms of employment

Since the beginning of the 1990s, employment growth in France has not been much different from the rest of the EU, but it has been substantially lagging behind the USA – except for year 2002 (see Table 1.1). There are two reasons for this lack of employment dynamics. The first one has to do with the rather slow growth in GDP experienced by Europe in general, and by France in particular. The second reason lies in the low job content of growth. This has been the case all over the 1990s and does not seem to have decisively reversed since the beginning of the 2000s.

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Table 1.1
Annual growth rates (in %) of real GDP and employment, population in France, the UE 15 and the USA (1991-2005)

	1991-2001	2002	2003	2004	2005*
France					
GDP	2.0	1.1	0.5	2.3	1.4
Employment	0.8	0.5	-0.2	-0.1	0.3
Labor force	0.7	0.9	0.6	0.2	0.3
EU-15					
GDP	2.3	1.1	0.9	2.0	1.4
Employment	0.7	0.5	0.3	0.8	0.6
Labor force	0.7	0.9	0.7	0.7	0.8
USA					
GDP	3.3	2.2	3.0	4.4	3.6
Employment	1.5	-0.3	0.9	1.1	1.6
Labor force	1.3	0.8	1.1	0.6	1.2

* Projections

Source: OECD, *Employment Outlook*, 2005.

1.1.2 The importance of mass and long-term unemployment

The lack of employment creation, combined with a positive growth of the labor force, has generated mass unemployment – see Table 1.2. Unemployment in France has been steadily higher than in other EU countries in the 1990s and the gap has not decreased since the beginning of years 2000s. The gap is, of course, even higher with the USA with the French unemployment rate being almost double of the US one in 2004.

Table 1.2: Unemployment (1991-2005)
(% of labour force)

	1991-2001	2002	2003	2004	2005*
France	10.8	9.0	9.8	10.0	10.0
Germany	7.7	8.1	9.1	9.3	9.6
Denmark	6.4	4.6	5.6	5.7	5.4
United-Kingdom	7.8	5.2	5.0	4.7	4.9
Netherlands	5.1	2.3	4.1	5.0	6.3
EU-15	9.1	7.7	8.1	8.1	8.2
USA	5.5	5.8	6.0	5.5	5.1

* Projections

Source: OECD, *Employment Outlook*, 2005.

This high rate of unemployment corresponds to very small flows in and out of unemployment and, correspondingly, a large proportion of long-term unemployed – see Table 1.3. This induces important risks of exclusion from the labor market, in particular for unskilled workers.

Table 1.3: Incidence of long-term unemployment (12 months and over) in 2004

Denmark	France	Germany	Netherlands	United-Kingdom	USA
22.6	41.6	51.8	32.5	21.4	12.7

Source: OECD, *Employment Outlook*, 2005

1.2 The French work and employment regime.

1.2.1. The characteristics of the working population and the unemployed

When looking at labor force participation, one can see that France has got out of the "male breadwinner" model: women's labor force participation has strongly increased over time and by 2004, it was higher than the European average (63.7% as compared to 62.8 for the EU-15) – see Table 1.4. However, women are more often excluded from the labor market: their rate of unemployment reaches 10.7% as compared to only 8.7% for men.

Unequal access to employment is also noticeable across age groups. The employment rate is very low at both ends of the age distribution: less than 40% of people below 25 years old and above 55 are actually employed. In both cases, this is due to a low level of participation on the labor market, due to initial education going on for the youngest group and to early retirement for the oldest group. As regards younger workers their unemployment rate is also very high (21.3% as compared to an average 9.6% in 2004), but this is not the case for older workers. Overall, the French employment regime seems to be characterized by the fact that only middle-aged workers face a high employment rate, whereas the youngest and oldest groups are, to a large extent, kept out of the labor market.

Table 1.4: Employment, Unemployment and Labor Force Participation (2004)

	Employment rate (% of population)	Labor force participation (% of population)	Unemployment rate (% of labor force)
Whole population 15-64 years old	62.8	69.5	9.6
Gender			
Men	68.8	75.3	8.7
Women	56.9	63.7	10.7
Age			
15-24 years old	29.5	37.5	21.3
25-54 years old	79.2	86.6	8.5
55-64 years old	37.1	39.6	6.3
Education (2003)			
< Upper secondary education	59.0	67.1	12.1
Upper secondary education	76.0	82.1	7.5
Tertiary education	81.9	87.2	6.1

Source: OECD, *Employment Outlook*, 2005.

Another major characteristic of the French employment regime is that overall unemployment is very high (9.6% in 2004), but in particular for highly educated workers. A comparison with Anglo-saxon countries shows that the unemployment rate in France is 1.2 times higher than in the USA and 1.8 higher than in the UK for workers below upper secondary education. The corresponding figures reach 1.8 and 2.5 for workers with some tertiary education. So, France suffers both from a structural problem of unemployment but also, and more specifically, from a problem of employment of educated workers.

At the lowest end of the skill distribution, unemployment is very high (12.1% for workers with only below secondary education), but it has to be noticed that the employment rate is still higher than in the USA and the UK (59% as compared to 57.8% in the USA and 54% in the UK). This is due to a much higher labor market participation in France than in both Anglo-saxon countries. This high employment rate at low skill levels should push up the share of low-paid workers in France. However, low-educated workers are very much concentrated in the oldest generations. Given that the earnings of older workers tend to be higher (all other things equal) due to experience, the net effect of the high employment rate at the bottom end of the educational distribution is a priori unclear.

Eventually, unemployment is particularly high among immigrants. In 1999¹, there were 4.3 million immigrants in France. 2.3 millions were part of the labor force, representing 8.6% of it. In contrast, the share of immigrants among the unemployed reached 15%. In 2003, the unemployment rate among immigrants was 17.9% as compared to only 9% for native French. This gap is partly due to the fact that immigrants tend to be younger and less educated than the whole population. However, when correcting for this selection bias, immigrants still appear to be more at risk in terms of unemployment than native French.

1.1.2 Employment by status

Less than 10% of French workers are self-employed at the beginning of the years 2000. Even if the proportion of “non regular” types of employment (fixed-term contracts, temporary agency work, labor market policy schemes..) has increased notably since the beginning of the eighties, about 90% of wage earners still hold a permanent (i.e. open-ended) contract – see table 1.5.

Table 1.5: Employment by status (%)

	Fixed term contract	Temporary agency work or family help	Apprenticeship, labor market policy scheme	Other (military))	Open-ended contract	Self-employed	Total
Men							
1990	2.3	2.2	2.3	1.7	74.9	16.6	100
2002	2.9	3.0	3.0	0.0	78.4	12.7	100
Women							
1990	3.2	6.2	3.0	0.0	80.6	7.6	100
2002	4.8	3.6	3.5	0.0	82.4	5.9	100

Source: Labor Force Survey (Enquête Emploi)

¹ Year of the last Census which this the only dataset providing exhaustive data on immigrants.

1.2.3. Working time

The number of hours worked has steadily decreased since the 1970s and is quite low by international standards – see Table 1.6. The average number of hours worked per person in employment decreased by 10% since 1990 and is now down to 1,453. This decrease in working time is the most important of all the countries under study, with Germany coming second with a 6.2% reduction over the period. In 2003, the number of hours worked in France is not the lowest, but it is substantially lagging behind Denmark, and even more the UK and the USA.

Part of this decrease in the number of hours worked is due to the reduction in legal (and actual) working time: the number of hours worked per week went down from 38.9 in 1993 to 35.6 in 2003. But, part of the decrease is also due to the increasing number of workers working part-time: from 1990 to 2002, the proportion of part-timers in the working population went up from 10 to 15%. This increase is almost entirely due to women with part-time work affecting 27% of them in 2002². But among those, almost half of them (10.7% in 1999) would like to work more. Underemployment is therefore quite substantial for French women, whereas it is a marginal phenomenon for men (only 2.6% of males working part-time declare that they would like to work more).

Table 1.6 Working time

	France	Germany	Netherlands	Denmark	UK	USA
Numbers of hours worked per worker*						
1979	1,764	-	-	-	1,815	1,833
1990	1,618	1,541	1,456	1,452	1,767	1,829
2000	1,500	1,463	1,368	1,467	1,708	1,827
2003	1,453	1,446	1,354	1,475	1,673	1,792
Annual average growth rate of hours worked**						
1970-1980	-0.3	-0.9	-1.0	-0.9	-0.7	1.7
1980-1990	-0.5	-0.1	0.2	-0.6	0.8	1.8
1990-1995	-0.8	-0.7	-0.3	0.1	-1.1	1.2
1995-2003	0.1	-0.4	2.0	0.8	0.6	0.9

Sources: * OECD, *Employment Outlook*, 2004.

** OECD, *Productivity Database*, 2005.

1.2.4 Productivity

Labor productivity is quite high in France – Table 1.7. When measured per hour worked, it is above US levels and far above the EU average. Given the small number of hours worked, productivity per worker is below that of the USA, as is the case of all European countries. But, overall, the French performance in terms of labor productivity is quite good.

² Data from the Enquête Emploi (French Labor Force Survey).

Table 1.7 Labor Productivity (2002)
(% of US productivity)

	Per hour worked	Per worker
France	103	88
Germany	101	80
Netherlands	106	78
Denmark	-	-
United-Kingdom	79	74
European Union	91	80
United-States	100	100

Source: Artus and Cette, 2004.

This high level of labor productivity may be due to several factors. First, the small number of hours worked may allow workers to be more efficient while they are working. A second factor has to do with the high rate of unemployment, in particular among low-skilled workers. This may generate some selection bias if the least productive workers are not in employment. In this case, the productivity observed for those who are actually working is mechanically higher. Eventually, work intensification may have played a role in maintaining a high level of labor productivity. However, it is not clear whether it has been more important in France than in other European countries – see Green and MacIntosh, 2001.

An open question is whether high hourly productivity at the global level results also from composition effects (a lower proportion of low-wage/low-skilled jobs and more capital intensive production processes – see below the debate on the shortage of jobs in the labor intensive service activities). This issue will have to be addressed at the industry level.

Overall, the French employment and work regime is characterized by the fact that only middle-aged workers are actually employed. Exclusion from the labor market because of unemployment and/or low participation is very high for the youngest and oldest groups of workers. When employed, people work a relatively small number of hours over the year, but with a very high productivity while doing so.

1.3 Inequalities and wage distribution.

Unlike the United-States and the United-Kingdom – and as most of the continental European countries – France has not witnessed a rise in wage inequalities during the two last decades. The D9/D1 wage ratio had increased from around 3.2 to 4.2 between 1950 and 1968, but it declined since then – following the big increase in the minimum wage – and stabilised around 3.0 since the second half of the eighties (Piketty, 2001a).

The bottom of the wage distribution is rather compressed in France. The D5/D1 ratio of annual wages amounted to about 1.5 in 2003, the corresponding ratio for hourly wages being therefore smaller - table 1.8.

Table 1.8: Distribution of wages per capita*Wages* in 2003, Euros

	Women	Men	All
D1	11 108	12 208	11 736
D2	12 327	13 720	13 140
D3	13 390	15 099	14 440
D4	14 551	16 568	15 846
Médian (D5)	15 981	18 290	17 463
D6	17 731	20 434	19 462
D7	19 942	23 454	22 108
D8	23 005	28 325	26 346
D9	28 895	38 245	34 913
D5/D1	1.4	1.5	1.5
D9/D1	2.6	3.1	3.0
D9/D5	1.8	2.1	2.0

Source : Labor Force Survey (Enquête Emploi)

2. Low-wage jobs and low-wage workers

2.1 A rather low and declining incidence of low-wage work in France

Two main data sources provide information on wages in France. The DADS (*Déclaration annuelle des données sociales - Annual Reports of Social Data*) are compulsory employers' claims which cover all workers in the private sector and in state-owned companies belonging to the competitive sector. Unfortunately, such exhaustive information does not exist for the public sector. The DADS dataset covers about 16 million workers and, in addition to wages, premiums, and gain sharing payments, provides information on gender, age, occupation, industry and the exact number of hours worked. It therefore permits to compute an exact net (and then gross) hourly pay – defined as the basic wage + premiums + gain sharing payments (“*intéressement*”). The data are available, in a consistent way over time, since 1995.

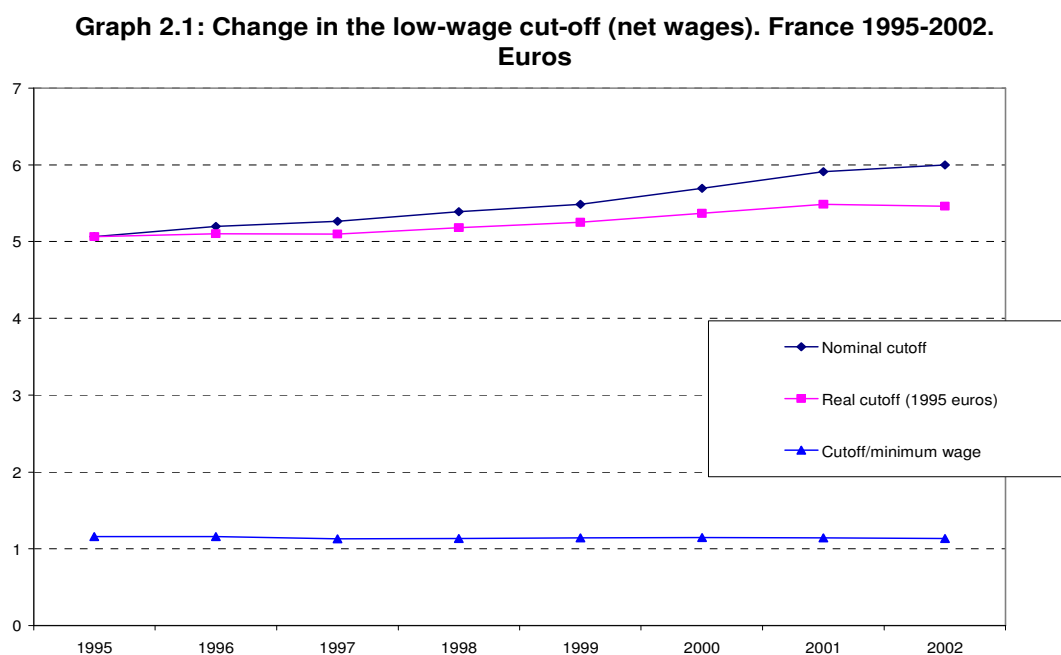
The second data source having information on wages is the Labor Force Survey (*Enquête Emploi*) based on a representative sample of workers. It is much more detailed than the DADS as regards workers' characteristics and also has information on monthly pay. However, the “hours worked” variable is subject to major measurement errors. This is due to the fact that only two variables are available: the number of hours worked during the last week and the “usual” number of weekly hours worked. One important consequence of the 35 hour laws which were passed since 1998 (see section 3.2.2.b) has been to introduce an important degree of flexibility in working time. Today, about one third of workers have no usual weekly working time. Therefore, hourly wages cannot be computed on the basis of the Labor Force Survey.

This is the reason why we will mainly rely on the DADS in order to capture the incidence of low-wage work in France. However, when coming to the characteristics of low-wage workers, we will use the Labor force survey any time the relevant characteristics cannot be found in the DADS.

2.1.1. Incidence of low-wage work and changes over time

Low-wage workers are defined as workers earning less than 2/3 of the median hourly wage of full-time workers continuously employed during the last month in the private or state-owned companies in the competitive sector. By 2002, the nominal cut-off net wage amounted to 6€ per hour (see Graph 2.1).

As can be seen on the graph, the threshold for low-wage work is very close to the minimum wage: in 2002, the ratio of the former to the latter was 1.13. This is due to the fact that, in France, the wage distribution is quite compressed at the bottom: in 2002, the D5/D1 ratio was 1.5 as compared to 2 for the D9/D5 ratio. Since 1995, the low-wage cut-off has grown at a rate very close to that of the minimum wage (+2.5% per year on average for the former – in nominal terms - as compared to +2.8% for the latter). This is no surprise given that both wages being very close one to the other, any increase in the minimum wage is likely to be mirrored by a similar increase in the low-wage cut-off. (see Table 2.1)³. However, the significant increases in the hourly SMIC (about 7% in real terms) introduced by the conservative governments in 2004 and 2005 have now pushed the cut-off below 1.10 SMIC.



Sources: DADS; definition: see text.

³ One exception to these parallel trends is year 1997 when the sharp increase in the minimum wage decided by the socialist government when it came back to power did not result in an equally sharp increase in the low-wage threshold.

**Table 2.1 Minimum wage and low-wage cut-off. (Net wages)
1996-2002.**

	1995	1996	1997	1998	1999	2000	2001	2002
Hourly minimum wage								
Nominal rate (in euros)	4.37	4.48	4.66	4.75	4.81	4.97	5.17	5.29
Annual growth rate (in %)	-	2.5	4	1.9	1.3	3.3	4	2.3
Hourly cut-off wage								
Nominal rate (in euros)	5.07	5.20	5.27	5.39	5.49	5.69	5.91	6.00
Annual growth rate (in %)	-	2.6	1.3	2.4	1.8	3.8	3.9	1.5

Source: DADS and Ministry for Labor.

With the low-wage threshold being defined as 2/3 of the median wage in the working population, the proportion of low-wage earners in France was 7.9% in 2002 and was clearly on the decline with respect to the mid-1995s (see Table 2.2).

Table 2.2 Incidence of low-wage work 1995-2002.

(%)	1995	1996	1997	1998	1999	2000	2001	2002
Low-wage earners in the workforce	13.2	14.1	13	12.5	12.4	12.2	11.8	7.9
Low-wage cut-off = 2/3 of the median wage of all workers								
Low-wage earners among workers > 25 years old	12.3	13	11.8	11.7	10.9	11.5	10.6	n.a.
Low-wage cut-off = 2/3 of the median wage of workers above 25 years old.								

Source: DADS

Given that young workers are particularly likely to be affected by low-paid work (see Section 2.1.2.a below for the case of France) and given that the scope of low-paid youth specific schemes varies quite a lot across countries, an interesting indicator is the share of low-wage earners among workers aged more than 25 years old. The corresponding low-wage cut-off is, of course, computed on the relevant population and it is logically higher than the cut-off computed on the whole working population. However, given that the proportion of low-wage earners is substantially lower in the older group, the overall incidence of low-wage work is lower in the group aged 25 and above than in the whole population.

In both cases though, the trend is the same: low-wage work appears to have decreased in France over the past decade. The decrease was particularly sharp between 2001 and 2002. One reason for this is that all firms with more than 20 employees which had not yet reduced working time down to 35 hours per week had to do so in 2002, due to legal requirements (see section 3.2.2.b below). In a vast majority of cases, monthly wages remained constant, which ended up in a 10% increase in hourly wages. This is likely to have brought a number of formerly low-paid workers above the low-wage threshold. Another explanation lies in the fact that, in 2002, the legal job insecurity premium awarded to workers on fixed-term contracts was raised from 6 to 10%. Here again, this has increased the pay of a number of low-wage earners, possibly bringing some of them out of low-paid work. The share of low-wage earners is probably currently even lower due to the recent SMIC increases that mainly raise wages of

employees who still work 39 hours (i.e. in firms with 20 or less workers). A simple calibration under the hypothesis that the trend of the median wage is not affected significantly by the SMIC increases suggests that the proportion of low-wages earners could be as low as 6% in France in 2005. Note that this situation is a transitory phase due to the implementations of the various laws on working time (see below). The real minimum wage is now expected to remain constant for several years; this should induce a progressive growth of low-wage work in France.

The share of low-wage earners we find using the DADS database is somewhat lower than what has been found with other surveys. Using the European Community Household Panel Survey (ECHP), the European Commission (2004) finds a low-wage incidence of 15.4% for year 2000. Using the French Labor Force Survey, Concialdi and Ponthieux (2000) find very similar results with a share of low-wage earners of 15% for year 2000. One major difference between the DADS and the surveys used by these work is that the DADS is an exhaustive database providing information on about 16 million workers. Both the ECHP and the LFS are surveys covering respectively 19,000 and 145,000 individuals among whom only a limited fraction is actually working. Moreover, both have little information on hours worked. This leads Concialdi and Ponthieux to use *annual wages* when computing the number of low-wage workers. This is, of course, quite unsatisfactory due to the existence of people working part-time who may appear as low-wage earners on an annual basis while they may actually earn quite high hourly wages when taking into account the number of hours worked. The European Commission (2004) tries to avoid this bias by computing hourly wages. However, the lack of reliable information on the number of hours worked in a period of reduction in working time is an important source of measurement error.

2.1.2. A shortage of low-wage/low-skilled jobs in France?

The rather low incidence of low-wage work in France may be due to a shortage of low-wage/low-skilled jobs.

As compared to other OECD countries – and notably the USA - France displays a shortage of jobs in the service sectors where the incidence of low-wage work is high in OECD countries –and notably in the USA (Piketty, 1999, OECD, 2001). If France had had the same number of jobs per inhabitant as the USA in 1996, employment would have been 5.1 million higher (Direction de la Prévision, 1998). This gap amounted to 23% of the employment level recorded in France that year (the corresponding gap was higher than in much of the other European countries: 14% in Germany, 5.8% in the UK, 11.9% in the Netherlands; as for Denmark, it had a “surplus” amounting to 1.3% of its recorded employment⁴).

The French job "shortage" mainly derives from the service sector (92% of the gap), and more particularly from retail trade (34% of the gap) and hotels and restaurants. In retail, the gap amounted to more than 57% of the recorded employment in the sector.

⁴ The gap was even higher in Southern European countries: 43.8% in Italy, 57.0 in Spain. Whereas in Sweden, it was much lower (4.3%).

2.2. Low-wage workers and low-wage jobs

2.2.1. Incidence of low-wage work according to workers' characteristics

On average, low-wage work is more frequent among women than among men: in 2001, 14.2% of women were affected as compared to only 10% for men (see Table 2.3). The incidence of low-wage work has decreased for both groups between 1995 and 2001 and so has the gap in the risk of low pay across gender: in 2001 the share of low-wage earners among women was 20% higher than average as compared to 30% in 1995.

As could be expected, younger workers are much more affected by low-wage work than older ones. This is particularly the case for youngsters below 25 years old: in 2001 the incidence of low pay in this age group was as high as 34%. Then it decreases with age down to 6.9% for the 46-55 year old group before rising again for older workers.

Regarding education, the data that we use come from the French Labor Force survey. As can be noticed, the average incidence of low-wage work appears to be much higher than the one computed with the DADS (17% as compared to 11.8) in 2001. As explained before, this is due to the fact that the Labor force survey has no reliable information on hours worked so that we have to use monthly rather than hourly wages when computing the proportion of low-wage earners. Thus doing, we overestimate the latter due to the existence of part-timers. Moreover, the number of workers covered by the LFS is far lower than in the DADS. With this caveat in mind, the incidence of low-paid work appears to be as expected, i.e. much higher among workers with no diploma (70% higher than average in 2001) than among workers with a lower secondary diploma (at the average level). It is, of course, the lowest among workers with a high-school diploma or above (40% lower than average). One interesting point though, is that over 1995-2001, the share of low-wage earners has increased in the most educated group, whereas it has decreased or remained constant in the other two. This does not seem to be due to a composition effect driven by the entry of younger and more educated workers on the low-wage labor market. Indeed, the incidence of low-wage work has substantially decreased for workers with a high-school diploma or more who are less than 25 years old. In contrast, it has increased for older educated workers, in particular those between 25 and 54 years old. This may be due to a "waiting list" effect: in a situation of high unemployment, some educated workers would eventually accept low-paid jobs because they cannot find anything better.

Table 2.3
Incidence of low-wage work according to workers' characteristics

Proportion of low-wage workers (in %)	1995	2001
<i>Low wage = below 2/3 of the median hourly wage (DADS)</i>		
Average incidence	13.2	11.8
Gender		
Men	10.7	10
Women	16.7	14.2
Age		
< 26 years old	38.3	34.2
26-35 years old	12	10.1
36-45 years old	8.1	7.5
46-55 years old	7.1	6.9
> 55 years old	9.7	9.1
<i>Low wage = below 2/3 of the median monthly wage (LFS)</i>		
Average incidence	18.1	17
Education		
High school diploma	9.8	10.4
< 25 years old	41.7	35
25-54 years old	7.3	8
55+	7.2	7.4
Lower secondary diploma	17.2	16.8
< 25 years old	48.7	42.1
25-54 years old	14.1	14.1
55+	14.9	15.6
No diploma	29.6	29.5
< 25 years old	67	61.9
25-54 years old	26.1	26.4
55+	30.8	32.4

Source: DADS for the upper panel – Labor force survey for the lower panel

Reading: in 1995, the average proportion of low-wage workers was 13.2% according to the DADS database and 18.1% according to the Labor force survey. The proportion of low-wage earners was 10.7% among men and 16.7% among women.

Eventually, immigrants are likely to be more affected by low-wage work than native French. This point is difficult to assess due to the lack of detailed statistical information. However, the latest Census, carried out in 1999, indicates that immigrants tend to be over-represented in unskilled occupations – which are those with the highest incidence of low-wage work, see above - : 30% of them are unskilled blue-collar workers or clerks as compared to only 17% of the overall working population – see Glaude and Borrel, 2002. Immigrants are particularly numerous in the construction sector (where they represent 15% of the workforce as compared to only 8% of the whole working population) and in services to households (domestic services as well as hotels and restaurants): here again, they represent 15% of the workforce. As evidenced in the next section, these are low-wage intensive sectors.

2.2.2. Incidence of low-wage work according to jobs' characteristics

As could be expected, the proportion of low-wage earners is much higher among workers working part-time than among full-timers: the risk of low pay was more than 50% higher than average for the former, as compared to 10% lower than average for the latter in 2001 (see Table 2.4).

As regards occupations, the incidence of low wages is very small and stable over time among managers and supervisors and foremen. It is substantially below average for skilled blue-collars and it has sharply decreased between 1995 and 2001: the risk of low-pay work in this group was 53% lower than average in 2001 as compared to 29% in 1995. In contrast, the incidence of low pay is slightly higher than average for clerks at both dates and it is, of course, the highest for unskilled blue-collars: 19.5% in 2001. For the latter group though, the risk of low-pay has sharply decreased over time: it was only 65% higher than average in 2001 as compared to almost twice as high as average in 1995.

As expected, low wages are more frequent in services than in manufacturing (except in the construction sector) and, in particular in services dedicated to households where they are particularly widespread. Last, the incidence of low wages is much higher for workers on fixed rather than open ended contracts. Such a gap is not observed for temporary agency work in which the risk of low pay is about average.

Table 2.4
Incidence of low-wage work according to jobs' characteristics

Proportion of low-wage workers (in %)	1995	2001
<i>Low wage = below 2/3 of the median hourly wage (DADS)</i>		
Average incidence	13.2	11.8
Hours worked		
Full-time	11.4	10.6
Part time	24.1	18.1
Occupation		
Managers	0.9	1
Supervisors and foremen	1.9	2
Clerks	15.7	13.2
Skilled blue-collars	9.4	5.6
Unskilled blue-collars	25.2	19.5
Industry		
Manufacturing	9.9	8.3
Construction	17.2	18.2
Services	13.9	12.1
of which services to households*	29.7	28
<i>Low wage = below 2/3 of the median monthly wage (LFS)</i>		
Average incidence	18.1	17
Type of work contract		
Open-ended contract	14.2	13.7
Fixed-term contract	40.9	38.6
Temporary agency work	25.9	17.9

Source: DADS for the upper panel – Labor force survey for the lower panel
 Reading: in 1995, the average proportion of low-wage workers was 13.2% according to the DADS database and 18.1% according to the Labor force survey. The proportion of low-wage earners was 11.4% among full-time workers and 24.1 % among part-timers.
 * without health and education.

2.2.3 Incidence of low-wage work in the jobs and sectors under study

TO COME

Table 2.5:
Incidence of low-wage work in selected industries and occupations. 2002

Proportion of low-wage workers (in %)	Male	Female	Total
Private sector and state-owned firms in the competitive sector			
Food Processing			

Meat industry
 Meat artisans
 Meat processing
Pastry artisans
Confectionary

Retail trade in general stores

Supermarkets
 Hypermarkets
 Cashiers
 Food vendors

Hotels with restaurant
Hotels without restaurant
 Low-skilled employees

Health

Hospitals
 Nurses

Source: DADS

2.3. Wage mobility of low-wage workers

There are very few studies about the wage mobility and career paths of low-wage workers in France.

2.3.1. Some international comparisons

The OECD *Employment Outlook* (1997) provides some comparative data on earnings mobility for the end of the 1980s. Low-paid workers are defined as workers earning less than 0.65 times median earnings, and the panel is restricted to continuously employed full-time workers during the 1986-1991 period. All Danish workers, and about 80% of French and German workers who were low paid in 1986 were no longer so in 1991 – whereas the exit rate was about 60% in the UK and the USA. The average number of cumulative years in low-paid employment was 2.8 in France (as compared to 1.8 in Denmark, 2.8 in Germany, 3.8 in the UK and 4.1 in the USA) and was higher, as in all other countries, for women (3.1) than for men (2.6).

More recently, the European Commission (2004) has carried out the same type of comparison, based on the data of the ECHP for years 1994 to 2001 – taking into account only those workers working 15 hours per week or more and excluding those in paid apprenticeship or in other labor market policy training schemes. Regarding the transition from low pay to higher pay, two main results arise (from the 1994-2001 pooled data):

- The yearly exit rate out of low-wage employment in France is above the European average: 34.5% as compared to 30.7% (EU 15). It is much higher than in Germany (25.4%), in the UK (28.0%) or even in the Netherlands (29.4%); but it is notably lower than in Denmark (36.6%) which is among the highest scores in the EU 15 (only Portugal, Finland and Belgium score better).
- As for the cumulated exit probability, it amounts to about 54% after 3 years (about 10 percentage points more than in Germany, 5 points more than in the UK, 3 points less

than in the NL, 11 points less than in Denmark), and about 70% after seven years (about 20 percentage points more than in Germany, 8 points more than in the UK, 5 points less than in the NL, 8 points less than in Denmark)

2.2.2. Wage mobility in the long run and across sectors

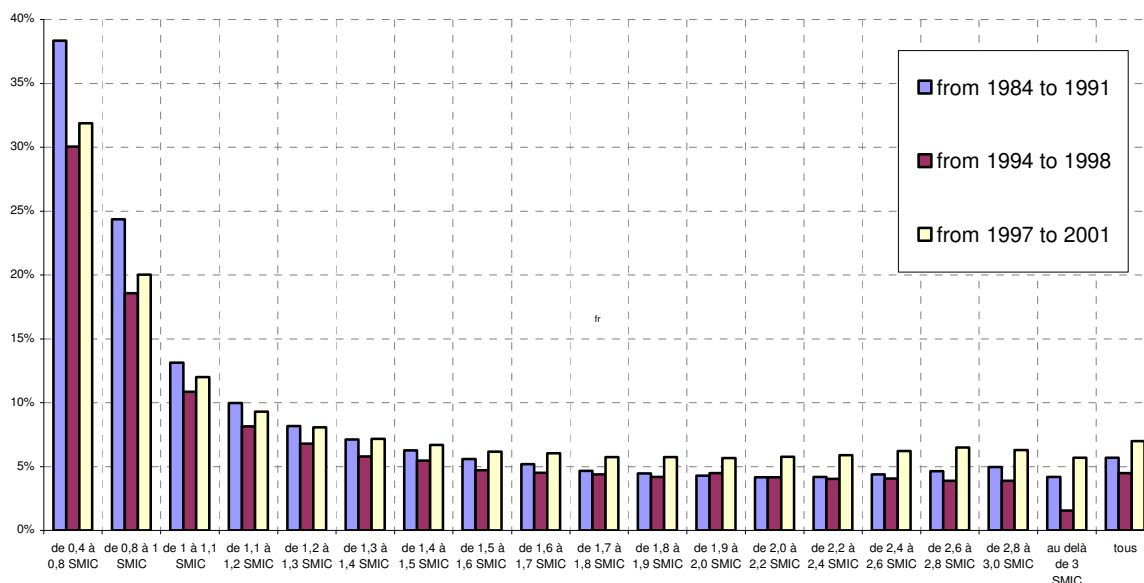
More precise information can be extracted from the DADS panel (Lhommeau, 2005). Low-wage workers are defined here as those earning less than 1.3 SMIC⁵ (which is higher than the 2/3 median wage threshold; in 2002, 1,3 SMIC is slightly less than 80% of the median wage). Concerning the evolution of wage mobility in the long run (from the 1980s to the beginning of the 2000s), the study highlights two phenomena:

- Across the different sectors (breakdown in 12 industries), there is a negative correlation between the share of low-wage workers and their exit rate out of low wages. For instance, during the period between 1997 and 2001, in the automobile industry the share of low-wage workers (< 1.3 SMIC) was slightly below 10%, and almost 45% of low-wage earners were out of low wages two years after; whereas in the food processing industry, the share of low-wage workers was much higher (about 35%), and the exit rate much lower (about 20%).
- Wage mobility has decreased a lot between the 1984-1991 period and the 1994-1998 period; it has slightly increased between 1997 and 2001, but remains much lower than in the eighties. The two-year exit rate from low wages (<1.3 SMIC) for full-time workers was, on average, 29.4% over the 1984-1991 period. It then fell down to 21.1% in 1994-1998, and increased with the economic recovery at the end of the nineties up to 23.8% in 1997-2001. Graph 2.2 provides detailed information on wage mobility for wage categories from 0.4 SMIC to 3 SMIC and above. The lowest the wage, the highest the decrease in wage mobility.

The decrease in wage mobility (especially in the middle of the nineties) is a widespread phenomenon across industries and it cannot be explained only by the economic cycle. For instance, in 5 out of 12 industries, mobility also declined significantly whereas the growth rate of value-added was equal or even higher in the 1994-1998 period as compared to 1984-1991.

⁵ 1.3 SMIC was the threshold chosen to define « low wages » (“*bas salaires*”) in the first general scheme that was implemented at the beginning of the nineties to reduce employers' social contributions – see below.

Graph 2.2:
Increase in real wages between year t and year t+2 during the eighties and the nineties, by wage level



Source: Lhommeau, 2005

Scope: wage earners in the private sector – except temporary agency workers – who have stayed at least three consecutive years in the same enterprise.

2.4. Working conditions of low-wage workers (preliminary elements)

A pronounced trend towards work intensification has emerged in France since the mid-eighties. French surveys of working conditions⁶ have highlighted the rapid extension and proliferation of constraints on employees' work. Numerous factors have contributed to this increase in work intensity: changes in the organization of production, particularly those linked to the spread of just-in-time or lean production systems; changes in work organization, particularly those arising out of the development of multi-skilling and task flexibility; technological changes linked to advances in automation and computerization; new human resource management policies that seek to increase involvement through individual evaluation systems or financial incentives or the pressure of unemployment. This evolution is also observed in other European countries (see Green and MacIntosh., 2001).

This intensification was characterized, in the eighties, by the rise in repetitive work or machine-related constraints, as well as higher physical effort. In the nineties, this trend has been less severe, but mental strain (increasingly tight deadlines, risk of sanctions, contradictory orders, etc.) has generated cumulative constraints on workers. Both skilled and unskilled workers are concerned, but inequality in working conditions has risen. For example,

⁶ A complementary survey to the Enquête Emploi, (French Labor Force Survey), has been conducted in 1984, 1991, 1998 and 2005, covering some 20,000 individuals in employment for each wave. In addition to very detailed information on these workers (age, sex, education, occupation, wage, family background etc...) arising from the Enquête Emploi, the Conditions de Travail survey provides data on various aspects of working conditions such as work organization, technology, occupational risks, work injuries, mental strain ...; about 700 variables are available.

physical effort remains marginal in skilled occupations while it tends to be generalized for clerks and blue-collar jobs where are concentrated low-wage workers (see table 2.6).

Table 2.6: Physical effort, by occupations (%)

	Standing up for long periods			Standing up in a difficult or tiring position for long periods			Carrying or moving heavy loads			Frequently walking for long periods		
	1984	1991	1998	1984	1991	1998	1984	1991	1998	1984	1991	1998
Managers, supervisors or foremen	20	23	26	5	10	13	4	6	10	10	13	16
Clerks	42	48	51	13	26	37	15	26	36	16	28	35
Blue-collar workers	68	73	76	27	46	57	40	54	61	19	34	45
Average	49	53	54	16	29	37	22	32	38	17	28	35

Source: French working conditions surveys, 1984, 1991 and 1998

The 35 hour regulation seems to have left this trend unchanged (see below for a detailed account of the consequences of the 35 hour laws). Numerous workers report being more stressed since the introduction of the 35-hour working week. Such stress appears to be most prevalent among unskilled blue-collar and white-collar female workers (Cette et al., 2005).

A new wave of the Working Conditions surveys is being currently conducted. These data (available in 2006), along with the RSF case studies, will provide more consistent information.

In addition to working conditions, statistics on occupational health and safety reveal a recent deterioration in France. After decades of decrease, the incidence of work accidents increased since 1998. The phenomenon is particularly clear for clerks: between 1998 and 2003, the number of reported occupational injuries raised by 40%, and the number of injuries inducing permanent partial disability by 30%. This suggests a “manufacturization” of low-skilled jobs in services.

The number of occupational illnesses (Musculo-skeletal disorders, cancers etc.) is also growing very fast. Epidemiologic work using data on cancers that have necessarily an occupational source suggest that the incidence of such cancers in France is far above the European average (e.g. on mesothelioma, Banaei et al., 2000); workers on (past) low-skilled occupations are the main victims. More generally, this structural health problem is one source of the low employment rate of older low-skilled workers in France (Coutrot et al., 2005).

Overall, the incidence of low-wage work in France is not massive and has been declining in the recent pas. Low-wage workers are mostly low skilled and low educated even if their school achievement has been rising over time. Regarding mobility out of low-wage

work, the picture is mixed. On the one hand, it seems to be higher than the European average (and higher than in the USA), but on the other hand, it has been declining during the last decade. As for working conditions of low-skilled/low-wage workers, the picture is quite negative: they have worsened during the last decade, and France scores rather low as compared to other European countries concerning some occupational illnesses.

3. The institutional framework and its impact on low-wage work

Institutions, may be defined as “laws, programs, conventions which can impinge on labor market behavior and cause the labor market to function differently from a spot market” (Blau and Kahn, *Handbook of Labor Economics*, Elsevier, 1999, p.1400).

It is not easy to contrast institutions according to their impact on the labor market of low-wage workers. The choice made here is to begin with those institutions which impact directly and mostly the demand side (3.1), then turning to institutions impacting the supply side (3.2) and ending with institutions which mainly regulate the working and employment conditions of low-wage workers (3.3) – even if, of course, the latter may also have an effect on the demand and/or the supply side.

3.1 Institutions affecting the demand side of the low-wage labor market

3.1.1. The minimum wage

a) *From a social minimum to the driving force of the determination of low wages*

Few years after the end of WWII (1950), a law reinstated free negotiations of wages through collective agreements and created a minimum wage – the SMIG (*salaire minimum interprofessionnel garanti* – guaranteed inter-professional minimum wage). The SMIG was based on the principle put forward by the ILO during the 1920s, according to which State intervention is needed when “no arrangement exists for the effective regulation of wages by collective agreement or otherwise and wages are exceptionally low”. As a consequence, the SMIG was to be considered as “a social minimum due to any worker offering his workforce to an enterprise” according to the Prime Minister’s decree (CSERC, 1998). As it was not index-linked to GDP growth, the purchasing power of the SMIG increased much less than the average wage from 1950 to 1968. After the social uprising of the end of the sixties (1968), SMIG increased a lot, and was replaced in 1970 by the SMIC (*salaire minimum interprofessionnel de croissance* - inter-professional index-linked growth minimum wage). According to the law, the SMIC aimed at ensuring “workers with the lowest remuneration a purchasing power guarantee and a participation in the economic development of the nation”.

Box 1: The French minimum wage (SMIC)

The French minimum wage (SMIC) is a statutory hourly wage. It is set by the government, generally on the 1st of July. The SMIC is revised by use of two mechanisms:

(i) index-linking. Every time the consumer price index rises by at least 2%, the SMIC is raised by the same percentage, as of the first day following the publication of the relevant price index. However, this mechanism, which is still in use, can be applied only once a year when inflation is low.

(ii) economic growth. The law states that every year, after consultation with the National Collective Bargaining Commission, the government sets the new rate of the hourly SMIC by cabinet decree to take effect as of July 1st. The increase must reflect inflation and half of the increase in the purchasing power of blue-collar workers' basic hourly rate of pay. The government may grant a higher increase by giving a “coup de pousse”, or “boost”.

From the end of the nineties, the 35 hour laws (see below) have dramatically altered the computation of the SMIC, and have introduced an extremely complex but transitory minimum wage regulation. Until July 2005, as many as 7 SMIC co-existed. A unique hourly SMIC has been set on July 1st 2005 (the deadline for “SMIC convergence” fixed by the Administrative Supreme Court). The consequence is that, as compared to the normal trend, by July 2005, the hourly minimum wage was about 6% higher (see graph 3.1). However, for workers working 35 weekly hours, this corresponds to a monthly wage 5% lower than what it would have been in the absence of the 35 hour laws.

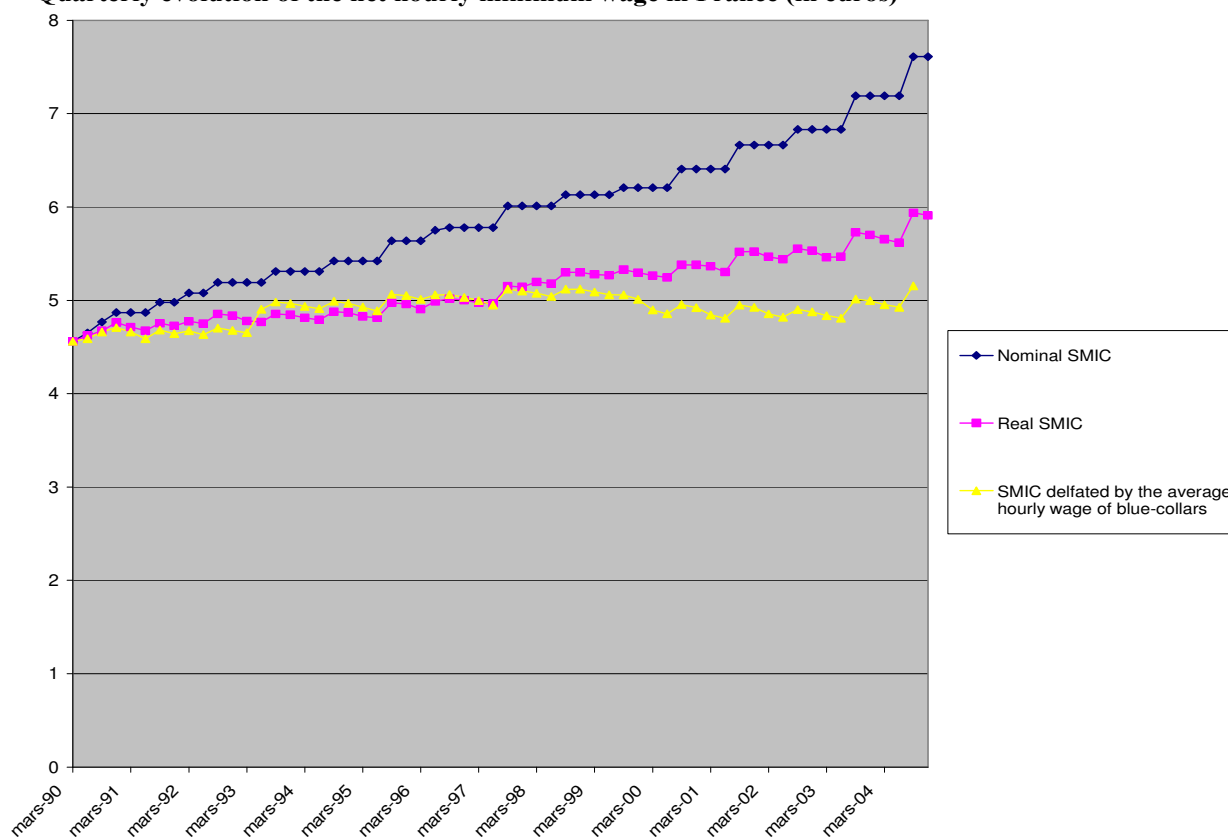
The consequence of this change was very important: from the beginning of the seventies, through the SMIC increases, the law and the government have become the driving force of the growth of low wages in France, whereas the role of collective agreements has almost disappeared. It is not easy to disentangle which is the cause and which is the consequence. Actually, branches and firms with worker representatives have to bargain on wage changes each year, but these negotiations often fail. This failure of the bargaining process partly explains the existence and persistence of a high national minimum wage in France. The leading role of the government may be therefore considered as the consequence of the failure of social partners to agree on low wage levels and increases. But conversely, the fact that the SMIC is set by the law is not an incentive for unions and employers' organizations to bargain on low wages⁷.

This brings about a paradoxical situation (unknown in other countries like Belgium and the Netherlands where statutory minimum wages also exist): in many industries, the lowest wage rates of job classifications set by collective agreements are below the SMIC level – and therefore not enforced. According to the French Ministry of Labor (January 2005), it is still so in 55% of the branch-level collective agreements – the proportion was about 70% in 1999. Consequently, the SMIC still remains a more relevant reference than collective agreements for the remuneration of most low-wage workers. Note that the “SMIC convergence” – induced by the implementation of the 35 hour laws - see box 1 – and the related increase in the hourly minimum wage will extend the phenomenon of irrelevant wage rates at the lowest levels of branch-level job classifications.

The evolution of SMIC since the beginning of the nineties is pictured in Graph 3.1. Since July 2005, the (gross) hourly SMIC has been set at 8.03 €. Note that the purchasing power of the SMIC has increased by more than 30% since 1990, but that the ratio of the SMIC to the average hourly wage of blue-collar workers has remained unchanged during the past ten years (until 2004).

⁷ See section 3.3.1 for a detailed account of French industrial relations.

Graph 3.1:
Quarterly evolution of the net hourly minimum wage in France (in euros)



Source: INSEE

The gross wage at the SMIC level is rather high in France, as compared to other OECD countries. At the beginning of 2004, the monthly (full-time) minimum wage amounted to 1215 € in France⁸, as compared to 1186 € in Belgium, 1083 € in the United-Kingdom, 1073 € in Ireland and 537 € in Spain. Only Luxembourg (1403 €) and the Netherlands (1265 €) had a higher minimum wage. The purchasing power of the minimum wage in France is more than 40% higher than in the USA.

b) The impact on the wage distribution and wage profiles of low-wage workers

As in many countries, there seems to be a spike in the wage distribution at the minimum wage in France. The changes in the proportion of minimum wage workers are positively correlated with the increases in the minimum wage – the elasticity of the spill-over effects on wages above the minimum wage being less than one. While more than 15% of workers were at the minimum wage level at the beginning of the fifties, this proportion had declined to less than 3% in 1967. Following the large increase in the minimum to average wage ratio during the seventies, the share of minimum wage workers amounted to about 10% at the beginning of the eighties, and stabilized between 9% and 11% until 1990. After a decline (down to 8%) it increased again in 1997, and remained since then between 12,5% and 15,6% – see table 3.1. Note that this proportion is much higher than the proportion of low-wage earners (see section 2). This means that many workers who earn the SMIC as basic hourly wage, also

⁸ Purchasing power parity data from Eurostat.

benefit from additional compensations (e.g. a “13th month”, various premiums, gain sharing..) which make their effective hourly gains higher than the low-wage cut-off.

Table 3.1: Proportion of wage earners at the minimum wage level since 1990 (%).

1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
10.9	8.6	8.6	8.1	8.2	11.2	10.7	14.1	12.6	12.8	13.6	13.9	14.0	13.4	15.6

Note: These are the proportions of workers earning the SMIC as hourly wage.

Source: Seguin, DARES, 2005

A related phenomenon is that the wage distribution is directly correlated with the minimum wage changes in relative terms. The wage compression which occurred during the seventies directly derives from the increase in the SMIC to average wage ratio. It has also (negatively) impacted wage mobility⁹ during the 1967-1984 period, especially for the lowest deciles (Fougère, Kramarz, 2001).

When the minimum wage is high, the wage tenure profile may be flatter. There is a risk of a “low-wage” trap. Indeed, as noticed above, in many industries, the lowest wage rates set by collective agreements are below the level of the SMIC. As a consequence, a worker may move along the wage scale as she gets more tenured without benefiting from any effective wage increase, as long as her wage level (in the job classification) remains below the SMIC.

3.1.2. The cost of labor, product market regulation and the shortage of low-wage/low-skilled jobs

From the 1980s, because of the persistent high unemployment rate of youth and low-skilled workers, there has been an ongoing debate about whether the cost of labor at low wage levels should be pointed out as the villain. More recently, more attention has been dedicated to market of products.

a) Is the cost of labor too high?

As mentioned above, as compared to other OECD countries, the minimum wage is quite high in France. Moreover, employers’ social contributions are also very high since they amount to about 40% of the gross wage. Overall, in 2005, at the minimum wage level, for a gross wage of 100, the employee’s net wage amounts to about 78, and the total cost for the employer amounts to about 140 - before social contribution reductions (see below).

The job shortage in low-wage/low-skilled activities pointed out above (see section 2.1.2.) is often presented as the consequence of this high labor cost. Notably, there is some empirical evidence that services seem to be less labor intensive in France, and that this may result from the high labor cost of low skilled workers – Piketty, 1999¹⁰.

In contrast, an opposite conclusion may be drawn from Glyn (2005) concerning the distribution sector (i.e. trade, hotel and catering): the level of consumption may be the driving

⁹ Measured as the probability to transit from a lower to higher wage decile.

¹⁰ For instance, according to a McKinsey survey held at the end of the nineties, Toys”R”Us stores, for a given amount of sales, employed 30% less staff in France than in the USA. According to the managers interviewed, the labor cost was the main reason for this gap – McKinsey, 1997.

factor. He analyses the lack of jobs in four European countries – France, Germany, the Netherlands and the United-Kingdom – as compared to the USA. The gap is quite large: by 1999, the USA had at least 25% more employment (as measured in terms of hours per capita in the working age population) in the distribution sector than the UK, more than 30% more than Germany and nearly 75% more than France and the Netherlands. The main explanatory factor lies in the fact that the level consumption is much higher in the USA than in Europe. In France, an additional (although secondary) explanatory factor has to do with the fact that labor productivity in the distribution sector is higher than in the USA. However, Glyn's exercise is fragile because of the difficulties to measure productivity in these services. One goal of the RSF retail project is to provide detailed and consistent information on this point and particularly on the labor intensity of services in the 5 European countries under study, along with the USA, in order to build reliable comparative analyses.

Moreover, the high cost of labor may also contribute to explain the deficit in the consumption of labor intensive services – and, more specifically, why the “marketization” of household type services (caring, catering, and all personal services) is lower in Europe in general, and in France in particular, than in the USA. This is consistent with the “work and employment regime” depicted in section 1.2: French people would work less on the labor market (which is the main cause of the gap in output per capita as compared to the USA), but they would work more within the household, producing services that American people usually buy on the market – see Freeman and Shettkat, 2002.

b) Are product markets too much regulated?

Recent analyses have also pointed at particular product market regulations as complementary and potentially main sources of the shortage of jobs in some activities (Cahuc, Kramarz, 2004, OECD, 2005). In France, there exist numerous barriers to entry in some occupations. These may reduce employment or mobility (and also push prices up or hamper innovation). For example, the quota system in operation for taxi drivers gives an important power to the employers (the owners of the permanent licenses) and, at the same time, dramatically reduces the supply of taxis (e.g. in Paris, the demand for taxis is estimated at least 50% higher than the supply). High qualifications are also required for numerous jobs. For example, one can be employed as a hairdresser without any qualification, but in order to set up one's own business, one has to hold an upper secondary technical school diploma. This type of regulation mechanically reduces earnings mobility in the corresponding occupations, as well as firm creation – Cahuc, Kramarz, 2004.

In addition, some specific regulations restrict entry into some low-wage sectors (retail, hotels). This is the case of the Royer and Raffarin laws which limit the development of supermarkets and hypermarkets. Preliminary evidence suggests that they dramatically reduce employment growth in these sectors. In retail, for example, econometric estimates suggest that employment could be 30% higher without these regulations (see Cahuc and Kramarz, 2004 and the Retail overview report for details). Conversely, the deregulation of the road freight haulage industry in 1986 seems to have boosted business and job creation in this sector.

A number of pieces of research are currently carried out in France which aim at estimating the labor market consequences of product market regulation. More evidence should be available on this point in the course of year 2006.

3.1.2. Policies to promote (low-wage) jobs for low-skilled workers

From the mid-seventies to the early nineties, public policies intending to promote job opportunities for youth and low-skilled workers have relied mainly on targeted active labor market policy schemes. Since then, a more general policy based on reductions in employers' social contributions on low wages has been implemented.

a) Targeted employment subsidies.

A wide range of ALMP schemes have been implemented in France during the last three decades: subsidies to employment in the private sector¹¹, creation of temporary jobs in the public and non profit sector, subsidized training contracts – which may be considered as “mixed employment subsidies”¹² (Gautié, Gazier, Silvera, 1994). These measures are targeted at youth and “hard-to-place” workers, such as older workers and long-term unemployed.

Existing studies do not allow to assess the exact impact of those schemes on the labor market outcomes of the beneficiaries. But the fact that they exist impinges significantly on the low-wage/low-skill labor market, as the annual participant inflows amount to 8% to 10% of the total labor force. At the end of 2003, the total number of beneficiaries of the different schemes amounted to nearly 1.2 million persons (about 5% of the employed labor force), and 636,000 if subsidized training schemes are excluded (Leclair, Coquet, 2005) – table 3.2. In most of the schemes, the beneficiaries are paid at the hourly minimum wage (and even less in the training schemes), or slightly above.

Overall, ALMP schemes represent an important segment of the low-wage labor market in France, especially for the youth. At the beginning of the 2000s, more than 35% of the employed youth (aged less than 26) were beneficiaries of one of the ALMP schemes.

Table 3.2: Number of ALMP beneficiaries at the end of 2003

Subsidies to employment in the private sector (*)	251,000
Temporary employment in the non profit sector (**)	385,000
Total (without training schemes)	636,000
Apprenticeship (***)	359,000
Other subsidized training schemes (****)	192,000
Total	1 187,000

(*) Contrats Initiative Emploi, Contrats Jeune en Entreprise; “Youth Jobs”.

(**) Contrat Emploi Solidarité, Contrat Emploi Consolidé, Emplois Jeunes.

(***) As apprenticeship benefits from public funded aids, it is considered as ALMP scheme in France.

(****) Contrats de Qualification, Contrats d'Adaptation.

Source: DARES.

¹¹ Mainly through reductions in employers' social contributions.

¹² They encompass fixed-term and part-time labor contracts, for which employers benefit from several financial advantages (wage under the SMIC level, and/ or reductions in social contributions).

Because of the global job shortage, many skilled youth (i.e. high school graduates or young people with even higher school attainment) are hired on an ALMP scheme. This has contributed to the increase in the educational level of low-wage workers over time pointed out in section 2.

b) General schemes to reduce the cost of labor at low wage levels

From the beginning of the nineties, a quasi consensus emerged among economists and politicians: beyond hard-to-place people, there was a more general problem of demand directed to low-skilled workers, and a shortage of jobs at the lower end of the wage distribution. Several “general” schemes (i.e. not targeted at specific beneficiaries) have thus been set up.

Since 1993, a general reduction in employers’ social contributions has been implemented. The choice was made to reduce the cost of labor at low wage levels without decreasing the gross wage perceived by workers. “Low wages” were then defined as wages below 1.3 SMIC. The scheme has been modified nine times between July 1993 and December 2004, notably with the introduction of the Aubry I and II “working time laws” which also included social contribution exemptions. In the current scheme, the reduction is degressive – from a maximum of 26% or 23.4% (according to the firm) of the gross wage at the SMIC level, to 0% at 1.6 SMIC and above. This means that, at the SMIC level, the total cost of labor has been brought down from 1.4 to 1.15 SMIC.

Among the other untargeted schemes, it is worth mentioning the “*Chèque Emploi Service*” (Employment Service Check), which aims at promoting jobs in domestic services (caring, domestic help...) used by households¹³.

Concerning the impact of such schemes on the low-skilled/low-wage labor market, the picture is mitigated.

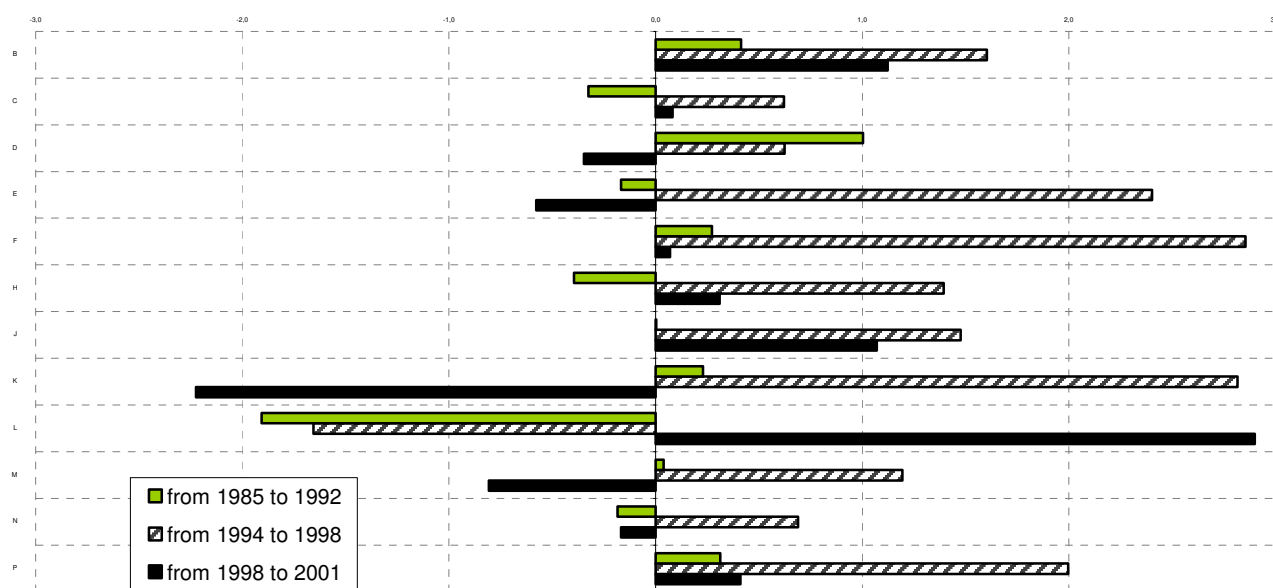
- *A positive impact on employment prospects.* Low-skilled employment has risen since 1994, whereas it had declined continuously during the previous decade. But it is difficult to estimate the amount of jobs that were created as a direct consequence of these schemes. It is very difficult to draw clear conclusions from the different evaluation studies, because they rely on different methods, and refer to different periods¹⁴. A striking empirical evidence is that the share of low-wage workers (between 0.8 and 1.3 SMIC) in the recruitments of full-time workers increased a lot in many sectors during the 1994-1998 period, as compared to the 1985-1992 period (graph 3.2).
- *A negative impact on hiring wages and wage mobility?* The direct effect of such policy measures on wage dynamics is unclear, but it is tempting for employers to offer lower wages when hiring new workers (because in such schemes, the lower the wage, the higher the social contribution reduction). Because of the design of the scheme,

¹³ The scheme sets up a simplified procedure to hire and pay a person working at the homeplace (the “cheque/check” is both a means of payment and a work contract); the employers using it benefit from an income tax reduction; some employers can also benefit from a social contribution exemption (100%) according to their age and potential disability. In 2002, about 765,000 employers used this scheme employing 426,000 employees (DARES, *Bilan des politiques de l’emploi*, 2004).

¹⁴ For a survey, see Gafsi I., L’Horty Y., Mihoubi F., 2005, and also Rémy V., 2005.

another risk is that of a slowdown in wage increases for incumbents. At the minimum wage level, a 1% increase in the gross wage implies a 1.6% increase in the total labor cost for the employer. To put it differently: there is an increasing risk of “low-wage trap”. Moreover, some economists¹⁵ suggested that such a risk may have a negative impact on training – because of the lack of incentive for the worker to get trained if her expected wage increases are low. However, so far, there exists no evaluation supporting (or dismissing) these conjectures.

Graph 3.2: Annual growth rate of the share of low wages (between 0.8 and 1.3 SMIC) in the recruitments of full-time workers
(in % points, breakdown by industry)



Source : Lhommeau, 2005.

Scope: wage earners in the private sector, temporary workers not included. B = Food Processing; C = Consumption Goods; D = Automobile; E = Equipment Goods; F = Intermediary Goods; G = Energy; H = Construction; J = Trade and Repair; K = Transportation; L = Financial Intermediation; M = Real Estate; N = Services for Enterprises; P = Personal Service Activities. Between 1985 and 1992, the share of new entrants with wages between 0.8 and 1.3 in the total recruitments of full-time workers has increased by 0.4% point on average each year in the food processing industry.

Overall, the minimum wage plays a central role in the low-wage labor market in France. Its high level is the driving force of the compression at the lower end of the wage distribution. As compared to the other OECD countries, the purchasing power of low-wage workers (for a given number of hours worked) is relatively high. But this may have some negative effects on the low-skilled/low-wage workers.

On the one hand, the job shortage issue has to be addressed. A high minimum wage may induce less labor intensive production processes, especially in the service sector. One consequence may be the job shortage for low-skilled workers – whose unemployment rate is

¹⁵ See for instance Malinvaud, E., 1998: *Les cotisations sociales à la charge de l'employeur : analyse économique*, Rapport du Conseil d'Analyse Economique, La Documentation Française.

quite high. Active labor market schemes have been deployed on a large scale, and they contributed to expand a “secondary labor market” which is now an important segment of the low-wage labor market – especially among the youth.

On the other hand, a high minimum wage may impinge on the wage careers and profiles of low-wage earners, which may be flatter. This “low-wage trap” may be reinforced by the policy of reduction in employers' social contributions, which creates a threshold effect. But more empirical evidence is needed on this point.

More recently, more attention has been paid to the product markets functioning as a potential factor of the employment shortage in some labor intensive activities. According to some studies, the deregulation of these markets may increase employment. But so far, no policy has been implemented.

3.2 Institutions affecting the supply of low-wage work

3.2.1 The education and training system

When considered as a stock, the education level in the French population is not very high, as compared to international standards. The proportion of people aged 25 to 64 in 2002 who have left school with an educational attainment below upper secondary education is 35% as compared to 33% in the OECD as a whole (OECD, 2004b). 41% have reached upper secondary education (44% in the OECD) and only 24% have reached tertiary education (23% in the OECD). This relatively low level of education is mirrored in the average years of schooling in the adult population which amounts to 10.9 in 2002 as compared to 11.8 in the OECD.

This situation is largely due to the low educational level of elderly generations. Among people aged 55 to 64, only 48% have reached at least upper secondary education (as compared to an average 50% in the OECD) and only 15% have attained tertiary education. This proportion is much lower than in other European countries and even lower than in the OECD as a whole (see Table 3.3). This lag in educational attainment holds for younger generations down to 35 years old.

(% of the population)	25-64 years old	25-34	35-44	45-54	55-64
France	24	36	23	19	15
Germany	23	21	26	25	21
Denmark	28	29	30	30	22
Netherlands	25	27	26	23	19
UK	27	31	27	26	20
USA	38	40	39	40	33
<i>OECD mean</i>	<i>24</i>	<i>28</i>	<i>24</i>	<i>21</i>	<i>16</i>

Source: OECD, *Education at a Glance*, 2004.

Younger generations (below 35 years old) are clearly catching up with a tertiary educational attainment well above the OECD average. Over the past 20 years, the proportion of people leaving school with a university level diploma has sharply increased from 15.2% in

1980 to 38.1% in 2002. Similarly, the share of workers entering the labor market with a high school diploma has increased from 15.6 to 23.6%. However, in 2002, 20.3% of young people still leaved school with no diploma¹⁶, and some 18% leaved it with no more than a lower secondary vocational diploma¹⁷. This creates, of course, a supply of labor for low-skilled, low-paid jobs.

This rather poor educational performance is rooted in the working of the French educational system.

a) *The educational system*

One first point to underline is that the educational system is not globally under funded in France. In 2001, total expenditure on educational institutions amounted to 6% of GDP. This was below US and Danish levels, but above German, Dutch and British investments (see Table 3.4). The same picture holds when looking at the ratio of educational expenditure per student to GDP per capita. In 2001, it amounted to 27% in France as compared to 31% in Denmark and the USA, but only 26% in Germany, 23% in the Netherlands and 22% in the UK.

	Total expenditure as a % of GDP	Expenditure per student as a % of GDP per capita
France	6	27
Germany	5.3	26
Denmark	7.1	31
Netherlands	4.9	23
UK	5.5	22
USA	7.3	31
<i>OECD mean</i>	<i>5.6</i>	<i>26</i>

Source: OECD, *Education at a Glance*, 2004.

One point to mention though is that France invests more than average in secondary education and less than average in tertiary education. Expenditure per student amounts respectively to 30 and 33% of GDP per capita for secondary and tertiary education as compared to 26 and 42% for the OECD as a whole.

Apart from this financial specificity, the French educational system faces a number of structural problems. The most important one regarding workers at the bottom of the skill/wage distribution has to do with the relative weakness of technical and vocational education and training. At the level of upper secondary education, the French schooling system is split in 3 branches: general, technological and vocational. As compared to the beginning of the 1980s, the share of students involved in general curricula has decreased. This is due to the development of technological education, but also to the increasing success of vocational secondary education. This has been fostered by a reform passed in 1987 and creating a vocational high school diploma, which would, in principle allow students to go on in the tertiary education system. In 2003, vocational high school diplomas accounted for

¹⁶ That is either no diploma at all or a lower secondary education diploma (*brevet*).

¹⁷ CAP or BEP.

18.2%¹⁸ of the total. However, this trend seems to have reverted over the past few years, with the number of students in upper secondary vocational education steadily declining since 1998.

At the tertiary level, students involved in technical and vocational education are few. They were only 15.4% of all students in 2004, slightly less than in 1990 (15.9%). As a consequence, students getting out of the schooling system with a technical or vocational diploma tend to be less skilled than students getting out with a general diploma: 31.2% of the former went out with a tertiary level (as opposed to lower or upper secondary level) diploma in 2002, as compared to 71% among the latter. This weakness of technical and vocational education in France is made worse by the fact that there exists no such thing as a "dual system". Apprenticeship is very limited in scope and most vocational training is acquired within the schooling system. In 2003, only 15.5% of apprentices were preparing tertiary level diploma, the rest being involved in lower and upper secondary level curricula.

Overall, technical and vocational education and training appear to be rather unattractive in France and mostly yield low skilled diploma.

The reasons for this are several. The first one dates back to the origins of the system which has always valued general education more than professionally oriented curricula. According to d'Iribarne and d'Iribarne¹⁹ (1993), this is due to the notion of "nobility" being at the root of the social hierarchy in France. Intellectual activities have traditionally been seen as more noble than manual ones and this hierarchy has passed onto the educational system. So, practical curricula have always been considered as second rank and have never attracted good students.

Beyond these historical and sociological reasons, the lack of appeal of technical and vocational education also lies in the fact that the corresponding diplomas are poorly recognized by firms in terms of occupations. In 2003, 31% of the youth who had left education in 1998 with a lower secondary vocational diploma were still unskilled blue or white collars, whereas their diploma was supposed to give them access to skilled occupations. The situation was even worse for young people with a technical and vocational high school diploma. Only 20% of them were technicians or supervisors (which was supposed to be the theoretical outcome of their curriculum) while more than 20% of them were unskilled blue and white collars. Eventually, the situation was quite similar for graduates of tertiary level technical and vocational education. Only 10% of them had reached technical managerial positions, while half of them were in intermediate occupations (technicians or supervisors) and some 20% had only reached skilled blue or white collars occupations.

This situation is largely due to the fact that there is no systematic recognition of diplomas in the job classifications of most industrial branches. Most job classifications actually recognize some technical and vocational diplomas, but the nature of the diplomas and the type of recognition varies from one branch to the other²⁰. In tertiary activities, references to diplomas are very few, which is not the case in the manufacturing sector. However, in the latter, collective agreements rarely guarantee that a diploma will give access to a given coefficient (hence wage) in the job classification. Overall, the lack of one-to-one relation

¹⁸ Unless specified, figures in this section are drawn from *Repères et Références Statistiques*, Ministère de l'Education Nationale, DEP, 2004.

¹⁹ D'Iribarne and d'Iribarne (2003), "Institutional setting and regulatory framework of education and training in France: cultural embeddedness and socio economic challenges", RAND Conference on Human Capital Investments and Economic Performance, Santa-Barbara.

²⁰ See Jobert and Tallard (1995)

between diplomas and jobs in the French system of job classification contributes to make technical and vocational education quite unattractive.

Another reason for this is that carriers open to workers holding technical and vocational diploma are usually quite short. The promotion of skilled workers to supervisor positions is much more dependent on personal leadership than on the educational attainment. Access to technician positions is even more difficult for operators. At this level, the external labor market tends to dominate with technicians being mostly hired among young workers holding tertiary level technical diplomas. But for them too, carrier prospects are limited due to the fact that engineers are only hired among university and "grandes écoles" graduates. Overall, the whole technical and vocational education system suffers from the lack of carrier opportunities, itself due to the predominance of the external labor market at the higher levels of the job hierarchy.

Despite these structural problems, the educational level of the youngest generations has steadily increased in the recent past. In 2003, the proportion of young people with a high-school diploma in the relevant generation was 63% as compared to 43.5% in 1990 and 26% in 1980. Similarly, the number of students enrolled in tertiary education has increased by 31% since 1990 and by 91% since 1980. This increase in the educational attainment of younger workers has had several consequences for the low-skilled, low-wage labor market. The first one has been an increase in the educational level of low-wage workers. As mentioned in section 2.2.1, the incidence of low-wage work has increased for workers with a high-school diploma or more, whereas it has decreased or remained constant for less educated workers. So, while a diploma used to be a good protection against low-paid employment, this is no longer necessarily the case. In a context of high unemployment, competition for jobs may lead educated workers to accept unskilled, low-wage jobs. A second consequence has to do with older workers. The arrival of higher educated and younger workers on the labor market has created an incentive for firms to get rid of older workers using early retirement schemes, and to rely on the external labor market in order to satisfy their demand for labor. This has particularly been the case in medium and low-skilled positions where a number of older workers have been driven out of the labor market.

The employment perspectives of low-skilled/low-paid adult workers raise the issue of continuous training. In France, the working of the system is flawed by serious efficiency problems.

b) The continuous training system

The French continuous training system has traditionally been based on the idea of "second chance", i.e. that further education should offer a second chance of upskilling to workers who have not had the opportunity of receiving an extended initial education. This original view of continuous training has progressively changed in the course of the 20th century. With the deep industrial changes of the 1960s, it has started to be seen as a way of adapting workers' skills to the new requirements of the production system. This is still the main goal of the system today. The French continuous training system is not conceived as a complement to initial education that would ensure lifelong mobility and adaptability of workers. It is rather in charge of compensating the shortcomings of the educational system and providing firms with the skills they need at one point in time.

In achieving this goal, social partners play a major role. The two major laws that have organized continuous training in France (dated July 16, 1971 and May 4, 2004) were the legal counterparts to two national collective agreements signed by social partners in July 1970 and September 2003. The 1971 law sets up a system in which firms are responsible for upgrading the skills of workers in employment, whereas the State remains responsible for the training of the unemployed. Firms are at the heart of the system, all the more that they are obliged to spend a proportion of their wage bill on training. Since 2004, the minimum spending is 1.6% for firms with more than 10 workers and 0.55% for smaller ones (since January 2005). Firms may either directly spend this amount on training or pay it as a tax to a collecting institution which will, in turn, spend it on training activities. These collecting institutions are under the control of employer organizations and employee trade unions.

Despite this role played by social partners, continuous training has not been at the core of firm's business strategy in the recent past. Investment in training has actually decreased in France over the past ten years. After reaching a peak 1.9% of GDP in 1992²¹, it has decreased to 1.43% of GDP in 2002. Most of it is paid for by private firms (44.2%). Then come the State (35.4%), the regions (9.6%) and the households (3%). One point to underline though is that only 59% of the 22 billion euros spent on continuous training in 2002 were devoted to workers in employment. The rest is part of active labor market policies targeted to low educated young people and to the unemployed – see section 3.6.1.

This rather modest training investment is reflected in the fact that the percentage of employees participating in training sessions is not very high in France: 46% in 2002²², i.e. less than in Denmark (53%) or in the UK (49%) but more than in the Netherlands (41%) or in Germany (32%). Moreover, access to training is very unequal: 49% of workers employed in firms with more than 2,000 employees participate in training sessions, as compared to only 6.8% in firms employing 10 to 20 workers. Older workers have less training opportunities than younger ones: the rate of access for workers in the private sector steadily decreases with age from 36% for workers below 35 years old down to 20% for workers above 55. But the most impressive type of inequality has to do with occupations. The proportion of blue-collars participating in training in 2000²³ was 20% as compared to 29% for clerks, 45% for technicians and supervisors and 54% for managers. To sum it up, the more skilled people are, the more they get trained. This structure of investment contributes to reinforce rather than fill in initial skill gaps inherited from the schooling system. The reason for this lies in the fact that training for workers in employment is mostly paid for by firms. These tend to train in priority workers for whom the expected return is the higher. This is likely to be the case for highly educated workers who tend to learn faster and are in key occupations, but also for younger workers as compared to older ones.

So, continuous training offers few upskilling opportunities to workers at the bottom of the skill/wage distribution. This is made worse by the fact that the quality of training sessions is very heterogeneous. Training provided by public high-schools and universities is usually of good quality. However, State controlled institutions train less than 10% of overall trainees, the rest attending sessions supplied by one of the 7,500 training providers on the market. These are subject to very few controls, in particular regarding the content of the training sessions and the qualifications of the teachers. Filling a form and sending it to the right department of the Ministry of Labor is almost the only requirement, at the moment, to open a training

²¹ See DARES, 2005.

²² Source: Eurostat, New Cronos, 2002.

²³ *Education et Formation* n°66, 2003, chap. 18.

business. As a consequence many training sessions are of very low quality and yield basically no recognized qualification.

Consistently, the returns to training have traditionally been very low. The official position of employer representatives has long been that the skills acquired in continuous training did not yield any right to promotion nor wage increases. Things are currently changing due to the rising importance of training in human resource management. In some branches, the diplomas acquired in continuous training guarantee the access to given coefficients in the job classification. However, this is still more the exception than the rule.

Another characteristic of the French continuous training system is that it used to be largely disconnected from initial education. This is currently changing since the laws on the accreditation of work and past experience²⁴ were passed in 1985 and 1992. The first one was aimed at permitting workers to access higher education training programs in the absence of the required diplomas. In 1992, the system was extended to diplomas at all levels. It now allows applicants to obtain some or all units constitutive of a diploma on the basis of their work experience. This will help bridge the gap between initial and further education by allowing workers with little initial formal education to get access to secondary and tertiary education and eventually obtain certified diplomas.

This issue of certification is crucial for continuous training and for the carrier prospects that it may open to lower skilled workers. In the absence of certification, training recognition by firms becomes much more difficult. Moreover, acquiring certified diplomas is the best way for individuals to build up a consistent training path over their carriers. One more step towards this idea of individual training path has been made with the recent law on continuous training passed in May 2004. It indeed creates an individual right to training (*droit individuel à la formation*) which takes the form of 20 hours of training per year, which can be accumulated by the worker over up to 6 years. This measure should allow each worker to benefit from some training. In this respect, it is very positive, in particular, for lower skilled workers. This should open up the way for them, as for other workers, to the building up of consistent training paths.

Overall, the working of the education and training system has created, in the past, a large proportion of low-skilled and potentially low-paid workers. Performances are currently improving so that the average skill level of the workforce is increasing. In the short-run and in a context of high unemployment this has led to an increase in the educational level of low-wage workers. However, in the medium run this provides firms with the human capital necessary to cope with technological and organisational changes and opens the way to a reduction in the number of low-skilled/low-wage jobs.

3.2.2 The tax/benefit system and its impact of the supply side of low-wage labor market

a) *Unemployment compensation and early retirement schemes*

Unemployment compensation relies on two linchpins in France: the insurance system – unemployment benefit being linked to previous employment records – and the assistance system – with a lump sum allowance (amounting to about 40% of a full-time SMIC) for those

²⁴ Validation des acquis professionnels et validation des acquis de l'expérience.

who are not (or no more) entitled to the insurance benefit. As compared to other OECD countries, the unemployment benefit may appear rather generous in France both in terms of eligibility criteria, replacement rate (57% of the gross wage) and length²⁵. But the reality of coverage and effective benefits yields a more mitigated picture of the whole unemployment compensation system. In 2003, the coverage rate amounted to only 63.6% of the registered unemployed (53.7% covered by the insurance benefit, 9.9% by the assistance allowance). Less than half (46.3%) of the unemployed younger than 25 years old were covered. 11.8% of the recipients had a monthly allowance of less than 450 €, 28.5% less than 750€, 60.8% less than 950€, 81.9% less than 1200€ (the gross monthly SMIC for a full-time job – 39 weekly hours – amounted to 1215€ in 2003 – i.e. a 950 € net wage)²⁶.

So, the unemployment compensation benefits do not create an important disincentive problem due to potential generosity, at least at the lower wage (hence unemployment allowance) levels. However, for workers with high earnings (hence high allowances when unemployed), there is some empirical evidence that they tend to choose when to return to employment²⁷.

On the other hand, even if an important reform has taken place in 2001 which promotes the “activation” of unemployment compensation – introducing the PARE (“*plan d'aide au retour à l'emploi*”) – this activation is far from being generalized. Overall, the control over the unemployed remains rather weak in France, as compared to other countries, in particular if one refers to the “rate of sanctions” as an indicator²⁸.

If the negative impact of the unemployment compensation system on incentives to take a job for low-wage/low-skilled workers appears to be moderate in general, it is not the case for a specific category – i.e. older workers. Since 1997, unemployed workers who are less than 60 years old and have contributed to their pension fund for at least 40 years can benefit from the “Aged Worker Allowance” (*Allocation Chômeur Agé, ACA*) or the “Special Waiting Allowance” (*Allocation Speciale d'Attente, ASA*) until they reach the legal age of retirement (i.e. 60). Moreover, if they are older than 57 and a half, they can be allowed not to actively search for a new job. In this case, they disappear from the official statistics of unemployment (based on the ILO unemployment definition). Of course, these possibilities open the way to moral hazard. Employers and older workers can agree on dismissal (outside the framework of the costly collective dismissal), the worker knowing that she can reach retirement age without working and without losing a lot in terms of income (depending on the severance payment she has negotiated). At the end of 2003, about 400,000 persons were benefiting from ACA and ASA.

In the same line, France has a long tradition in the field of early retirement schemes – which is a key factor of the low employment rate of workers above 55 years old – see section

²⁵ The required duration of contribution (i.e. employment) has been revised in 2003; there are now four categories: 1) 6 months of contribution during the last 22 months are required for a maximum 7 months entitlement period; 2) 14 months of contribution during the last 24 months are required for a maximum entitlement of 23 months; 3) For those aged 50 years old and above, 27 months of contribution during the last 36 months are required for a maximum entitlement of 36 months) For those aged 57 years old and above, 27 months of contribution during the last 36 months are required for a maximum entitlement of 42 months, if they have contributed for 25 years to the pension system.

²⁶ See Clément M., Monneraye O., 2005.

²⁷ See Dormont B., Fougère, D., Prieto A., 2001.

²⁸ The rate of sanction is measured by the ratio of the number of unemployed who were sanctioned during the year to the total number of unemployed. This indicator seems to be much lower in France than in other OECD countries (like Germany, the UK, Denmark...) – see: Cahuc P., Kramarz F., 2004.

1. But from the end of the nineties, the various governments have tried to curb the number of beneficiaries because this policy is contradictory with the aim to increase the employment rate of older workers and to lengthen the contribution period for the pension system (see box 2). Various schemes were suppressed. As a consequence, there were only 24,000 new entrants in ERS in 2003, and the total number of beneficiaries amounted to 80,000 – as compared to nearly 200,000 three years before.

Overall, those schemes may contribute to explain the relatively small share of older workers among low-wage earners in France, and notably, as compared to the USA, the small incidence of low-paid/low-skilled “bridge-jobs” to (full) retirement. People who are above 55 years old are often outside the labor market, either as compensated unemployed (not job seekers), or early retired or pensioners – the legal retirement age being 60 years old.

b) Social assistance and the “making work pay” issue at low wage levels

There are several means-tested allowances in France. Some correspond to special needs (e.g. housing benefits, some family benefits ...), others are more general schemes of income support. Among the former, the main one is the minimum income benefit (*Revenu Minimum d'Insertion - RMI*)²⁹ – restricted to people aged 25 years old and above. The RMI benefit is computed as the difference between a reference threshold³⁰ and the resources of the household (family benefits included). In December 2004, there were 1,215 millions of beneficiaries (“Rmistés”).

The “making work pay” issue has been a growing concern during the nineties. As a consequence, various reforms of the RMI and the related allowances have been adopted between 2000 and 2004. During the same period, a kind of a negative income tax (“premium for employment” - *Prime Pour l'Emploi - PPE*) was introduced³¹. But its impact on incentives – as well as on poverty reduction – appears to be limited: the maximum potential benefit – depending on earnings and on the household composition – amounts more or less to 5% of the income (as compared to a potential maximum of 40% for the Earned Income Tax Credit in the USA, and 160% for the Family Working Tax Credit in the UK – Cahuc and Zylberberg, 2004).

These reforms have tended to increase the incentive to return to employment. The difference between paid work and minimum income (all other national social benefits and the PPE taken into account) has globally increased during the last ten years, but, it remains not very large for households with only one person employed (depending on the household composition) - table 3.5

²⁹ There are specific minimum incomes for lonely parents and disabled and handicapped persons.

³⁰ For instance, in January 2005, the reference benefit was: 425.40 € for a single person; + 43% of the reference benefit for the 2nd person, + 28% of the reference benefit for the first two children, + 45% of the reference benefit for the third children and above). This yields 608.32 € for a couple, 846.55 € for a couple with two children.

³¹ It is an employment-conditional benefit; the earning derived from work must be higher than 0.3 times the full-time annual SMIC (and below 1.4 full-time annual SMIC). The taxable income of the household to which the person belongs must not exceed a ceiling which varies according to the size of the household. The benefit increases with the annual working time, and for a given working time, is maximum for an hourly wage at the SMIC level.

Table 3.5: Difference between the household income of a minimum wage earner and that of a non employed benefiting from RMI and other social benefits

		1993	2003
Single	Part-time worker (50%)	- 1%	+ 10%
	Full-time worker	+ 50%	+ 53%
Lone parent with 2 children	Part-time worker (50%)	+ 7%	+ 11%
	Full-time worker	+ 45%	+ 36%
Couple with 2 children	Part-time worker (50%)	-2%	+3%
	Full-time worker	+13%	+16%
Couple with 4 children	Part-time worker (50%)	-1%	+2%
	Full-time worker	+25%	+18%

Note: These figures are computed for households with only one person working or perceiving the RMI – which amount depends on the composition of the household.

Source: Observatoire National de la Pauvreté, rapport 2003-2004.

Moreover, those figures do not take into account local social benefits. They differ a lot from one municipality to the other. But as they are usually connected to the RMI (i.e. entitlement is based on the RMI status and not on the income level), they may have strong disincentive effects on the RMIsts' labor supply behavior (Anne and L'Horty, 2002).

Overall, it is not easy to assess the impact of the RMI (and other social assistance allowances) on the low-wage labor market. The difference between earnings from (potential) paid work and social assistance depends on the household composition and the geographical area. It is very low, or even negative, if the reference is a part-time (half-time) job paid at the SMIC level. Nevertheless, one must keep in mind that non financial incentives may also play an important role: according to the “RMI leavers” survey ran at the end of the nineties by INSEE³², 29% of those who had found a job declared that their income had not increased (as compared to the RMI benefit), and 12% even reported an income loss. Note that about 40% of the RMIsts who had found a job were employed on a temporary contract in the non-profit sector.

Eventually, the fact that young people under 25 are not entitled to the RMI must be stressed: it may contribute to explain why the incidence of low-wage jobs (and especially part-time jobs) is so high among them.

c) The childcare system and its impact on the labor supply of low-skilled women.

The effect of the French childcare system on the labor supply of women is generally considered as positive: France conciliates a high participation rate of women (especially among the youngest generations) with the second highest fertility rate in Europe (behind Ireland). This is mainly due to the high coverage of kindergartens and nursery schools at early ages. But the effect of childcare benefits is quite ambiguous in terms of work incentive. On the one hand, several schemes are based on income tax and social contribution reductions to help hiring a nanny at home. This has a positive effect on women's participation but essentially for high income households. On the other hand, a “child raising allowance” (“*Aide Parentale d'Education*” – *APE*) was introduced in the recent past, for households with at least one child under 3 years old, conditional on the fact that one parent would stop working partially or totally (or leave declared unemployment). The allowance amounted to about 450 €

³² See Afssa C. and Guillemot D. (1999).

- i.e. about half a monthly net SMIC³³. Such a scheme had a strong disincentive effects on low-skilled women's labor supply: when the benefit was opened to couples with 2 children with one of them below 3 years old in 1994, some 100,000 to 150,000 women, mainly unskilled and low-paid, withdrawn from the labor market (Piketty, 2001b). The APE was replaced in 2004 by a new but quite similar scheme³⁴.

3.2.3 Cultural factors

a) Differences in life styles and the work/leisure trade off.

Blanchard (2004), among others, has outlined the fact that Europeans seem to have used a large share of their secular increase in income in order to get more leisure, while Americans have instead preferred consumption (i.e. maintaining or even increasing their work effort). This may result from a difference in culture – the ISSP provide some empirical evidence on the fact that Americans seem to value work and consumption more than Europeans do (see Freeman and Shettkat, 2002). This cultural factor may complement the economic factors (see above section 3.1.1.c) in explaining why the level of consumption is higher in the USA than in Europe, thus leading to a higher demand for labor intensive services– while more non-working time may allow Europeans to produce more of these services within the household. These cultural features may be partially endogenous: the desire for leisure may be fostered by an initial decrease in working time induced by other factors, such as tax wedges or employment policies – like the “35 hour law” in France – see Alesina, Glaeser and Sacerdote, 2005. Indeed, one of the complaints of the French employers' organizations is that this law has contributed to “kill the culture of work and effort”. But the story may actually be quite different: it may be the rise in unemployment and precarious jobs that have contributed, especially among the youth, to the decrease in firm and work attachment.

b) A cultural reluctance to work in some service jobs?

When assessing the difference in unemployment levels across OECD countries, the sociologist d'Iribarne (1990) put forward a cultural explanation for the shortage in service jobs in France, especially as compared to the USA. According to him, French culture is still very much shaped by representations in terms of nobility and servility, inherited from the “Ancien Regime” – i.e. the monarchist regime prevailing before the French Revolution. The sense of honor of workers would still be deeply rooted in this opposition.

Service jobs which imply a contact with the client, and more specifically personal service jobs, would still be considered, more or less, as “servile jobs”. The “client friendly” attitude of American workers would be hard to develop in France and French people would be reluctant to work in such jobs. This would contribute to explain why so many jobs of this kind (sellers in the railway station, employees in gas stations..) have been replaced by automats.

This argument must be considered with caution. Indeed, at the end of the nineties, a lot of subsidized temporary jobs have been created (and targeted at youth) in various personal

³³ This was conditional on the fact that the parent had been working for two years in the past five years and. It could last until the child turned three years old.

³⁴ « Prestation d'Accueil du Jeune Enfant (Paje) – complément libre choix d'activité. »; the allowance amounted to 513 € in 2004.

service activities in the non profit sector. These jobs proved relatively successful in attracting young people, in spite of the low wages they offered. So, d'Iribarne's argument may apply more to the older generations.

3.3 Institutions affecting the working and employment conditions of low-wage workers

The French labor market is highly regulated. Our aim is not to provide a complete picture of the institutions which underpin the labor market functioning – nor to contrast precisely the French model with other national models. We will stick here to the low-wage work issue, assessing the impact of this institutional framework on the working and employment conditions of low-wage workers. One key feature in this respect has to do with the weakness of collective bargaining and the major role played by labor laws.

3.3.1 Industrial relations

a) The actors: employees' representatives and employers' organizations

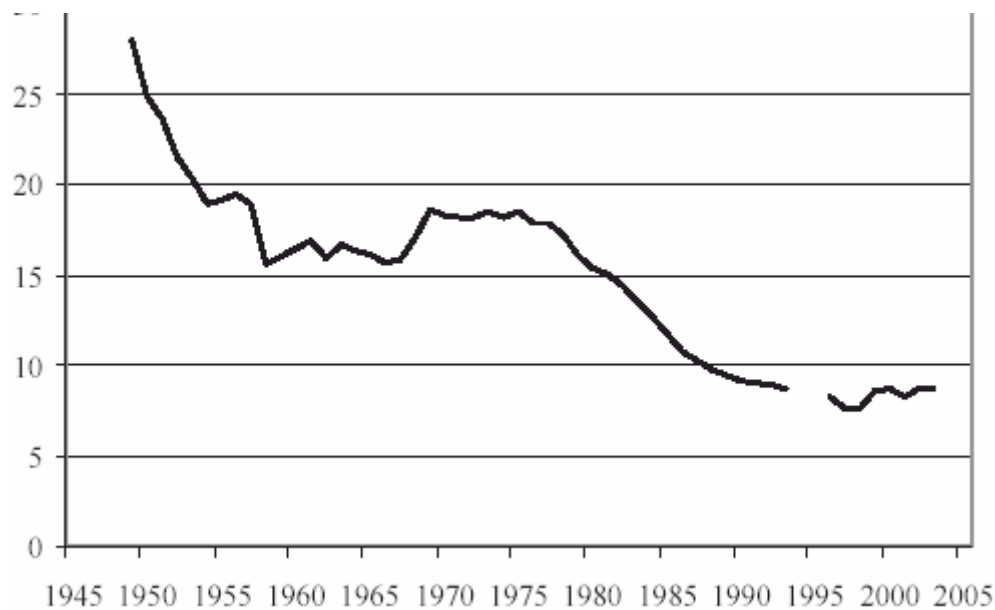
Traditionally, industrial relations are characterized by a high degree of conflict in France, as compared to the Nordic countries and Germany. Labor unions are weak and divided. But employers are also poorly coordinated.

Unions in France have mainly political origins – and therefore were not based on the defense of specific categories of jobs or workers (unlike the Anglo-Saxon trade unions). Another important feature is that the first unions that emerged at the end of the 19th century were quite radical: they promoted socialist and anarchist ideas, referring to the general strike as the absolute weapon. Employee organizations in France are nowadays dominated by 5 “confederations”, which views may diverge, according to the topic at stake. The French Democratic Confederation of Labor (CFDT) – social-democrat – and the General Confederation of Labor (CGT) – close to the communist party until the 1990s - are the two main ones, in terms of militants and in terms of scores at professional elections. These 5 unions are officially recognized by the law as “representative” i.e. they can participate and sign collective agreements at the branch or firm level³⁵.

There has been a sharp decline in unionization in the 1980s in France, (like in many OECD countries) but it started from a much lower level (OECD, 2004a; Amossé, 2004). From about 25% in 1950, the rate of unionization reached 18% in the seventies and is currently around 9%. But it has recently slightly re-increased with the emergence of new labor unions (see graph 3.3). The reasons for the decline are partly common to all countries – and notably the extinction of highly unionized manufacturing industries such as textile, metal working or mining. More structurally, the ideological divergences across labor unions prevent them from common actions and induces workers to become electors (in the professional elections) rather than militants. The fact that the main collective agreements are automatically extended by the law – see below – also plays against unionization.

³⁵ This recognition has been awarded to the trade-unions just after the end of the World War II, because, they actively participated to the Resistance and the liberation of France.

Graph 3.3: Unionization in France (private and public sector)



Source: DARES (Ministry of Labor)

Currently, only 9% of employees are members of a union i.e. about 1.9 million workers (the unionization rate being about 5% among clerks, 6% among blue-collar workers, and more than 14% among managers). But only 800 000 to 900 000 of those work in the private sector. The unionization rate is thus extremely low in private firms: 5%. This is particularly true in small firms. According to the 2003 survey on Living conditions of households (INSEE), this rate is only 3.5% in establishments with 50 or less workers as compared to 8.7% in establishments with 500 or more employees.

In addition, according to the different waves of this survey, despite the small number of union members, a majority of workers (50% in 1996, 55% in 2003) have a union representative in their firm and about 40% in their workplace. The REPONSE survey (interviews of managers; Ministry of Labor) provides similar figures.

As for employers' organizations, they were created in the 19th century to foster protectionism. Today, like in most countries, they play mainly three roles: collective bargaining, technical and legal assistance, and lobbying activity directed to the various national and international administrations. The Movement of French Enterprises (MEDEF) is the main employer organization in France. It represents employers for most national bargaining rounds. CGPME is the second main employer organization and represents small and medium firms. One of the main claims of MEDEF is a major labor market deregulation. But, as MEDEF is dominated by large firms with monopolistic positions, there is no similar request of product market deregulation. However, this focus on complete labor-market flexibility is challenged within MEDEF itself. There are significant differences across branch-level organizations. The metal working (including e.g. car manufacturers) or textile industries

are the main supporters of complete labor-market deregulation. But numerous sectoral organizations (including call centers) have less extreme positions³⁶.

Employers and labor unions are also involved in the management of Social Security. But their key role is in collective bargaining.

b) The institutional framework of industrial relations: collective bargaining, work councils and labor courts

The institutionalization of collective bargaining emerged quite late in France as compared to other industrialized countries. From the very beginning, collective bargaining has been quite centralized - due to employers wanting to avoid firm-level struggle with labor unions, very politicized at that time.

Collective bargaining agreements may be applicable nationally or sometimes only at a more local level. At the national level, several important agreements have been signed during the past ten years (on working-time reduction, retirement or continuous training for instance – see below). In general, Collective Agreements apply to a particular branch and usually describe in details the nature and content of the relationship between employers and workers. These agreements are the outcome of local or national negotiations between bodies representing employers and labor unions or other employee representatives.

However, most branch agreements are “extended”, that is governments include them as a part of the labor law which applies to all firms in the branch. The national collective agreements are thus also binding upon employers who did not take part in any collective bargaining nor were members of any employers' representative grouping which was party to the negotiations³⁷. Given that most firms have an activity linked to one of the 220 organized branches in France, union collective agreements cover about 90% of the private workforce and of private firms in France.

Collective agreements may deal with everything that has to do with employer-employee relationships: working time, wages, training, job classifications etc. The next sections on labor law will provide some descriptions of the content of such agreements and their interaction with the common labor law. National extended agreements provide mandatory measures or just indications for local bargaining. They can also include rules that automatically apply to firms that have not reached a local agreement. Branches have different behaviors leading to an extreme heterogeneity of the effective labor legislation in France. Industry reports will provide detailed portraits illustrating this heterogeneity.

Because branch agreements are not systematically updated, some of their provisions can be less favorable than the common labor law. In this case, only provisions which are more favorable to employees, do prevail. Consequently, being covered by a collective agreement does not ensure a better situation than non-covered workers; this is particularly true for the remuneration of low-wage workers (see section 3.1.1., see also below).

³⁶ These differences clearly appeared during the bargaining on the 35 hour regulation; some branches have entered in the logic of a real reduction in working time with job creations, while for example UIMM (representing employers in the metal, mining and automobile industries) negotiated an agreement that considerably limited the efficiency of the 35 hour process – see below.

³⁷ The extension is independent from the effective representativeness of the organizations that signed the agreement. The only condition is that the agreement be signed by one of the five recognized labor unions and one employer union.

Like other European countries, France witnessed a trend towards more decentralized bargaining since the 1980s. The 1982 law was a big step in that direction. The implementation of the 35h law – see below - induced a large number of firm-level negotiations and agreements, not only on working time but also on flexibility and wages. But it did not really induce a re-birth of collective bargaining in France. It was in fact very limited in scope. More recently (2004), the law extended the scope of “dispensatory” (opt-out) agreements at the branch level (towards national agreements), and at the firm level (towards branch agreements).

At the workplace level, labor unions are not the only representatives of the employees. Workers’ representation also relies on several actors and bodies the existence of which is warranted by the law.

- *Workforce delegates* (“délégués du personnel”) are elected by all workers in all establishments with 11 or more employees and are responsible for presenting individual and collective grievances to the management and ensuring the implementation of the legislation and of agreements³⁸.
- *Work councils* (“Comité d’entreprise”) are compulsory in private firms with 50 or more employees. They include a top manager and employee representatives, who are elected by the whole workforce every two years. Work councils receive information from the employer in areas such as the economic and social situation of the firm as well as on significant technological changes. They also respond to formal consultations from the employer in areas such as redundancies and vocational training, and are responsible for managing social and cultural activities, for which they have a small budget financed by the employer.³⁹
- A *hygiene, safety and working condition committee* (CHSCT) must be set up in firms with more than 50 employees; however according to the REPOSE survey, this mandatory presence was effective in only $\frac{3}{4}$ of such firms in 1998. It is composed of a top manager and elected representatives. It has special means of access to information, may take some initiatives and must be consulted before taking any decision leading to significant changes in working conditions.

Eventually, another linchpin of the industrial relation system is the labor courts (*Prud’hommes*). They deal with disputes regarding most of the contractual relations between workers and employers (lay-off, working time, discrimination, promotion, rights to vocational training etc). A similar system exists in Germany. French labor courts are entirely elected. The 271 tribunals are composed of elected non-professional judges, half of whom are employers, the other half being employees. Decisions handed down by these courts can be appealed in face of professional judges. Worker and employer representatives thus play a major role for the protection of workers and the balance in the relationships between individual workers and employers.

³⁸ Collective agreements cover all employees as soon as they have been signed by one union delegate, even if the signatory union is a minority one. Since 1982, annual wage bargaining with union delegates has been mandatory at the company and establishment levels.

³⁹ Work councils are required to hold meetings at least once a month. In multi-establishment companies and groups, work councils also form a central work council or a group-level work council. The elections of employee representatives on work councils take place every two years and are based on lists of candidates, presented by labor unions or non-union groups. The elections are conducted in separate electoral colleges for different categories of staff.

c) Specific consequences for low-wage workers.

As noted, labor unions in France are from the origin mainly general unions – i.e. they have never been unions defending only skilled workers connected to specific trades. Unskilled workers are defended as well, and the CGT - for instance – has a long tradition of promoting low-wage workers interests. Nevertheless, as in other industrialized countries, unions' militants used to be most often male breadwinners employed in the manufacturing sectors – while immigrants, women and youth were underrepresented.

Nowadays – reinforced by the decline in unionization – the picture is quite the same, and maybe even more dual. Unions remain powerful in some segments of the public sector. As for the private sector, there are still some strongly unionized industries in the manufacturing sector – like the car or chemical industries - but these are not low-wage sectors, and they are male dominated. Unskilled women are overrepresented in service sectors – like retail trade – where unionization is very low⁴⁰. As for low-skilled/low-paid youth, they are mainly concentrated in a peripheral labor market – ALMP schemes, temporary agency work – and/or in small firms, and as a consequence they are very often outside the union coverage.

Of course, low-wage workers are impacted by wage negotiations, in particular those regarding minimum branch-level wages, when they are above the minimum wage. But as we have mentioned – see section 3.1.1 - in many branches, job classifications are outdated so that minimum conventional wages are below the SMIC. In this case, only legal increases in the SMIC are relevant for low-wage workers. As a consequence, labor unions – and especially the CGT – tend to concentrate on lobbying at the national level in order to obtain SMIC increases as large as possible. Low-wage workers are also impacted by negotiations on working conditions, but these are not the most frequent.

As they are often poorly represented at the workplace level, low-wage workers are likely to be very negatively impacted by any change towards individual-level negotiations - due to the fact that they have little bargaining power.

Overall, the conflicting nature of industrial relations, and the weakness and division of labor unions do not permit efficient collective bargaining in France. So, social partners are not at the core of the building-up of an institutional protection of low-skilled/low-paid workers. The law therefore plays a major role. This is the case in a large number of areas.

3.3.2 The dominant role for the law

a) Employment Protection

Employment protection is mostly regulated by the law in France. According to the OECD (2004a) index, it is one of the highest among industrialized countries. Inherited from the 1960s is the idea that workers have to be properly protected, if needed by the State and the law. EPL has been reinforced in the mid seventies, when mass unemployment began to spread.

⁴⁰ At the national level, the share of women among militants is about 28% at CGT and 44% at CFDT (which is more present in the service sector), but their share among regional delegates (“secrétaire general d’union départementale”) is about 8% in both unions (Silvera, 2005).

Open-ended contracts – i.e. “regular jobs” - are the norm and are still dominant: 89% of workers are still on this type of contracts – which are highly regulated: Individual lay-offs are allowed only for specific reasons defined by the law. The dismissal procedure on disciplinary grounds is highly formalized. Failure to follow the procedural steps, even when the dismissal is plainly justified on the merits, may result in the Court overturning the dismissal and ordering the reinstatement of the employee. Economic reasons (i.e. drop of activity, reorganization) are of course accepted, but also restricted. The employer has to inform the local department of the Ministry of Labor. If possible, the employer must propose an alternative to the workers who are fired. For example, if one establishment of a firm reduces its workforce, newly available positions in similar jobs at an other establishment of the same firm should be first proposed to dismissed workers. Collective redundancies (i.e. more than 10 workers) are also very much regulated. Firms’ obligations depend on their size. The procedure is usually quite long (about 6 months), and highly formalized. Disputes are frequent in this case, and the firm may have to wait for several years for the court decision, not knowing in the meantime whether it will have to pay a big compensation to the displaced workers, or even to reintegrate them.

As a response to the need for labor flexibility expressed by firms, other types of work contracts have developed fast in the recent past the margin of open-ended contracts. But these other types of contracts are also highly regulated.

About 5% of employment is on fixed-term contracts. At the end of the contract, the employer has to pay a 10% premium for job insecurity. Fixed-term contracts can not be renewed more than once otherwise they will be held to become an open-ended contract; moreover, the length can not exceed 18 months. Firms can also hire workers from temporary work agencies (and have also to pay the 10% “precariousness” premium on top of the conventional wage). TWA activity depends on the business cycle but on average about 2% of the French workforce is involved in it. The French market for TWA is one the most important in the OECD (see report on TWA for details). Legally, these kinds of contracts can only be used to substitute absent workers or to hire workers on specific occasions (specific mission or seasonal activity). However, some firms have “permanent” hence abusive short-term positions filled in by a continuous flow of new workers. This practice is particularly developed in some manufacturing industries (e.g. car equipments and parts); recent court decisions have challenged this illegal practice by massively transforming such short-term jobs in open-ended positions.

Other forms of “non regular” jobs exist: active labor market policy schemes – see section 3.1.2 – which amount to about 2% of the workforce, “tâcheron” work, seasonal contracts.

Overall, “alternative forms” of work contracts represented less than 6% of all work contracts in 1992. They amounted to 11% of them in 2002 – see section 1.1.2. The development of these “non regular forms of employment” is very unequal. Of course, they are very much concentrated on younger workers: 46% of workers aged 15 to 24 years old are on such contracts as compared to only 5.7% for workers in their 40s. They are also very frequent among workers with no diploma (12.5% as compared to an average of 11%). They are very much concentrated on blue-collars and, in particular, unskilled ones: 28% of the latter are on such contracts as compared to 9.3% for skilled blue-collars and 5% for managers. Eventually, they are largely concentrated on low-wage workers (as we have seen in section 2.)

Overall, there has been a sharp, and to a large extent, uncontrolled increase in alternative forms of work contracts. As regards low-paid, low-skilled workers, it is clear that besides the core group of workers with permanent contracts who are quite well protected by the law, a smaller group of precarious, and sometimes very precarious workers, has developed in order to meet firms' requirements in terms of flexibility. The latter group is growing fast and the unskilled/low-paid labor market is becoming ever more dual. One question which is often asked is whether the high degree of protection on the primary labor market is not the main engine of development of the peripheral market – while there is no empirical evidence of the negative impact of high EPL on the overall level of employment - see OECD, 2004a .

However, labor unions are still very attached to the existing EPL. There is maybe a vicious circle here. As blue-collars and clerk workers over 40 years old (who are the basis of labor unions) have often no formal skill – see also section 3.2.1 – they are afraid they might experience long-term unemployment if they loose their jobs. As a consequence, they fight – through labor unions - for a reinforcement of EPL – which is probably one of the causes of the long unemployment spells in France (OECD, 2004a). As a reaction, firms tend to use alternative rather than regular work contracts, and unions fight for the strengthening of the regulation on the latter.

Self-reinforcing dualism seems to be a negative outcome of high EPL protecting regular jobs. But on the other hand, EPL may have a positive impact on flexibility. High EPL may induce firms to prefer internal rather than external flexibility. This would be consistent with the fact that the probability to be dismissed is much lower in France as compared to the USA for instance. But empirical evidence of such a potential trade-off will have to be searched for at the industry and case study levels.

b) Working time regulation

The rules on working time in France have been particularly moving since 1996: the Robien (conservative) law in 1996 based on financial incentives to reduce the weekly working time; the two Aubry (socialist) laws (1998 and 2000), which implemented the “35 hour week”, in order to “share work” and to promote job creation (working time reduction being associated with social contribution reductions); and eventually the Fillon law (conservative) in 2003, which has deeply modified the Aubry laws. Overall, between 2,000 and 5,000 pages of new rules have been issued on this topic. Moreover some discussions on further changes are currently taking place in parliament.

It is not easy to draw a global picture of the direct impact of these laws – and notably the Aubry laws, because of its implementation procedure. Indeed, each branch, and each firm in the branch had to sign a specific agreement within the framework defined by the law. The outputs are therefore very different from one branch to another, and even – to a lesser extent – from one firm to another in a given branch. Industry reports and case studies will detail the specific working time arrangements.

Nevertheless, some recent studies shed some light on the consequences of the Aubry laws (see *Economie et Statistique*, 2005).

A for the working time:

- On average, the reduction in working time seems to have reached some 7-8% (rather than the official 10%) of the former number of hours worked. Half of it has been covered by increases in productivity.
- In exchange for a substantial reduction in working time, the Aubry laws have introduced much flexibility in working time (especially because of the “annualization” procedure: working time can now be computed on an annual basis). In 2001, 33% of workers had irregular work schedules. This is particularly the case for blue and white collars in the manufacturing sector (see Afsa and Biscourp, 2004)
- There have been recent changes with the Fillon law (2003) increasing the legal maximum of overtime. This could lead, in the coming years, to an increase in the number of hours worked with working time flexibility on top.

Regarding the consequences for working and living conditions, 59% of workers report an improvement of every-day life (see Estrade et al, 2001 and Cette et al, 2004). As for working conditions, an improvement is reported by only 26% of workers. In contrast, life has been made more complicated and stressful for unskilled blue-collar women: for 20% of them every-day life has worsened (as compared to an average 13% in the working population) and for 35% working conditions have worsened as compared to an average 28% in the population.

The global impact on low-wage workers is not clear. As we have mentioned, the negotiations which took place following the 35 hour laws did not only regard working time, but they often also impacted wages and work organization.

- According to evaluation studies, 350,000 workers were hired following the 35 hour laws, but it is not possible to say whether these are low-wage workers or not.
- For workers at the bottom of the wage distribution, the limitation of overtime may have induced wage losses; in many firms, wage increases have also been “frozen” for a certain period to compensate for working time reduction ; some branches have also traded off a decrease in the seniority premium against working time reduction;
- Low-wage workers, because of the type of jobs they hold, are probably more likely than the average to have borne an increasing variability of work schedules;
- Eventually, some work intensification observed in France may be partly due to the reduction in working time. This is indeed one way compensate for it by raising labor productivity.

c) Health and safety regulation

France has developed an important regulation on health and safety at work. For most of it, it is an adaptation of European directives. The employer is responsible for safety and health at work. As we have mentioned, the “hygiene, safety and working condition committee” is compulsory in firms with more than 50 workers (see section 3.2.1). It gives worker representatives some power to control the employer. In 2002, the civil Supreme Court has stated that employers have an obligation of results as regards health and safety.

However, various monographs have shown that many firms do not abide by basic safety regulations. One consequence is that occupational risks are higher in France than the

European average (Table 3.6). Low-wage workers in low-skilled or precarious positions are the first victims of the failures in occupational health and safety.

Table 3.6: Standardized rates of occupational injuries 1999
(Number of accidents with more than 3 days' absence per 1 000 workers)

France	Germany	Denmark	Netherlands	Spain	Sweden
5.0	4.9	3.0	4.2	7.0	1.4

Source: Eurostat. The declaration rate is reputed as similar in these countries. We do not report UK where the under declaration rate is at least 50%

Scope: all accidents but fatal and commuting ones.

This poor performance in terms of health and safety is due to several factors. First, the number of safety and health inspectors per worker is about 40% below the European mean. In addition, only 1.2% of the observed infractions lead to a sanction. Second, in small firms, the rate of firms' social contributions for work incidents is perfectly flat i.e. independent from the individual risk of the firm; therefore, firms do not have any financial incentive to prevent injuries and illnesses. Moreover, the relatively short working time can not balance the high pace of work (French have the highest productivity per hour worked in the OECD – see section 1) and the new flexibility of working time. Eventually, until recently, health and safety was a secondary topic for labor unions; worker representatives often preferred to negotiate a “risk” premium (to compensate for noise, heat, or any bad working condition) rather than for an improvement in working conditions.

But this situation may change in the coming years. Because of the dramatic increase in occupational illnesses (+20% per year, particularly cumulative trauma disorders) and the recent surge of severe injuries (+5% per year), the public insurance system is close to bankruptcy. Therefore, the current government has prepared a plan to improve safety and health at work. This plan creates an agency for expertise in this area and reorganizes the labor inspection department of the ministry. The main employers' union (MEDEF) and the national labor unions have also started to negotiate on working conditions. More generally, the demographic context characterized by an increasing proportion of older workers leads to a renewed interest for the issue of sustainable working conditions. We can thus expect an improvement in working conditions in the coming years, especially for low-wage blue or white collar workers

d) Anti-discrimination regulations

Discrimination according to age, sex, place of residence, ethnic background, appearance, health or religion is, of course, prohibited in France. However, a number of official reports have uncovered widespread racial discrimination, and some have highlighted racism in the workplace⁴¹. As mentioned in section 2., immigrants experience a higher unemployment rate than average. This seems to be also the case for people from racial minorities and from racially-mixed urban areas (even if they are French, white and catholic) who experience, not only higher unemployment rates, but also lower wages, and worse working conditions. To which extent this results from pure discrimination is difficult to assess (see Héran, 2002). However, casual evidence shows that discrimination in hiring practices

⁴¹ See Haut Conseil à l'Intégration (2002)

does exist and is particularly important for workers with some college education. This is consistent with the fact that unemployment is much more frequent (16%) among non native French with some tertiary education than among native French with the same educational attainment (8%) – see Glaude and Borrel (2002).

A second line of potential discrimination has to do with women who earn on average 20% less than males. However, the career dimension of discrimination seems to be more important than the wage dimension. Recent work shows that, when controlling for observable factors, the wage gap between men and women is entirely explained by the productivity gap (see Crépon et. al, 2002). This suggests that wage discrimination is not a major problem, but leaves open the issue of equal access to highly productive jobs for men and women.

Disabled people are clearly discriminated. French employers have to pay 1% of their total wage bill to a fund if they do not employ a sufficiently high proportion of disabled. Most employers actually prefer to pay this “fine” rather than hiring disabled workers.

It was only in 1998 that the socialist government led by L.Jospin took a critical stance on the issue of discrimination though. The idea of a positive discrimination defended today by part of the current conservative majority is largely criticized by politicians in all parties and by most unions, so that no specific measure has been adopted so far. As for women, the current government will present a plan for gender equality in the workplace in the second part of 2005⁴².

4. Concluding remarks: low wage workers in a changing model of employment

France has still a clear social norm inherited from the 1960’s. Working should be paid correctly with a significant minimum wage, and salaried workers should have a permanent contract. Consequently, the incidence of low-wage work is rather low in France and the vast majority of workers have stable and protected jobs. Since the middle of the eighties, this social norm has been definitively affected by a huge job deficit in France, mainly in services, the inability to integrate young workers and to keep older workers in employment, and by the increasing needs of functional and labor flexibility within firms. To respond to these challenges, the State has implemented new policies: massive investments in education to increase the (low) educational level of French workers, and a comprehensive labor policy such as the reduction of working time, the development of alternative labor contracts or the dramatic decline in social taxes on low-wage work. At the same time, firms have introduced organizational innovations and changed their hiring behavior.

These choices have progressively changed the characteristics of low-wage earners and the content of their jobs, but the overall proportion of low wages has not increased despite the competitive pressure – the high and increasing level of the minimum wage being the main reason for this. Today, low-wage earners work more in part-time jobs, more on non-permanent contracts, especially on aided contracts. If they are clearly more educated than before, they have nevertheless borne the bulk of the increasing “flexibility at the margin”

⁴² Note finally that, in late 2004, 35 large French companies (including Accor, Axa, PPR, Adia (a TWA), Peugeot, Schneider) signed a “diversity charter”, in which they commit to making the composition of their workforce more closely reflect the diversity of the French society, especially the presence of “visible” minorities.

which has characterized the evolution of the French model of employment – and has increased the segmentation of the labor market. They particularly were affected by the rising labor flexibility, the intensification of work and the decline of occupational health and safety.

The cost of the labor market policy that has been implemented so far and the persistence of a high unemployment rate have generated a debate in France on the opportunity of giving up the old norm and of adopting either a Danish-like flex-security model or a British-like model of employment flexibility.

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