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France: Rising Precariousness Supported by the Welfare state

Philippe Askenazy

CNRS and ENS, Centre Maurice Halwachs-PSL, CEPREMAP

philippe.askenazy@ens.fr

Bruno Palier

CNRS and Sciences Po (CEE/LIEPP)

bruno.palier@sciencespo.fr

www.sciencespo.fr/liepp

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France: Rising Precariousness Supported by the Welfare state

Abstract

This paper describes that France is apparently one of the few rich countries to have avoided a significant increase in income inequality in recent decades. However, stable average inequalities mask an asymmetric trends of income between age groups, the elderly improving their situation while the young see theirs worsening. Furthermore, it shows that behind this relatively still surface, a general trend of precarization of more and more ordinary workers is occurring. The importance of wage-setting processes and of regulation of the labour market is bought out, together with the way the tax and transfer systems have operated, in restraining the forces driving inequality upwards. Wage growth, while limited, has thus been reasonably uniform across the distribution and together with the redistributive system have kept household income inequality within bounds. However, in response to high unemployment both regulatory and tax-transfer systems have served to underpin the very rapid growth in precarious working over the last decade, representing a very serious challenge for policy.

Keywords: Inequality; precarious employment; social contributions

Résumé

La France est l'un des rares pays riches à avoir évité une augmentation significative des inégalités de revenus au cours des dernières décennies. Cependant, des inégalités moyennes stables masquent une tendance asymétrique dans l'évolution des revenus entre les groupes d'âge, les personnes âgées améliorant leur situation tandis que les jeunes voient la leur s'aggraver. En outre, sous cette surface relativement calme se développe une tendance générale à la précarisation de travailleurs de plus en plus nombreux. La croissance des salaires, bien que limitée, a été raisonnablement uniforme dans l'ensemble de la distribution et, avec le système de redistribution, elle a relativement circonscrit les inégalités des revenus des ménages. Cependant, en réponse à un taux de chômage élevé, les systèmes de réglementation et de transferts fiscaux ont soutenu la croissance très rapide du travail précaire au cours de la dernière décennie, ce qui représente un défi très sérieux.

Mots clefs: Inégalités, précarité professionnelle, contributions sociales

This text is a working paper version of the chapter 6 in *Inequality and Inclusive Growth in Rich Countries: Shared Challenges and Contrasting Fortunes*, edited by Brian Nolan, forthcoming Oxford University Press, 2018.

Introduction

In all OECD studies on inequality, France stands out as one of the very rare country where inequality has for long not increased, and then increased less than in other cases (such as Sweden or Germany for instance – OECD, 2008). Even if income inequalities have slightly risen since the late 2000s, there should thus be fewer worries about the fate of inequality and income in France, since comparatively it seems that the picture is quite reassuring. As we will show, most of this is due to social legislation and transfer and true as long as transfer to the elderly is taken into account. Stable average inequalities masks an asymmetric fate of income between age groups, the elderly improving their situation while youngster see theirs worsening. Furthermore, we show that behind this relatively quiet surface, a general trend of precarisation of more and more ordinary workers is occurring. And this is not only due to changes in the labour market but is partly supported by changes in legislation, employment policies and welfare state reforms.

In the first section, we show that inequalities have slowly increased in France, this general trend masking increasing gaps, especially between age groups. The flaw in redistribution is due to a pro-old welfare system that family policies or unemployment benefits cannot redress.

In section 2, we analyse the trend of increasing precariousness in the labour market and thus analyse the causes of increasing inequalities among the working population in France.

1. The Conditions that Lead to the Increasing Role of Intermediaries

1.1 A comparatively limited increase in inequalities in France

In the past three decades, the French business cycle was globally similar to others large European countries; however, the Great-Recession was less harsh in France –a drop of “only” 3% of GDP- and the recovery was unsettled. The cumulative GDP increase was significant roughly 70% in 30 years (Fig 1a).

Fig. 1a: GDP growth and evolution of the mean disposable income per capita. 1986-2016 In %

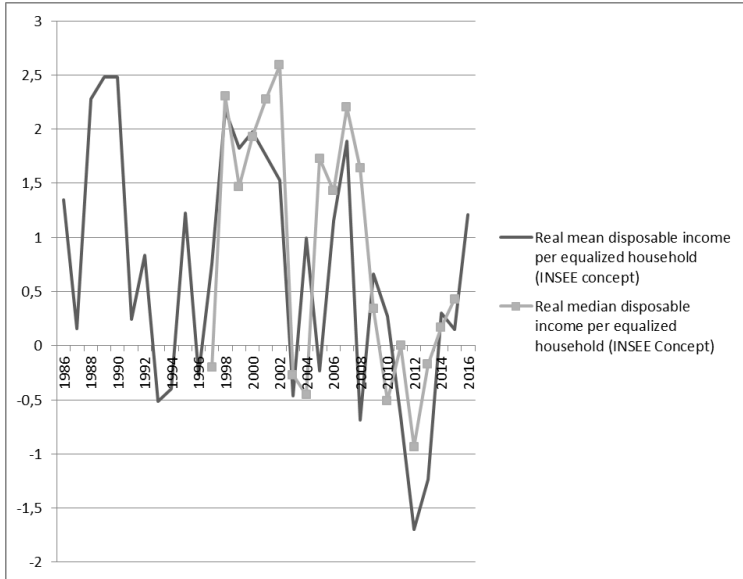
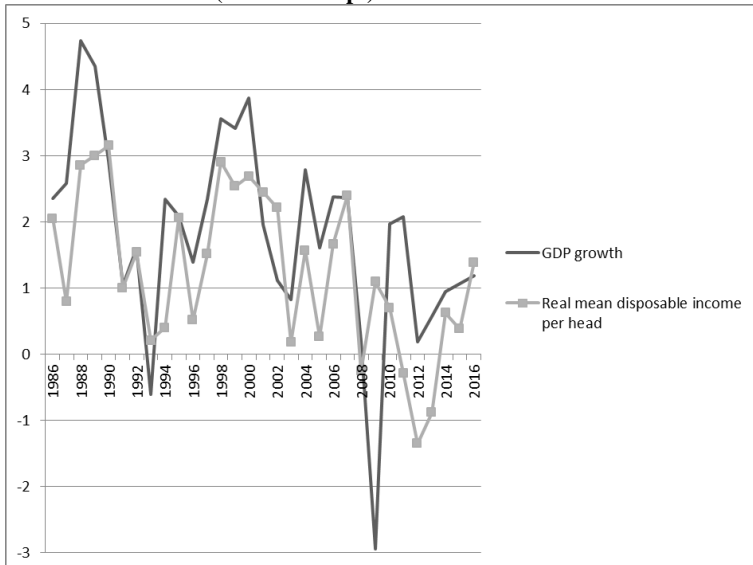


Fig. 1b: Evolution of the mean and median disposable income of households (Insee Concept). 1986-2016 In %



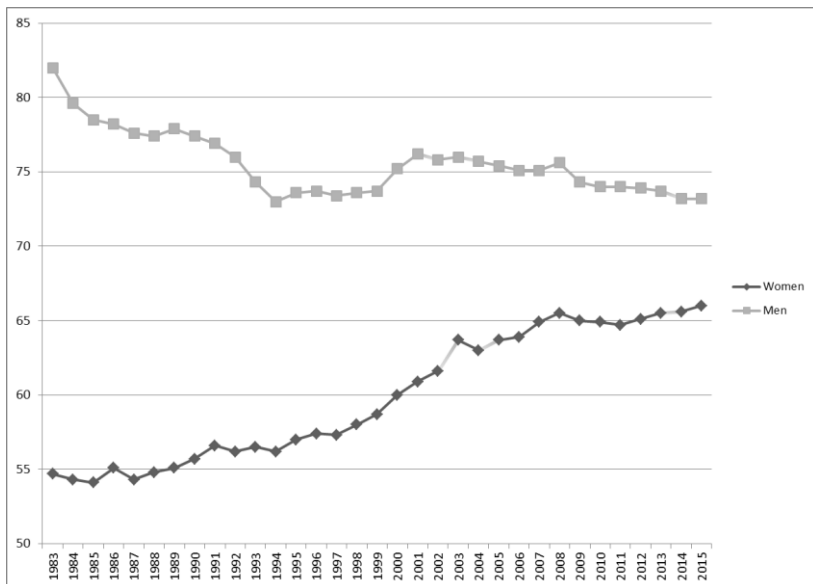
Sources: Insee, National Accounts (provisional value for 2016); Insee Première “Les niveaux de vie en 2015 », N°1665.

Note: The INSEE concept is the ratio of the disposable income by the number of units of consumptions (1 for the first adult + 0.5 for each member of the household aged 14 or more + 0.3 for each child).

Thanks to this growth, from the mid-1980s to 2007, on average, individuals and households enjoyed erratic but non-marginal gains in their disposable income (respectively, +30% and +23%). In the wake of the Great Recession, the growth of disposable income plummeted. It even turned negative in 2012 and 2013 because of tax increases but it now stands to its pre-recession level. Consequently, over the last decade, the total evolution of the mean disposable income was near 0.

An important driver of the steady growth of disposable income of household is the impressive improvement of the activity and eventually employment rate of women while the employment rate of men is globally flat since the early 1990’s (Fig. 2). Even the Great-Recession did not reverse this trend.

Fig. 2: Employment rates of women and men, aged 20-64, 1983-2015. In %

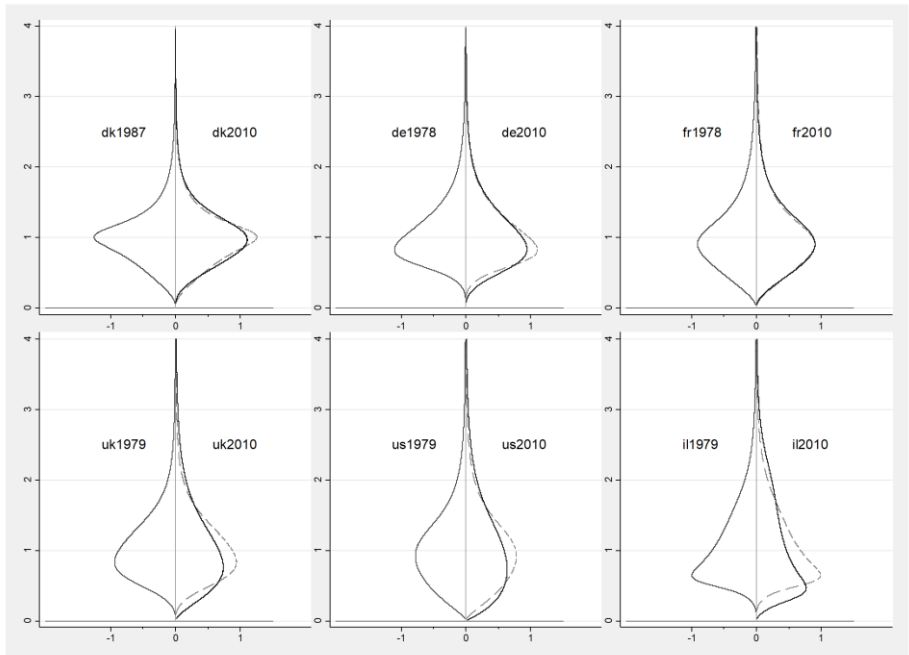


Source: European Labour Force Survey. Note: breaks in 2003 and 2005

This dynamics is not exceptional amongst OECD countries but, in the French case, it has not been associated with a dramatic rise in overall inequality. Globally the median disposable income followed the same pattern as the mean (Fig. 1b).

One way to show that the entire income distribution has not changed much in France over the 1980s to the late 2000s, and much less than in most other OECD countries, is to refer to Louis Chauvel's strobiloids (see figure 3 below). His graphs compare the distribution of income in the late 1970s and in 2010 for various countries; France is appearing as the country where the distribution has changed the least (Chauvel, 2016).

Fig. 3: Distribution of income in the late 1970s (or 1980s) and in 2010. Selected countries.



Source: Chauvel (2016) using microdata samples in the LIS datacenter

Note: The strobiloid shows the income hierarchy (on the vertical axis, 1 = median). The curve is larger (horizontal axis) when the density at this level of income is higher: Many individuals are at the intermediate level near to the median and their number diminishes at the top and at the bottom. Thus, in strobiloids with a larger belly, the intermediate middle class is larger with a more equal distribution.

As far as inequalities are concerned, Gini coefficients for total population and of the working age population (market prices) are U-shaped but they are basically flat since the 1980's (table 1). Alternative indexes of aggregated inequality such as the Decile ratios do not exhibit major trends.

Table 1. Gini (after taxes and transfers) by age groups. 1970-2015.
INSEE or OECD concepts

	1970	1975	1979	1984	1990	1996	1997	1998	1999	2000	2001	2002	2003
All ages INSEE	0.337	0.323	0.303	0.297	0.283	0.282	0.282	0.279	0.287	0.289	0.289	0.284	0.283
All ages OECD						0.277	0.278	0.276	0.284	0.287	0.287	0.284	0.282
18–64 OECD						0.28	0.281	0.279	0.285	0.288	0.287	0.283	0.284
65+ OECD						0.262				0.284			
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	
All ages INSEE	0.284	0.289	0.294	0.292	0.292	0.293	0.302	0.305	0.302	0.288	0.289	0.292	
All ages OECD	0.283	0.288	0.293	0.292	0.293	0.293	0.303	0.309	0.305	0.291	0.293	0.295	
018-64 OECD	0.285	0.288	0.29	0.292	0.292	0.293	0.301	0.31	0.307	0.291	0.297	0.299	
65+ OECD		0.283			0.291	0.29	0.297	0.305	0.291	0.289	0.281	0.280	

Source: INSEE (corrected for breaks), and OECD stats, break in 2012 (consulted 02/01/2018).

This situation has been praised by OECD as an extraordinary case of almost no increase in inequalities until 2008, contrasting starkly with the rest of OECD countries (OECD, 2008). However, these global trends masks drifts in inequalities and emerging new divide within the French societies.

1.2 Behind a quiet surface, changing inequalities, between gender and age groups

Indeed, as soon as one decomposes the evolution of income by different groups, one sees new divides and inequalities that average masks. Of special importance are inequalities between gender and between age groups.

As far as gender inequalities are concerned, women are experiencing worse situation than men in France. Despite their increasing employment rate and their rising educational attainment, the median income for women is lower. These inequalities are partly due to the situation of women within the labour

market (we come back to this in the next section), and partly to the design of the French welfare state, which is highly influenced by a ‘nuanced’ male breadwinner model (Lewis, 1992). In 2015, the net wage for a full-time equivalent worker was on average €2438 Euros per month for men, and €1986 Euros for women in the private and public firms. When eliminating disparities in responsibilities and lower working time, there is still a gender pay gap around 10% that reveals gender discrimination. That should be seen as a lower bound since women are also discriminated for the access of a full time job and higher paid tasks.

The risk of poverty is also biased against women in France. In 2015, the poverty rate (50% of median income) was 8.1% for women, and 7.9% for men (INSEE data). This is only partially due to the situation of women into the labour market that we just described. The concentration of single parent families amongst women is crucial at active ages. And the pension system magnifies income inequalities between men and women since they face lower annual wages and they cannot get a full pension in case of significant period of inactivity (for example to take care young children) or part time. On average, women receive an old age pension of near 40% lower than men (before specific credits for years of children’s education and survivors pensions).

If we turn to age groups, one sees that the average situation of the “young” elderly (65-76 years old) has improved much more than the one of the younger age groups over the last thirty years. The situation of the 76+ is less favourable because of the prevalence of women in this age group.

Table 2: Annual mean equivalised disposable income (OECD definition: income of the household/square root size), by selected age groups. 1984-2015. In current Euros.

	1984	2000	2015
26-40	10,760	17,620	23,800
41-50	12,070	20,460	26,530
66-75	10,330	18,620	27,640
76+	9,620	17,650	24,720

Source: OECD stat (consulted 02/01/18).

This is also shown through discrepancies between individual poverty rates by age group. The situation of the elderly has much improved in term of

poverty, while it has deteriorated for the youngest. These gaps can be explained by the main mechanisms of redistribution organised by the French welfare system, which is particularly pro-old. And the impact of reforms which will significantly reduce the generosity of the pension systems, is still limited for the current retirees.

Table 3. Individual poverty rate (at 50%) after taxes and transfers by age groups. 1984-2015

	1984	2000	2015
0–17	7.7	9.2	11.3
18–25	8.8	9.8	13.9
26–40	5.9	6.8	8.0
41–50	7.3	6.7	7.4
51–65	11.3	6.0	6.7
66–75	3.3	3.6	2.4
76+	5.6	6.0	3.9

Source: see table 2.

The French welfare system is a Bismarckian one, which is based on social insurances (Palier, 2010). It mainly organises a socialization of solidarity between active generations and older generations (Chevalier, Palier, 2017). In 2013 (source: DREES, the social protection accounts), health risks (€ 232.8 billion in 2013, half of which goes to over 60) and old-age pension (€ 307.5 billion in 2013) represent respectively 34.6% and 45.8% of total social welfare benefits, ie more than 80% of social protection expenditure, or about 25% of GDP. Maternal-family and employment risks account for 8.4% and 6.1% respectively of social protection benefits. Finally, housing and poverty-social exclusion account for 5.1% of benefits.

Thus, almost half of social expenditure is spent on pensions. Adding the half of the expenditure on sickness that is benefiting people aged over 60, and the benefits for frail elderly, more than two thirds of social expenditure is devoted to the older than 60. Even if we add education spending, we can see that socialized solidarity (assumed by the community, through compulsory collective contribution and guaranteed benefits) is mainly made up of benefits for the elderly, while solidarity with the youngest (children and young adults) passes through family solidarity (d'Albis, Cusset and Navaux, 2016). In Bismarckian systems, which are mainly based on social insurance and

contributory benefits, there is a structural tendency towards a more senior orientation, at the expense of spending on younger people (Lynch, 2006).

The French welfare state thus assumes that it is for families to take care of their children and young adults rather than the welfare state, as can be seen from the logic of family benefits (always provided to parents, in support of families), and not directly aimed at children, or can also be seen through the fact that before 25 years, young people are still considered as "social minors" (Chevalier, 2016). The age group which is specifically neglected by the French welfare system is youth. Young adults between the ages of 18 and 25 in difficulty do not have the same rights to benefit as other adults (the minimum income, 'Revenu de Solidarité Active' is only accessible from the age of 25, many social benefits are accessible to young people only through their parents - see the scholarship grant system in particular). Thus, many studies have shown that it is indeed the families who take charge of solidarity with their children (including when they have grown older, but are still in difficulty). This familialism in solidarity with young people leads to a reproduction of inequalities (an affluent family has more means to help its young people than a family in difficulty, where young people are most likely to encounter difficulties) (Papuchon, 2014).

As a consequence, today in France, the poor are the "young". Whatever the way of calculating it, poverty rates are much higher today among the young population (and also among children) than among the labour force and even more so than among the elderly population. In France, poverty among the elderly has been divided by 7 between 1965 and today. As a result of the rise of wage-related pension schemes, fewer and fewer individuals are required to resort to minimum means-tested pensions. Thus, while 2.5 million people were receiving the minimum old-age pension at its creation (more than half of the elderly at the time) in France in 1956 (nearly two-thirds of those over 65 at the time), they are 557,800 at the end of 2013 (3.5% of the population aged over 60 years) (Lelièvre, 2015). Even since the crisis of 2008, the standard of living of the pensioners continued to increase to be 2,049 euros per month and per unit of consumption in 2013, being almost equal to that of the working age population (2 062 euros) and higher than the standard of living of the whole population (1,946 euros) and especially young people of 18-24 years (1,671 euros) (COR, 2015).

1.3 Why did France manage to keep inequalities relatively limited amongst the active population?

If inequalities have increased between age groups, they have been relatively limited within the working age population, where inequalities have increased in many other countries. It is not because France has been preserved from globalization or technological changes, but because it has settled conditions guaranteeing a relative compression of wage dispersion.

Two periods can be highlighted. At the bottom of the wage distribution, the rapid increase of the minimum wage in real terms and compared to the median from the 1970's to the early 1980's was made sustainable thanks to a hyper-productive model of production, especially in the service activities. The intensification of work was pronounced from the 1980's to the end of the 1990's¹. Large food retailers that concentrate low-paid female jobs are a good illustration. Productivity in the French outlets is even larger than US ones (Askenazy et al., 2012). Many factors including regulations of the products/services markets and social organisation explain this performance.

At the upper half of the distribution, wages were moderated by the massive effort to democratize education in France from the mid 1980's. In just a generation, France doubled her stock of workers with a tertiary degree.

However, the 1990's acted the limits of this strategy and the emergence of a new logic: diminishing the cost of labour for firms while keeping net income relatively high for low skill workers. The apparent job polarization between so-called “lousy” and “lovely” jobs has reached France as much as other OECD countries (Catherine, Landier, Thesmar, 2015; Fernández-Macías, E., 2012). As in many other countries, this evolution should lead to a jump in inequalities. However, France has put in place a system that allows -and actually favours- the development of low paid jobs while keeping net hourly wages of their tenants close to the rest of the income groups. Three main elements allow this: a general minimum wage applicable to all sectors (with only few exceptions), salary grids stated in industry agreements which cover a vast majority of workers, and a system of social contribution exemptions

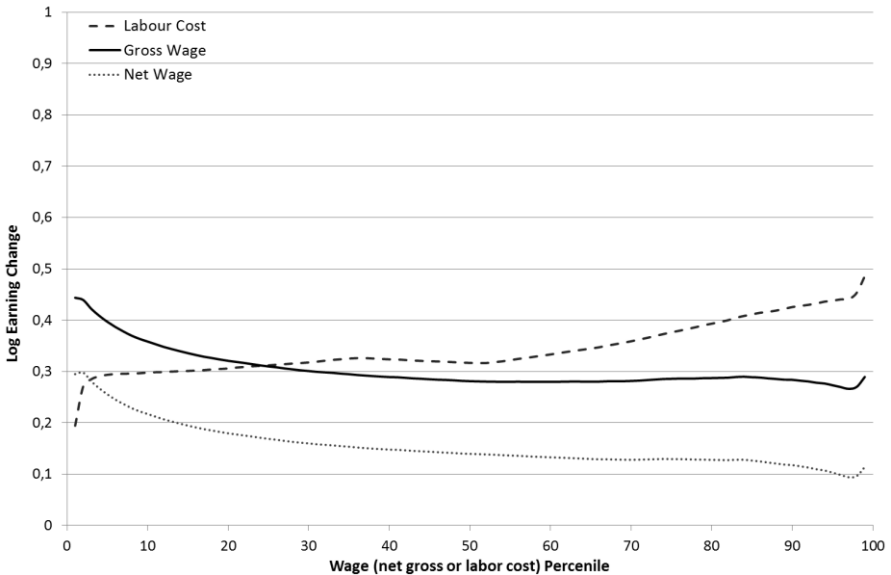
¹ Note that the reduction of annual working time in 1982 was associated with a proportional jump of hourly productivity. Optimisation of work schedules and thus productivity was fuelled by the industry and firm agreements on the 35-hour workweek in the late 1990's.

on low wage. The first significant social contribution exemptions were introduced in 1993. And both conservative and socialist governments went deeper in this strategy (Askenazy, 2015; Carbonnier et al, 2016). It aims at compensating for the labour cost that wage minima are representing for firms employing low skill jobs. Basically, this system generates a disconnection between labour costs and net wages (before income taxes and transfers).

Bozio et al. (2015) provide a very clear illustration of this phenomenon. They use the DADS, the exhaustive logs of the social security for workers on private labour contracts. These data allow measuring the gross wage, the net wage (gross minus workers' social contributions before income taxes and transfers) and the wage bill for employers (gross + employers' contributions - exemptions). All compensations are included, except specific bonuses e.g. stock options (so gains of very top earners are probably under-evaluated). Figure 4 shows, by percentile, the log changes from 1976 to 2010 of the real net and gross wages of full time male workers; and of the wage bill for employer. Two facts are striking. First, on average, the gap between the net wage and the wage bill widened for financing the expansion of the welfare state, especially pensions. Second, across the bottom 98% of the distribution, net wages of full time salaried men experienced a clear compression. By contrast, as in many other OECD countries, the dispersion of wage bills significantly enlarged.

Figure 4 also shows that the median net wage (gross wage minus social contributions) of full time full year working men increased in real terms by about 15% from 1976 to 2010 in private and public firms. Half of this gain occurred before the de-indexation of wages in the early 1980's. The median net wage continued to increase but at a very low pace; it was poorly cyclical, even the Great Recession didn't drive a significant drop of median wages. Provisional statistics suggest that median net wage of men came to a standstill since 2010. Figures are rosier for full time full year women: their median net wage gained around 30% from 1976 thanks to, again, their rising educational attainment.

Fig. 4: Change in log real wage by percentile, full-time, full-year private male workers. 1976-2010



Source: Bozio et al. (2015) using DADS.

The French strategy can appear as optimal, limiting inequality and preserving the firm competitiveness. However, as will be developed in the next section, the basis is crumbling.

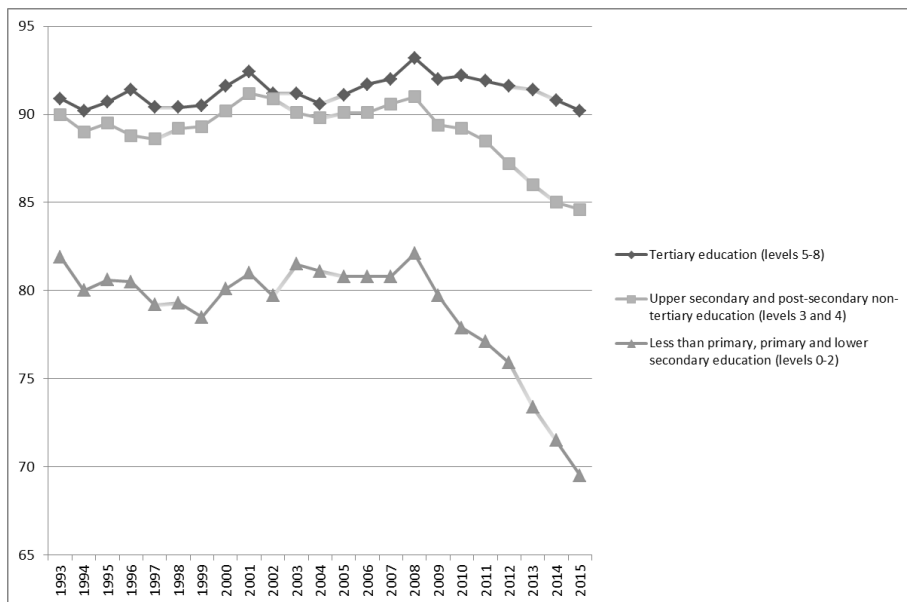
2. A crumbling lower-middle working-class: from the "ordinary worker" to the "ordinary precariousness"

We show in the previous section that under the apparent stability of aggregated indicators, a multidimensional income inequality raised in France. The same story is true for the labour market. The unemployment rate is high but in the same range from decades, and the proportions of employees, fixed-term and open-ended contracts have slightly moved until recently. However, when we explore each of these dimensions and the dynamic of carrier paths, the precariousness has deepened and expanded concerning now a large part of the working-class. The next subsection develops the most striking stylized facts that drive inequality.

2.1. Employment and future pensions: a growing concern for low-middle educated men

Apparently, the French economy exhibited certain resilience during the Great Recession. The unemployment rate remained within its long-run range -between 7 to 11%-, consistently lower than its level after the recession in the first part of the 1990's. The adjustment of employment was far below what macroeconomic models of the French economy predicted. Contrary to numerous OECD countries including the US, France exhibits an employment rate that is comparable to the one just before the crises. More precisely, the employment rate of men aged 20-64 slipped by about 2 points while women enjoyed a slight improvement (see Fig. 2).

Fig. 5: Employment rate of men 25-54 by education. In %



Source: European Labour Force Survey. Note: breaks in 1998, 2003, 2005, 2013 and 2014.

However, this observation is biased by the consequence of the reforms of the pension system: end of pre-retirement schemes, increase of the normal retirement age, longer period of employment for getting a full pension etc. (Pa-

lier, 2014). They push workers aged 55 or more to remain active. Their employment rate thus dramatically improves. By contrast, the employment rate of the 25-64, especially of men, declines. And within men, a gap has deepened between the tertiary educated workers who still enjoy a 90% employment rate and the less educated who have faced a drop of 10 point (Figure 5). In 2015, less than 7 out of 10 low-educated men aged 25-64 were jobholders. Rather than marking a step, the aftermaths of the Great Recession have initiated declining trend in their employment opportunities. Upper secondary educated are also facing increasing difficulties.

One corollary is that more and more low and secondary educated workers will experience incomplete professional carrier. This will translate in massive cuts in their pensions. Consequently, in terms of permanent income, inequality has certainly more widened than current income figures, in the past decade.

2.2 Women: more opportunities but headwinds

Increasing female participation is not only the result of their rising education but also of active policies. For decades, nursery school starts at the age of 2 or 3; children have regular schedules 4-days a week from around 8.30am to 4.30am. In addition, in the past 3 decades, public but also private crèches have flourished. Firms that create crèches for their staff enjoy tax cuts. Parents who are working (or actively looking for jobs) have the priority in the public crèche. The cost for the parents is related to their income and even the wealthiest benefit an income tax credit. The social security also provides a financial support for employing child caregiver.

Increasing employment rate of women was positive for couple. According to the Labour Force Survey, the proportion of bi-active working age couples was around 50% in the early 1990's and is now about 60%. Women provide an additional income (actually the main income in one case out of three), and bi-activity offers a significant security against the individual risk of being sacked.

However, women, especially lone mothers, still face significant headwinds (Meurs, 2014). Women are paid around 20% less than men. The convergence rate is so low, that the gap would be still around 10% by 2100. Disparity in working time is one of the main causes of this gap.

In the 1990's, the development of part-time work, which was low in France compared to successful European countries, was considered as one of the most promising avenues. In 1992, the government introduced a massive reduction in employer social security contributions for hiring (or transforming a worker's job to) part-time; it corresponded to a drop of around of 10% in labour costs. France experienced in the 1990's the largest growth of part-time work within Europe. However, the general social security reduction for part-time jobs was eventually removed in 2000.

Actually, this strategy was in contradiction with the education policy that provides to mothers practical conditions for working full-time (or long part-time). In addition, most of the created jobs were the transformation of full-time ones in multiple short-times ones. The proportion of under-employed dramatically rose; the transition rate from part-time to full-time work has also drastically slowed. Despite the end of public support to part-time, the employers continued to develop these jobs that give them a significant flexibility, especially in services -e.g. retail trade- where the weekly number of rush hours is lower than 35. According to the Labour Force Survey, the proportion of under-employed women topped 10% in 2010 and was still about 9.5% in 2016.

This evolution fuelled the phenomenon of (working) poor among sole mothers. In 2012, 20.5% of people living in a single-parent family - 1.188 million people - live on less than 50% of the median income, compared to 8.1% of the total population. The number of recipients of the Lone Parent Benefit (Allocation Parent Isol ) in metropolitan France rose from 129,500 to 201,000 between 1990 and 2013, an increase of about 64%. The difficulties are all the greater when the number of dependent children is high and mothers work part-time or low-paid (30.2% of single mothers in employment work part-time in 2014 and, of the 3.7 million people in employment with an income of less than 964 euros a month, 70% are women). With the introduction of means-tested allowances for families and the deployment of a new minimum income: the so-called "active solidarity income" (Revenu de Solidarit  Active), social transfers contribute to the fight against the poverty of single-parent families. But after social and fiscal transfers, according to the latest statistics from INSEE, nearly 40% of sole mothers were still poor (60% of the median income) in 2014. These women also face an additional dramatic alteration of the French labour market: the epidemic of very short-term contracts.

2.3 *The epidemic of very short-term contracts*

The use of temporary workers by firms can follow two basic strategies. First, short-term work can improve the production and matching processes. It is a tool for adapting the staffing to the activity and thus to increase productivity while the core of the workforce is stable and motivated. Short-term contracts can also be an efficient step for selecting workers on open-ended jobs. Second, the strategy can be to minimize labour costs and thus maximize current profits since workers on these jobs are less costly: no tenure bonus (cash or vacations), no additional benefits, no performance pay schemes, no dismissal cost, etc. Indeed, most of the industry agreements offer such advantages to workers but only with a minimal tenure; profit sharing is mandatory in firms with 50 or more staff, but only for workers employed at least 3 months during the year.

There are consistent figures that suggest French Firms moved from the first strategy to the second in the past fifteen year (Askenazy and Erhel, 2016, 2017), hampering labour productivity. The most striking one is the dramatic rise in very short-term contracts, whereas, the flow of open-ended contracts and longer fixed-term contracts remained flat, just affected by the business cycle. According to the exhaustive social security logs², in 2003, the quarterly number of recruitments on fixed contract of less than one-month was about 1.7 million. On the eve of the great recession, it reached 2.9 million. In the wake of the recession, it declined a bit but it rapidly recovered. Since 2015, each quarter at least 4 million people are hired on fixed-term contract of less than one month. About half are on contracts of less than one week. This upsurge has been concentrated in the tertiary sector, with spectacular increases in e.g. advertising agencies or entertainment. In the hotels and restaurants, quarterly job flows are higher than the static stock of jobs.

While the global stock of fixed-term contracts did not increase up to 2015, this phenomenon resulted from the conversion of "long" short-term contracts (6-month up to 18-month) in very short contracts.

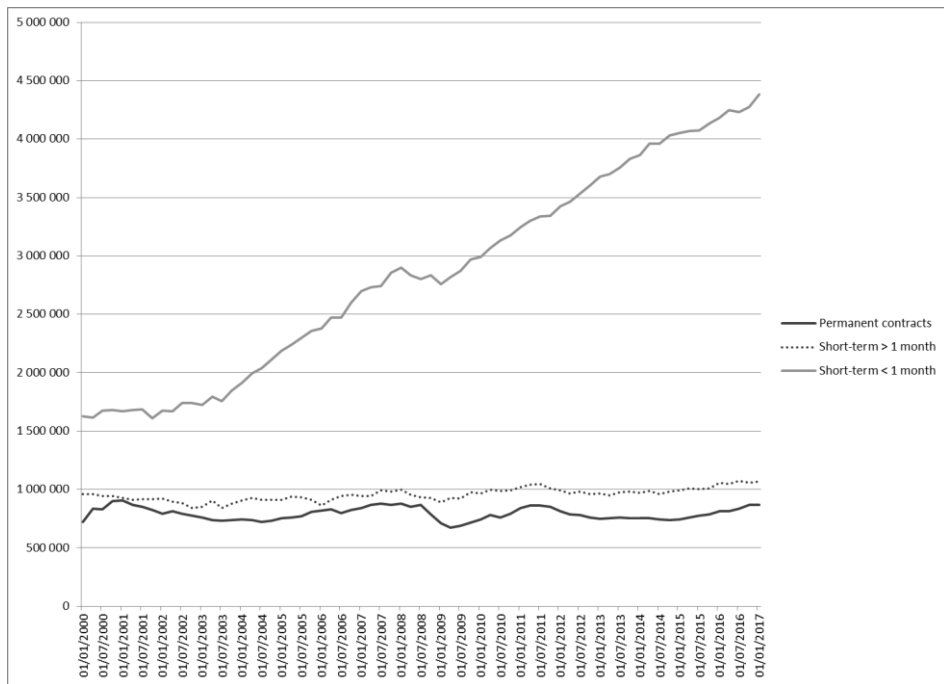
These evolutions challenge the standard interpretation of the cause of the dualism of the French labour market: the rigidity of open ended contracts

² Updated stats are available on:

<http://www.acoss.fr/home/observatoire-economique/publications/acoss-stat.html>

should push firms to hire for short-term jobs. Indeed, probatory periods for open-ended jobs are at least 2 months for clerks and blue collars, 3 months for technicians and first line managers, 4 months for engineers, professionals and managers (and can in some circumstances even be doubled). The employers are free to sack workers during this period at no cost. Therefore, the protection of open ended contracts following such a quite long probatory period can hardly explain why employers do hire for less than one week.

Fig. 6: Number of private contracts signed each quarter by duration (excluding temp agencies). 2000-2017



Source: Acoos Stat (consulted 27/09/17).

Other mechanisms seem more relevant. They converge for improving the attractiveness of precarious jobs. All the parties—unions, employers and governments—supported reforms to simplify hiring on very short-term jobs, with the goal to reduce overall unemployment. The hiring is now fully digitalized and can be completed in just a few minutes on a dedicated web site. New

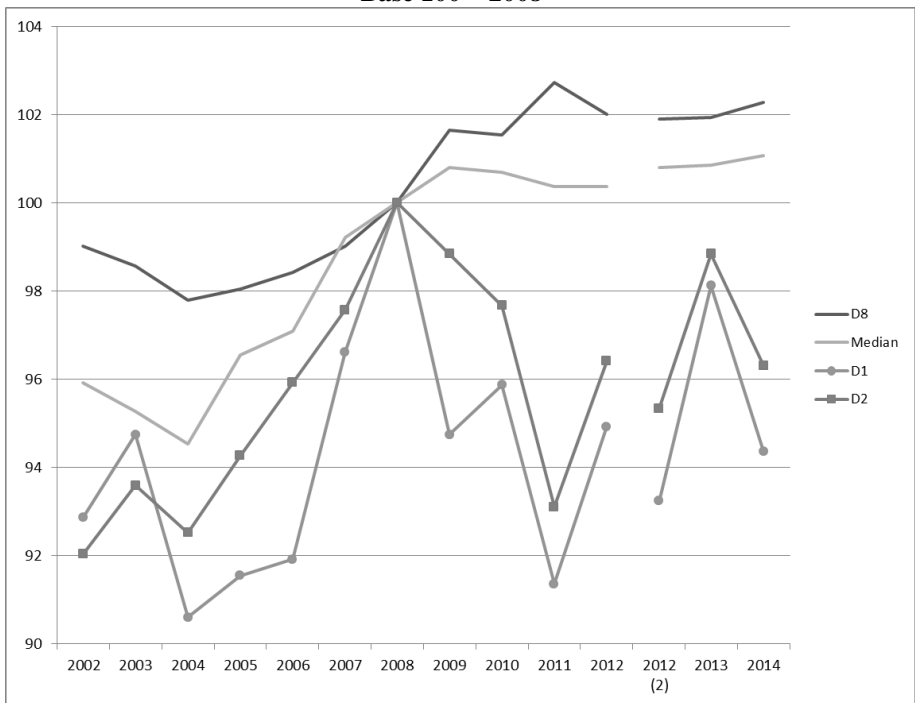
employee had to be examined by an occupational practitioner. But this condition had been first dramatically alleviated: there was no need of such exam if the workers have passed one in the past two years. From 2017, there is no more medical examination.

In addition, in a series of decisions, on November 2003, the Court de of Cassation clarified the regulation of temporary contracts '*d'usage constant*' (CDD *d'usage*). In industries where short-term contracts are historically used (20 industries: sports, entertainment, education, restaurants etc.), an employer has no quantitative limit to hiring on the bases of such contracts, even for the same worker and the same job, except if this job can be considered as permanent³. In the other sectors, the employer cannot hire the same workers on two consecutive short-term contracts. But this condition is impinged upon by the possibility for that the employer to re-hire the worker after a transition period. For example, in a supermarket open every day, you can hire a worker 4 days from Monday to Thursday; then you apply the transition period (at least half of the length of the contract), from Friday to Sunday, and then you can hire again from Monday to Thursday etc.

This liberty of rehiring the same workers is massively used. According to the social security logs, in 2015, about 80% of the “new” recruited are former workers of the same firm. Note that since July 2013, an extra social contribution has been introduced for very short-term contracts, but it is very low and does not concern most of the configurations including the CDD *d'usage*.

³ E.g., the Cour de Cassation (supreme civil court) judged in 2008 that a teacher hired during 14 consecutive years on an annual contract should be qualified as a permanent worker.

Fig. 7: The evolution of real annual employees' working income (wages + unemployment benefits - social contributions) by decile: D1, D2, median, D8. 2002-2014. Base 100 = 2008



Source: author's calculus using INSEE estimations based on CCMSA; Cnaf; Cnav; DGFIP; DGI; Enquêtes Revenus fiscaux et sociaux 2002-2004; Enquêtes Revenus fiscaux et sociaux 2005-2014. Note: break in 2012.

In this framework, for both employers and employees, the individual working income is not wages but net wages plus unemployment benefits. Employment periods are chosen to minimize labour costs and maximize this working income. The great recession has shaken this model (fig. 7). Employment is more sliced. The yearly working income at the bottom of the distribution plummeted in real tem and inequality rose: the median/D1 ratio jumped from 3.5 in 2008 to 3.8 in 2014. But it would be twice in the absence of unemployment benefits.

We observed a massive mobility from one year to another at the bottom of the distribution (around 40% of workers exit the first decile). But it is partially an artefact: the income is so low at the bottom of the distribution that the chance to get more jobs one given year can dramatically boost in your income rank, and you can lose ground also quickly the next year. Therefore, it is worthwhile to describe carrier paths for a multi-year period.

2.4 Precarious carrier paths

Older surveys -health and professional itineraries 2006 and 2010 (Ministries of Labour and of Health)- provide a picture of dynamics for all workers who started to work (after exited school) at least one decade before the survey; by construction, this picture does not include young workers.

Using analyses based on these data, we propose in Askenazy et al. (2013) a classification of workers in 4 groups before the great recession. Findings by Mette et al. (2013) from the 2010 wave, are consistent with our classification; they suggest that the two first years of the great recession did not massively alter workers' situation.

One-fifth workers had precarious trajectories, typical of working poor. Over a decade, they - mainly women- experienced employment, then long-term unemployment, inactivity or activity. In addition, they faced hard working conditions and their health deteriorated, especially for men.

Around one-fifth workers had fallen or were falling in precariousness. Employees initially stable for years, they experienced a professional breakdown marked by a phase of unemployment most often of long duration, or they entered a declining professional trajectory.

A same proportion of workers were threatened. Their professional trajectories were still unbroken but lastingly low-middle paid, with no prospect of an upward career. With poor training during their career and occupying the same type of job than workers in in the previous category, they could at any time join a precarious trajectory, in the event of their position being suppressed, or of closure of their establishment. These workers also experienced work intensification, participating in their professional exhaustion. Since long-term unemployment among men aged 25-49 or 50-64 has doubled since 2009, we can expect that some of these threatened have indeed fallen in the previous category.

A last group -around big third of workers-, enjoyed paths either continuously ascending or stable and highly qualified. Most of them are managers and professionals (private and public salaried or independent) at time of the survey.

This classification moves the frontier of the dualism of the labour market in France. Rather than focusing on the static observation of around 20% "outsiders" (unemployed plus non-permanent jobholders) *versus* 80% "insiders" (permanent jobholders), we can argue that the French working population is split in two classes: 40% enjoy job security and opportunities, while a large low-middle class struggles in an insecure environment.

The inequality in opportunities is magnified by the fact that temporary contracts act less and less as stepping stones (Andrews, 2016). According to OECD estimates based on EU Statistics on Income and Living Conditions EU-SILC data), France has one of lowest three-year transition rates from temporary to permanent employment (2008-2011): only 36%, compared to e.g. 80% in the UK. On-the-job training is significantly lower for temporary workers in France.

Youths are primarily concerned. And here, we can observe a long-run stigma of the great recession. The non-tertiary educated, young workers have more and more difficulties to get a permanent job. According to the generation surveys, in April 2015 (at the date of the last survey), 27.4 percent of youth who exited school in 2010 with a secondary diploma are unemployed (table 4). The deterioration is massive for men. In just a dozen of years, their chances to be 5 years after exited school on full-time permanent job (including civil servants), dropped from nearly 60% to 37%. The situation of young secondary-educated women was also far from improving.

Table 4: Job situation of women and men, 5 years after exiting school for secondary educated youth, 2003, 2009, 2015. In %

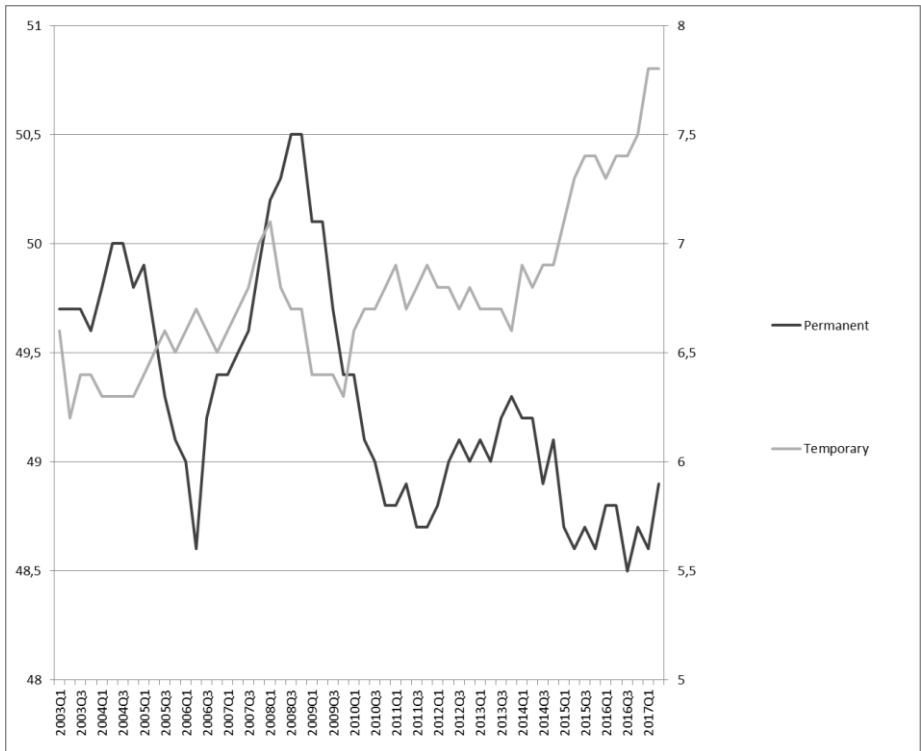
Women			
Job situation in April	2003	2009	2015
Salaried	71.3	72.4	69.0
<i>Full-time open-ended</i>	36.4	37.8	27.8
<i>Fixed-term subsidized</i>	7.7	4.3	10.2
<i>Part-time, other fixed-term including temp</i>	27.2	30.2	31.1
Non-salaried	1.5	2.2	3.0
Unemployed or inactive	27.1	25.5	28.0
Men			
Job situation in April	2003	2009	2015
Salaried	81.7	73.5	68.5
<i>Full-time open-ended</i>	58.7	51.5	37.3
<i>Fixed-term subsidized</i>	4.4	3.3	7.8
<i>Part-time, other fixed-term including temp</i>	18.8	18.8	23.5
Non-salaried	2.8	3.9	4.8
Unemployed or inactive	15.5	22.5	26.7

Sources: Cereq "Génération" surveys 1998, 2004, 2010, Couprie and Joutard (2017)

Statistics for all the 15-29 ages confirm their difficulties (Dares Résultats, 2017-16, based on the French Labour Survey). On the one hand unemployment particularly affects young people, since the 15-29 age unemployment rate was 18.9% in 2015 (against 10.4% for all groups) and their employment rate 43,2% (against 63,8% for all 15-64 years). On the other hand, among young employees, 37.3% are on temporary jobs, compared with 14.6% for all employees. By contrast, the shares of part-time and under-employment (ILO concept) are similar amongst youth and all ages.

The evolution of NEETs (neither in school nor in employment or training) is particularly worrying. According to OECD stats (resp. Dares), in 2015, 1.8 (resp. 1.7) million young people 15 to 29 years are NEETs, or 16.6% (resp. 14.7%) of this age group. That's nearly 300.000 more than in 2008 before the Great Recession.

Fig. 8: The employment rate of the 15-64 on permanent (CDI) and temporary jobs (fixed-term and temps) 2003Q1-2017Q2. In %



Source: Insee, French labour force survey; provisional data for Q2 2017. Left scale for permanent, right scale for temporary.

Facing the trends towards high-frequency job turnover, the unemployment insurance system (managed by the employers' and workers' organisations) has been adapted in order to cover workers with shorter contribution periods (4 four months instead of 6 six since 2009); and in July 2014, better coverage for the recurrently unemployed has been acted. In the wake of these reforms, we observed a new phenomenon (Askenazy and Erhel, 2017): While the share of non-permanent jobs was during two decades increasing very slowly, since late 2014, according to the labour force survey, the employment rate on fixed-term contracts reaches its highest historical records (figure 8). At the same time, the employment rate on open-ended salaried jobs plummets.

2.5. *New low-income entrepreneurs*

While the focus is in general on the salaried workers, it is worthwhile to stress the case of non-salaried ones in France. In past decade, a new self-employment status massively altered their portrait: the “auto-entrepreneurs” (called now “micro-entrepreneurs”).

In 2009, this new social contribution and fiscal regime was created for self-employed individuals as unincorporated enterprise. Becoming an auto-entrepreneur requires only a quick registration on the Internet. Then, these freelance entrepreneurs declare their quarterly revenue online. Social contributions and income tax are immediately charged and for most of the case, it is just the application of flat rates; these rates are low compared to taxes paid by classic independent contractors or wage workers. The status may be cumulated with a salaried job (with strong restriction for public employees); around one third of the micro-entrepreneurs are in this situation.

The regime immediately met with great success representing about half of all newly created enterprises. According to the exhaustive social security statistics (Acof-Urssaf), in the second quarter 2016, 640.000 micro-entrepreneurs were “economically active” i.e. had a positive turnover. The turnover of these micro-entrepreneurs in the second quarter 2016, is particularly low: 1150 Euros monthly on average. Even if we restrict to the micro-entrepreneurs who do not cumulate with a salaried job, the average gross income remain below 1600 Euros.

At the same time, the mixed income of the classic self-employed (artisans, retailers, etc...) fell in 2009, but recovered rapidly, while their numbers dropped. This decline of classic self-employed was driven by the recession but also by the competition of the auto-entrepreneurs who charge lower prices. The net impact of this substitution in terms of jobs or the total number of worked hours by non-salaried workers is then just slightly positive according to Insee National Accounts.

Because of this dramatic composition change, the mixed income per worked hour of non-salaried workers was cut in real term by about 20% in the past decade (Askenazy and Erhel, 2016). And income inequality among non-salaried workers boomed: according to the INSEE *non salariés* database, the interquartile gross income ratio is about 4 for “classic” non-salaried workers

but tops 7 when micro-entrepreneurs are included.

In addition of the creation of the status of micro-entrepreneurs, the emergence of platforms of the on-demand economy e.g. Uber is fuelling the development of this category of low income independent contractors. Low or secondary educated youths are primarily concerned (see also table 4). This trend along with the growing share of fixed-term salaried should translate in a current increase of inequality among the working-age population. In addition, standard tools to address labour earning inequality -the minimum wage or unemployment benefits- prove their limits in face of these mutations of the labour market.

Conclusion

Despite an apparent resistance to increasing inequalities, France is actually going into deep socio-economic transformations. First of all, inequalities have changed since poverty has shifted from the elderly to the young, touching especially young women with children. Second, the labour market is currently drifting towards the emergence of more and more precarious situations, here again touching first young workers (especially unskilled ones). If the policies aimed at reducing labour costs while maintaining minimum wage at the best OECD standards, prevent a deep increase in inequalities, the welfare state is less and less able to mask inequalities. On the contrary, the process of dualization of welfare benefits itself contributes to stabilize new inequalities.

Two distinct worlds of welfare have come to coexist in the public welfare system. One is the remaining realm of social insurance, comprised mainly of old age pensions and unemployment insurance, where what is called in France, ‘professional solidarity’, is central and benefits are still acquired through work, albeit linked more closely than before to the amount of contribution paid. This world of social insurance is no longer offer comprehensive coverage i.e. cover the whole population and provide the insured with sufficient benefits to sustain their standard of living. For those whose inclusion within the labour market is either absent or too intermittent (such as in the case of very short term contracts), the main social insurances are irrelevant, and they need to rely either on negative income tax and or on social assistance.

The French population itself seems to be increasingly divided into, on the one hand, those who can rely on a rather generous social insurance program and continue to have access (thanks to their employers or their own wealth) to private complements, and on the other hand, those who have fallen out of that system and are dependent on minimum benefits. To the latter group, one should probably add those being ‘activated’ into atypical contracts under which they benefit from second rank labour and social protection. Between those on minimum incomes (10 per cent of the French population) and those of the working population with an atypical working contract (short term, part time, with lower wage than normal, and other subsidized jobs), it seems that almost a majority of the French population does not participate in the ‘normal’ labour market and social protection arrangements, despite the rise of the participation rate. French social protection reforms have thus contributed to increase inequalities and divide society (Palier and Thelen 2010).

The objectives of social policy have undergone fundamental changes. Before, social protection was mainly conceptualized as a way of guaranteeing a substitute income for people who could no longer work, temporarily or permanently. Benefits were conceived as an entitlement, earned over years of social contributions. More and more, social policies are conceived as instruments for modifying individual behaviour, in particular with regards to employment, and as a tool for spurring the economy - not by supporting household consumption, but by encouraging citizens to work as much as possible and by developing private social protections. The French social protection system is gradually supposed to become an instrument of competitiveness: in business (decreases in employer social contributions, development of private social protection activities), of the state (decrease in taxation, control over the rise in public social expenditure), and of individuals (activation policies).

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