

Automatic indexation rules of the French minimum wage (SMIC)

Gilbert Cette and Etienne Wasmer

Contrary to most European countries, indexation rules of the French minimum wage are very precise. However, three possible rules are consistent with the texts, which diverge in particular in periods of deflation or of negative growth of real wages. The alternative interpretations can have a large impact on the dynamics of the minimum wage, on the dynamics of real wages compared to productivity and on the bottom of the wage distribution. This note examines the three rules and recommends the optimal one, which appear to be most robust to alternative scenarios of inflation and deflation.

Keywords: Minimum wage. Wage dynamics. Wage-price Spiral. Inflation.

JEL classification codes: J3, J5, J50.