

German women work less than French women

By [Hélène Périvier](#) and [Gregory Verdugo](#)

In terms of the employment rate, French women work less than German women: in 2017 the employment rate of women aged 15 to 64 was 67.2% in France against 75.2% in Germany. But this commonly used indicator does not take into account that to arrange their time German women are more likely to be in part-time work than French women. This is because underemployment and labour market regulations differ in the two countries, in particular as Germany has a plentiful supply of part-time mini-jobs that are held by women more than men. Moreover, the differences in terms of policies affecting the family life-work-life balance in the two countries make it possible to deal with early childhood more extensively in France than in Germany and lead German women to take up part-time work.

To compare the employment situation of women in France and Germany, we use indicators that take into account working time, which we calculate by age to illustrate a life cycle perspective [\[1\]](#). The results confirm that German women are in part-time work more than their French counterparts, and this is particularly marked at the age of maternity. These differences in women's working hours explain why the gender pay gap is higher in Germany than in France.

Employment rate and employment rate in full-time equivalents by age

Comparing employment rates with employment rates in full-time equivalents over the life cycle highlights the significant differences between the two countries in terms of the reduction in women's working hours at the ages when the family constraint is the strongest, between 30 and 40 years old.

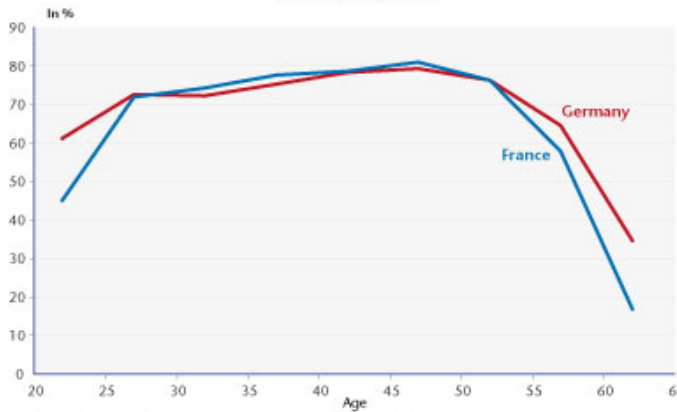
Figures 1A and 1B show employment rates and full-time equivalent employment rates by age for women in 2010, the moment when European countries were to have reached a female employment rate of 60% according to the Stratégie européenne de l'emploi (EES). Figures 2A and 2B show these same indicators for men.

If we restrict ourselves to employment rates, the models seem similar in the two countries: changes in the employment rates over the life cycle for women are quite similar, as is the case for men (with the exception of the ages of entering and leaving working life, which differ between the two countries for both sexes). In Germany as in France, women's employment rate is high, but the gap with men increases between age 30 and 40 (solid lines).

Once part-time work is taken into account, the gender division of labour turns out to be much more marked in Germany than in France (dashed lines) [\[2\]](#).

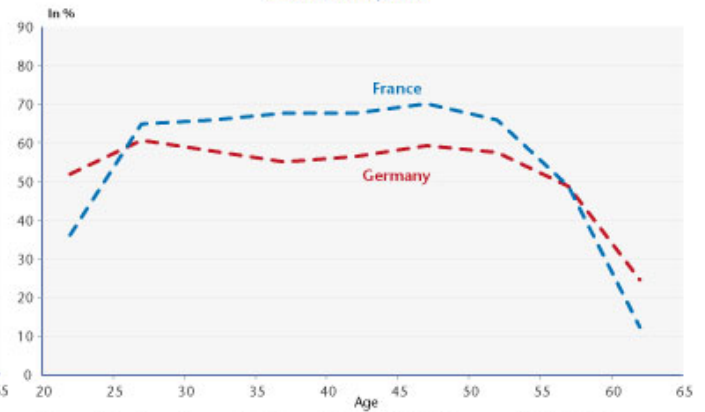
At all ages, the full-time equivalent employment rate for women is lower in Germany than in France (whereas for men it is close to the employment rate, for both countries). From the age of 30, the female full-time equivalent employment rate falls below 60% in Germany, while in France it is above 65%. This means that German women are adjusting their working time more as family constraints become stronger. For men, the full-time equivalent employment rates are close to the employment rates at all ages in both countries.

Figure 1a. Women's employment rate by age in Germany and in France, 2010



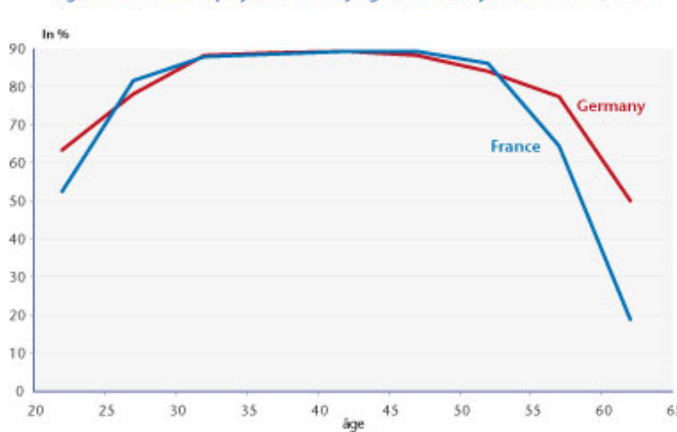
Lecture: Women's employment rate at age 42 was 78.3% in Germany and 78.7% in France.
Source: Labour force surveys, authors' calculations.

Figure 1b. Women's full-time equivalent employment rate by age in Germany and in France, 2010



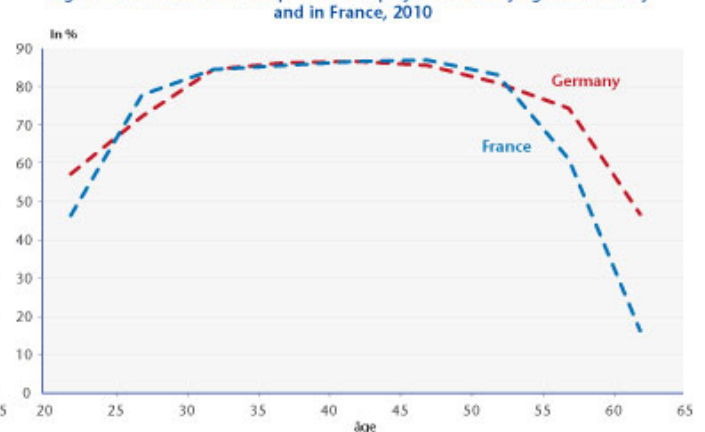
Lecture: Women's employment rate at age 42 was 56.6% in Germany and 67.7% in France.
Source: Labour force surveys, authors' calculations.

Figure 2a. Men's employment rate by age in Germany and in France, 2010



Lecture: Men's employment rate at age 42 was 89.3% in Germany and 89.3% in France..
Source: Labour force surveys, authors' calculations.

Figure 2b. Men's full-time equivalent employment rate by age in Germany and in France, 2010



Lecture: Men's employment rate at age 42 was 86.6% in Germany and 86.9% in France..
Source: Labour force surveys, authors' calculations.

The overall wage gap: the impact of working time

The massive use of part-time work by women in Germany compared to France explains a large part of the wage differentials, which are higher there. The global wage gap indicator calculated by Eurostat [\[3\]](#) shows that the overall wage gap is very high in Germany (45% compared to 31% in France), and that this is due mainly to differences in working time. On average German women work 122 hours a month against 144 for French women, with the average hourly wage rate being comparable (Table).

Table. Overall wage gap in 2014 in France and in Germany

	Average wage level		Average number of paid hours per month		Employment rate in % (age 15-64)		Overall wage gap
	Men	Women	Men	Women	Men	Women	
France	18.8	15.9	154.0	140.0	67.3	60.4	31%
Germany	19.9	15.4	154.0	122.0	78.1	69.5	45%

Source : Eurostat, Structures of earnings survey (earn_ses_hourly) (earn_ses_monthly) (lfsa_ergaed) (tegges01).

Thus

policies aimed at occupational equality cannot leave aside the issue of working time and the quality of the jobs held by women. It seems that from this point of view France is doing better than Germany, although much remains to be done in this area.

[1] This blog is taken from: [« La stratégie de l'Union européenne pour promouvoir l'égalité professionnelle est-elle efficace ? », \[Is the European Union's strategy for promoting occupational equality effective?\], Périvier H. and G. Verdugo, *Revue de l'OFCE*, no. 158, 2018.](#)

[2] Full-time equivalent employment rates were calculated from the European Labour Force Surveys. Each job is weighted by the number of hours worked. A full-time job is defined as a job where the number of hours worked is greater than or equal to 35. If the number of hours worked is between 25 and 34, we assign a weight of 75% of a full-time job, a weight of 50% if the number of hours is between 15 and 24, and a weight of 25% if the number of hours is less than 14 hours.

[3] [The gap calculated by Eurostat corresponds to the average wage differential for the entire population.](#)

Beyond the unemployment rate. An international comparison since the crisis

By [Bruno Ducoudré](#) and [Pierre Madec](#)

[According to figures from the French statistics institute \(INSEE\) published on 12 May 2017](#), non-agricultural commercial employment in France increased (+0.3%) in the first quarter of 2017 for the eighth consecutive quarter. Employment rose by 198,300 in one year. Despite the improvement on the jobs front experienced since 2015, the impact of the crisis is still lingering.

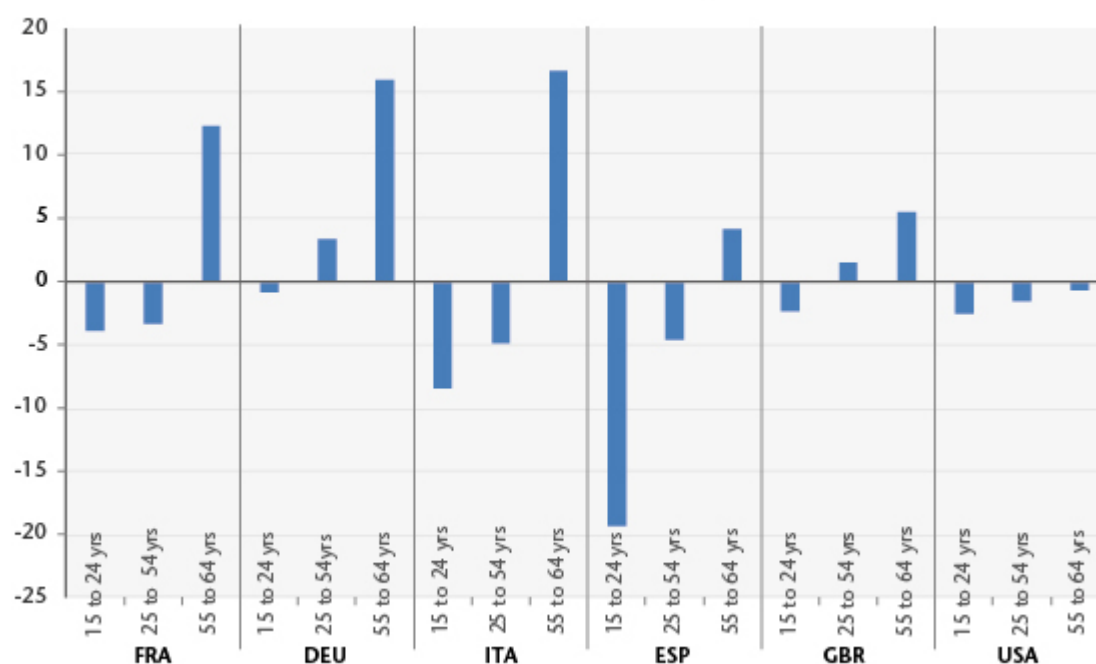
Since 2008, employment trends have differed significantly within the OECD countries. Unemployment rates in the United States, Germany and the United Kingdom are now once again close to those seen before the onset of the crisis, while the rates in France, Italy and particularly Spain still exceed their pre-crisis levels. Changes in unemployment reflect the gap between changes in the active population and changes in employment. An improvement in unemployment could therefore mask less favourable developments in the labour market, in terms of employment behaviour (changes in the labour force participation rate and the “unemployment halo”) or an increase in precarious employment (involuntary part-time work, etc.). In this paper we take another look at the contribution of changes in participation rates and in working time duration relative to changes in unemployment rates and to a broader measure of the unemployment rate that encompasses the “halo of unemployment” and involuntary part-time work.

Unemployment rates are marked by the crisis and reforms

With the exception of the United States, employment rates have changed considerably since 2008. In France, Italy and Spain,

the employment rate for 15-24 year-olds and for those under age 55 more generally has fallen sharply (Figure 1). Between the first quarter of 2008 and the last quarter of 2016, the employment rate for 18-24 year-olds fell by 19 percentage points in Spain, by more than 8 percentage points in Italy and by almost 4 percentage points in France, while at the same time the unemployment rates in these countries rose by 9, 5 and 3 percentage points respectively. The poor state of the economy in these countries, accompanied by negative or weak job creation, has hit young people entering the labour market hard. Conversely, over this same nine-year period, the employment rate of individuals aged 55 to 64 increased in all the above countries. In France, as a result of successive pension reforms and the [elimination of the job search exemption](#), the employment rate of older workers increased by 12.3 percentage points in nine years to 50% in Q4 2016. In Italy, even though the labour market worsened, the employment rate of 55-64 year-olds has risen by almost 18 percentage points.

**Figure 1. Change in employment rate by age
between Q1 2008 and Q4 2016**



Sources: OECD, OFCE calculations.

A sharp impact of the participation rate on unemployment,

offset by a reduction in working time

During the course of the crisis, most European countries reduced the actual working hours to a greater or lesser extent by means of partial unemployment schemes, the reduction of overtime and the use of time-savings accounts, but also through the expansion of part-time work (particularly in Italy and Spain), including involuntary part-time work. On the other hand, the favourable trend in unemployment in the US (Table 1) is explained partly by a significant decline in the labour force participation rate of people aged 15 to 64 (Table 2). The rate in the last quarter of 2016 was 73.1%, i.e. 2.4 points less than at the beginning of 2007.

Table 1. Change in ILO unemployment rate (in % points)

	Q1 2007 – Q4 2011	Q1 2012 – Q4 2016	Q1 2007 – Q4 2016
DEU	-3,4	-1,7	-5,1
ESP	14,6	-4,2	10,3
FRA	0,9	0,7	1,6
ITA	3,1	2,7	5,8
GBR	2,9	-3,6	-0,7
USA	4,1	-3,8	0,4

Source: National accounts, OFCE calculations.

Table 2. Change in the participation rate (in % points)

	Q1 2007 – Q4 2011	Q1 2012 – Q4 2016	Q1 2007 – Q4 2016
DEU	2,1	0,6	2,8
ESP	2,5	0,0	2,5
FRA	0,6	1,2	1,8
ITA	0,5	2,7	3,2
GBR	0,2	1,7	1,9
USA	-2,3	-0,2	-2,4

Sources: National accounts, OFCE calculations.

Assuming that a one percentage point increase in the labour force participation rate leads, holding employment constant, to a 1 percentage point increase in the unemployment rate, it is possible to measure the impact of these adjustments (working hours and participation rate) on unemployment, by calculating an unemployment rate at constant employment and

controlling for these adjustments. Except in the United States, all the countries studied saw a greater increase in their labour force (employed + unemployed) than in the general population, owing, among other things, to pension reforms. Mechanically, absent job creation, this demographic growth has the effect of increasing the unemployment rate of the countries concerned.

If the labour force participation rate remained at its 2007 level, the unemployment rate would fall by 1.7 percentage points in France, 2.8 percentage points in Italy and 1.8 percentage points in the United Kingdom (Table 3). On the other hand, without the large contraction in the US labour force, the unemployment rate would have been at least 2.3 percentage points higher than in 2016. It also seems that Germany experienced a significant decline in the level of its unemployment (-5.1 points), even though the participation rate rose by 2.8 percentage points. For an unchanged employment rate, the German unemployment rate would be 1.3% (Figure 2).

As regards working hours, the lessons seem quite different. It seems that if working time had been maintained in all the countries at its pre-crisis level, the unemployment rate would be higher by 3.4 points in Germany, 3.1 points in Italy and 1.5 points in France. In Spain and the United Kingdom, working time has changed very little since the crisis. By controlling for working time, the unemployment rate changes in line with what was observed in these two countries. Finally, without adjusting for working time, the unemployment rate in the United States would be 1 point lower.

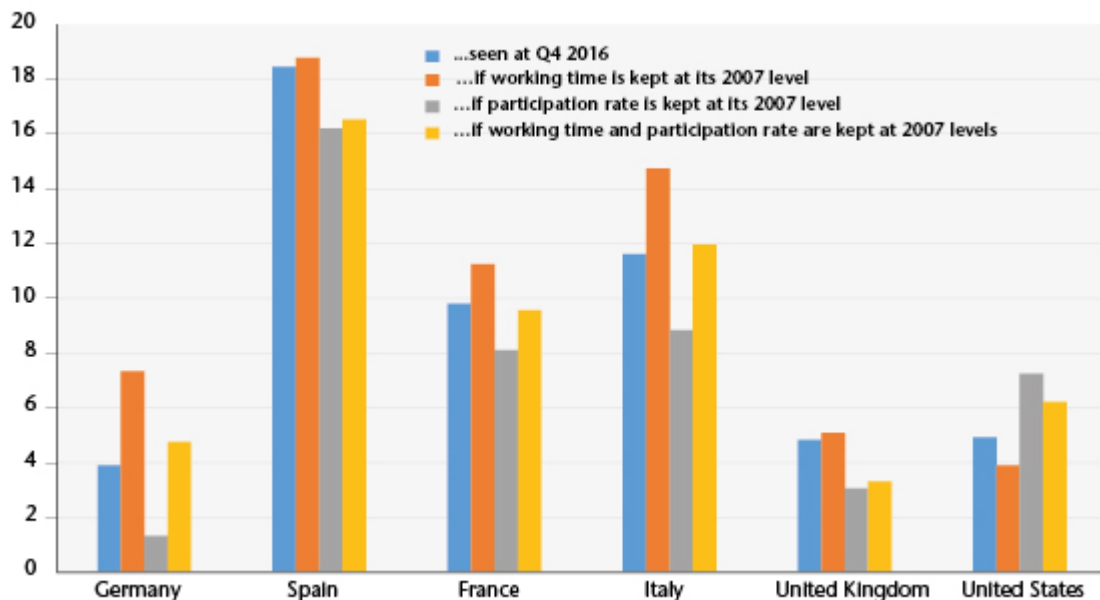
Table 3. Difference between the unemployment rate seen at Q4 2016 and the unemployment rate in case of (in % points)

	...keeping working time at its 2007 level	... keeping the participation rate at its 2007 level	...keeping working time and the participation rate at their 2007 levels
DEU	-2,6	3,4	0,9
ESP	-2,2	0,3	-1,9
FRA	-1,7	1,5	-0,2
ITA	-2,8	3,1	0,3
GBR	-1,8	0,3	-1,5
USA	2,3	-1,0	1,3

Sources: National accounts, OECD, OFCE calculations.

Note that this trend towards a reduction in working hours is an old one. Indeed, since the end of the 1990s, all the countries studied have experienced large reductions in working time. In Germany, this decline averaged 0.5% per year between 1998 and 2008. In France, the transition to the 35-hour work week resulted in a similar decrease (-0.6% per year) over that period. Overall, between 1998 and 2008, working hours were down 5% in Germany, 6% in France, 4% in Italy, 3% in the United Kingdom and the United States, and 2% in Spain.

Figure 2. Unemployment rate...



Sources: National accounts, OECD, OFCE calculations.

Beyond the “unemployment rate”

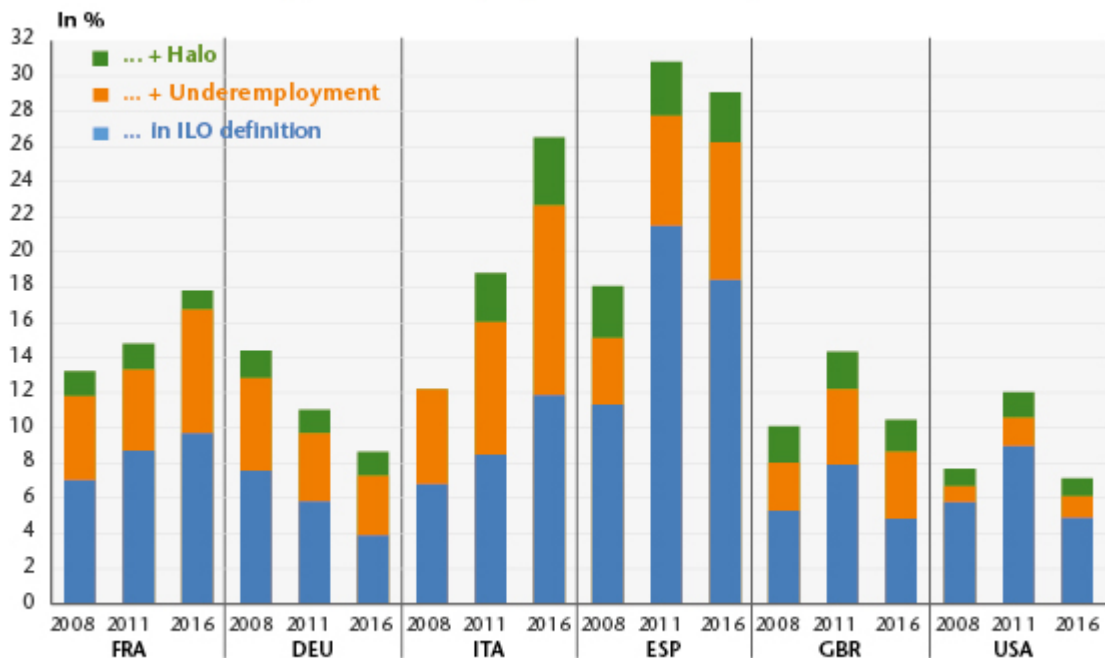
In addition to obscuring the dynamics affecting the labour

market, the ILO's (International Labour Organization) strict definition of unemployment does not take into account situations on the margins of unemployment. So people who wish to work but are considered inactive in the ILO sense, either because they are not quickly available for work (in under two weeks) or because they are not actively seeking employment, form what is called a "halo" of unemployment.

The OECD's databases can be used to integrate into the unemployed category people who are excluded by the ILO definition. Figure 3 shows for the years 2008, 2011 and 2016 the observed unemployment rate, to which are added, first, people who are employed and declare that they want to work more, and second, individuals who are inactive but want to work and are available to do so. In Germany, the United Kingdom and the United States, changes in these various measures seem to be in line with a clear improvement in the labour market situation. On the other hand, between 2008 and 2011, France and Italy experienced an increase in their unemployment rates, especially from 2011 to 2016, both in the ILO's strict sense of the term and in a broader sense. In Italy, the ILO unemployment rate increased by 3.4 percentage points between 2011 and 2016. At the same time, underemployment rose by 3.2 percentage points and the proportion of individuals maintaining a "marginal relationship" with employment by 1 percentage point. Ultimately, in Italy, the unemployment rate including some of the jobseekers excluded from the ILO definition came to 26.5% in 2016, more than double the ILO unemployment rate. In France, because of a lower level of unemployment, these differences are less significant. Despite this, between 2011 and 2016, underemployment increased by 2.4 points while unemployment in the strict sense grew "only" by 1 percentage point. In Spain, although there was notable improvement in ILO unemployment over the period (-3 points between 2011 and 2016), underemployment continued to grow strongly (+1.5 points). By 2016, Spain's ILO unemployment rate was 7

percentage points higher than it was in 2008. By including jobseekers excluded from the ILO measure, this difference comes to 11.0 percentage points.

Figure 3. Unemployment rate at Q4 2016...



Note : For 2016, as all the data were not available, we assume that the "halo" changed in line with 2015.

Sources : OCDE, calculs OFCE.

Could Trump really re-industrialize the United States?

By [Sarah Guillou](#)

Callicles to Socrates: "What you say is of no interest to me, and I will continue to act as I have previously, without worrying about the lessons you claim to give." Gorgias, Chapter 3

Only 8% of the jobs in the United States are now in industry.

Donald Trump, the new President of the United States, wants to reindustrialize America and is speaking out against the opening of factories abroad and the closing of local factories. Is there any economic rationale for the indiscriminate communications of the new US President?

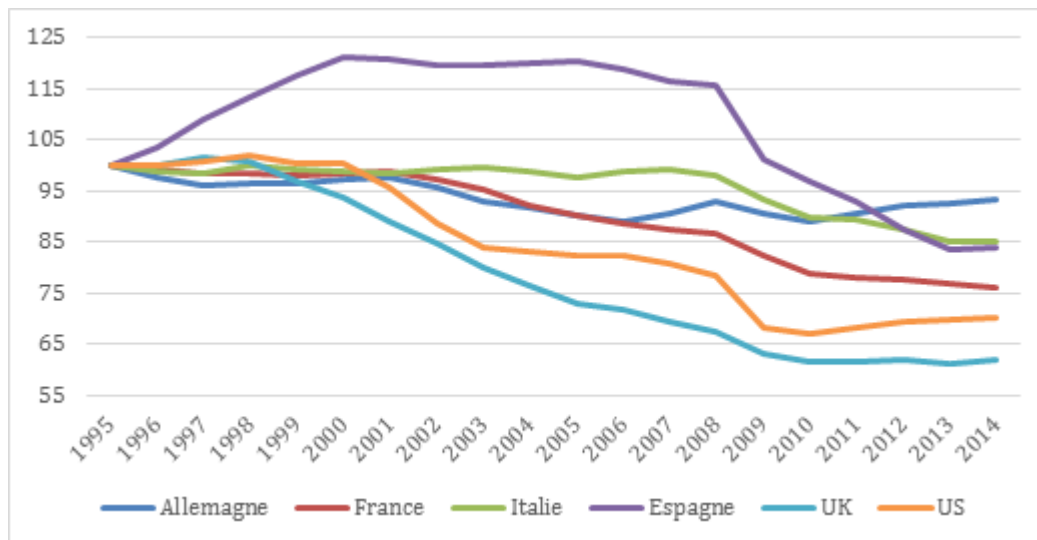
Trump's statements about manufacturing abroad by major American corporations are disturbing to an economist. It is as if threatening the multinationals, raising tariffs on their imports, and menacing them with punitive taxes will suffice to get them to reconsider their decisions to outsource. Beyond the fact that Trump's method is the antithesis of the rule of law, what is surprising to an economist is that these statements ignore not only everything that is known about the logic of globalizing value chains but also the nature of past trends in industrial production and its future prospects. They therefore raise more perplexity than support (see the [note of X. Ragot](#) on macroeconomic policy).

The only truth in Trump's rhetoric is the fact of intense American deindustrialization. So let's start from the state of American industry to understand the grounds for the working-class nostalgia on which this rhetoric is based.

America's worn-out industrial fabric – fertile terrain for blue-collar nostalgia

Donald Trump taps into the wellsprings of voter nostalgia for a time when the manufacturing sector was in full swing. It is clear that America's deindustrialization was intense, even though it opened up commercially much less than Europe did. For the many workers who lack social protection it has been brutal. The countries where the discourse in favor of re-industrialization has been most widespread are those where the decline in industrial employment was most pronounced, namely the United States, the United Kingdom and France. All three have lost more than a quarter of manufacturing jobs since 1995[1].

Figure 1: Changes in jobs in manufacturing (base 100 in 1995)



Source: EU Klems for European countries. Federal Bank of St Louis (FRED) for the United States.

Figure 1 shows the similarity in the trends in these three economies since the end of the 1990s: France started to lose jobs a little after the United States and United Kingdom, and the end of this trend, which can be seen in the US and UK as of 2009, is still not clearly visible in France, which has continued to shed jobs, although at a slower pace than at the beginning of the period.

The United States lost more than 5 million jobs since 1995, compared to more than 1.5 million in the United Kingdom and 900,000 in France, representing 29%, 38% and 24%, respectively, of the losses over the period. Of course, at first gains in productivity permitted a smaller decline in value-added, but this was less the case from 2000 onwards, given the slowdown in productivity gains in the manufacturing sector. It should also be noted that manufacturing employment has risen since 2010 in the US, but once again slowed from 2015 (see [Bidet-Mayer and Frocain, 2017](#)).

The causes of deindustrialization have been clearly identified. Deindustrialization has affected all the old

industrial powers because of both technical progress and the shift of manufacturing value into industrial services. At the global level, manufacturing output now represents only 16% of GDP, making the 12% American level quite honorable. Moreover, the United States is still a major player in global manufacturing, second only to China in the volume of production.

Finally, once it is understood that the incorporation of technology in manufacturing value-added will not slow its pace and that the robotization of the repetitive tasks specific to mass production will continue or even accelerate, it is certain that future industrial production will be even less job-rich (on this topic see [M. Muro](#)).

In terms of the rise of the Trump electorate, only a small fraction of the voters located in a small part of the northern United States were actually victims of deindustrialization. But industry is a symbolic sector, an emblem of the economic power of yesteryear, of martial imperial power, of the birth of the consumer society and then of the emergence of Asia's economic powers, the new homes of the world's factories. This particularly affects a section of the middle and working class that has not seen its income improve over the last 20 years (as is suggested in the "elephant" graphic of [Branko Milanovic](#)) [2]. Finally, America's deindustrialization can be seen as symmetric with the industrialization of China and other emerging countries like Mexico, whose economic success is taken as a scapegoat by this middle class. But while globalization has had differentiated effects on individuals based on their qualifications, it cannot be superimposed on deindustrialization.

Starting from this nostalgia for the industrial might of yesteryear, Trump chose to become personally involved in companies' outsourcing decisions in order to win the vote of these middle class forces who'd suffered from deindustrialization. His interventions have consisted in

directly going after companies by calling on them to modify their decisions. Let's take a look at the most striking episodes in order to grasp the respective motivations of the actors.

Symbolic, eye-catching industrial symbols

First there was the case of Carrier, an equipment manufacturer in Indiana that makes heaters and air conditioners, which in February 2016 announced its decision to move 1,400 jobs to Mexico. Having seized on this case during his campaign, once elected Trump went on to negotiate in November with the heads of the company. In exchange for relief on taxes, charges and regulations, Trump demanded that some of the jobs be kept in Indiana. The local authorities also joined in the negotiations in an effort to coax the company. On November 30, the company announced its intention to retain 1000 jobs on the site. This victory was highly symbolic, in every sense of the word, given that the American economy creates more than 180,000 jobs every month. Carrier's parent company, United Technologies, conceded that this turnaround will not cost it that much, especially if it gets an attentive ear from the President, and also because United Technologies is a manufacturer of military equipment and is heavily dependent on public procurement (10% of its sales according to the *New York Times*).

Then there was the episode involving Foxconn, a Taiwanese company that assembles products by Apple – its biggest customer – that decided to set up an assembly plant in the United States, a decision that Trump then brandished as a personal victory. Foxconn already owns production units in the US. This was not *a priori* a relocation of activities, as the company does not envisage simultaneously “disinvesting” in Taiwan. If the company decides to invest in the US, it is because it has good reasons to do so. Among these are expectations about the growth of the US market, the trade obstacles that Trump is threatening to erect and the pressure that its main client (Apple) might bring to bear.

Finally, Trump has tackled the automotive industry. He had already lambasted Ford Motors' plan to build a plant in Mexico back in the spring of 2016. On 3 January 2017, the company decided to cancel its USD 1.6 billion project in the state of San Luis Potosi in Mexico and announced a USD 700 million investment in a plant in Flat Rock, Michigan, to build electric cars and autonomous cars. Was this a turnaround by the company? In fact, the Mexican plant was designed to build the Ford Focus, small models for which demand has fallen sharply in favour of SUVs and other "crossovers". Ford's decision indicates that it is trying to reduce production of this range of vehicles, while Trump's policy should lead to a revival of American demand for automobiles outside this range. The car maker is nevertheless confirming its decision to shift its production capacity for the Focus model from Wayne, Michigan to Hermosillo, Mexico ([The Economist, Wheel Spin, 2017](#)). These decisions therefore reflect more a repositioning by the company rather than a relocation.

The threat of a 35% customs duty on vehicles from Mexico or a tax on revenue from imports is obviously being taken seriously by manufacturers. In 2015, the United States imported more than 2 million vehicles from Mexico. Car makers have every interest in showing clean hands in order to obtain other benefits, such as the relaxation of emission regulations. In addition, with the ex-president of ExxonMobil, Rex Tillerson, assuming the post of Secretary of State and defending fossil fuels and Trump's economic recovery programme, manufacturers anticipate a pick-up in purchases.

The series of challenges and reactions is continuing ([Hyundai](#), [Toyota](#), [BMW](#), etc.). Trump is going through all the manufacturers and suspects that any production overseas represents a raid on American jobs. It is not by chance that he is focusing on the automotive industry, as this sector is emblematic of the American way of life, a symbol of US industrial power at a time when the rust belt was still

glitzy. But the sector is now highly globalized, and one wonders how at this point Trump can ignore or deny the way the industry is organized and go on deceiving his supporters.

Is there really a pool of jobs to relocate?

Globalization can affect the way companies organize production in two ways. First, in combination with technical progress, it can lead to the disappearance of manufacturing following complete outsourcing, while maintaining control over the chains where profits are realized. This is for instance the case of Apple, which does not have its own plants abroad. Apple cannot be compelled to bring back what it has not taken away! If tariffs increase, Apple will import more expensive components, the State will recover part of the rent from innovation and consumers will pay part of the tax. Second, globalization may also result in outsourcing production, and in this case the company does own production sites abroad, such as in the automotive sector as well as in textiles and toys, like Mattel. Jobs have indeed been displaced, but sometimes the skills as well, which it is not necessarily easy to find again in the home country.

Mexico's cost advantage is also not about to disappear: the wage costs in Indiana per hour are equivalent to the wage costs in Mexico per day. The same is true for the cost in China. The relocation of this type of employment would entail a sharp drop in wages, unless higher customs duties (which raise foreign wages), lower energy and tax costs and higher productivity (which reduce American wages) led to a new trade-off. But this would require major changes that would inevitably impact the rest of the non-manufacturing economy, i.e. 92% of jobs.

In the end, the job content of imports is not "relocatable" in its entirety. Moreover, a large portion of imports fuel exports: in other words, a major part of Chinese and Mexican jobs activate American jobs whose output is sold abroad

because the development of the emerging countries has led to the solvency of demand. There is such interdependence today that no one knows what the consequences of a new employment equilibrium would be for future prices, profits, investments and jobs.

What would be the consequences of industrial relocation?

Consider again the case of Foxconn. If this company invests, it would be to serve the US market. Since production costs are higher there, this implies three possible non-mutually exclusive strategies. The company cuts its margins (Apple too) in order not to reduce its market share: Foxconn and Apple accept this reduction in margins in order to offset the negative impact on sales due to the stigma cast by Trump on the company. The second strategy would be to increase the prices of products on the US market: this would mean consumers are financing the few jobs created. The third strategy: the company develops different production processes, including intensive automation that cuts the labour costs while also reducing logistics costs to serve the US market. At the end of the day, Foxconn's decision, if it is confirmed, is a fairly standard economic rationale. The Trump effect figures in this mix in so far as it requires Apple to justify its strategy of localization. But if Trump's messages were to jeopardize the company's financial health (though it does of course have margins), then this would jeopardize a flagship of the US economy.

In the case of manufacturers, the multiplication of investments, if confirmed, will inflate both the supply of labour as well as supply of domestic production. This would increase competition among businesses. Not only would wages increase, but margins would be reduced due to higher production costs, higher prices for imported components and heightened competition in the domestic market. It is far from certain that it is US manufacturers who would come out on top. At that point, if it came to accepting the Chinese taking

holdings in their capital, they would be hoisted on their own petard! The investment decisions taken by the car makers as a whole could even result in labour shortages – the US job market is close to full employment – leading to higher wages (and hence production costs), resulting in turn in either accelerating robotization or bringing in foreign workers.

So ultimately, if we ask ourselves what would be the impact of additional investments on America, it all depends on what incentives they are responding to. If these respond to new, tighter constraints being put on companies by the new government, then microeconomic theory tells us that a company's output will fall or else be more expensive. If an external event increases a company's costs, it produces less 1) either immediately because it increases its prices, or 2) in the medium to long term because its margins are falling (it has not increased its prices) and it is investing less, or 3) in the long term because it leaves the market. If they are responding to expectations of an increase in demand, then Trump will need to stick to his promises of a recovery. Finally, if investment is made in exchange for fiscal expenditure (lower taxes, investment subsidies, financial support), then the cost to the public purse will result in lower present or future expenditure. In short, the investment will take place if it benefits the company: whether it locates in the country of origin or abroad, it is always conditional on the promise of future income.

But why defend the multinationals and renounce protectionism?

Proponents of protectionist measures respond: 1) what does it matter if firms produce less in total, if the distribution of their output is more advantageous to the domestic territory; 2) what does it matter if they make less profit, as these multinationals already make so much! This neglects that companies also have integrated strategies – that is, global strategies – and that if they earn less profits, they will invest less, which will eventually impact their future growth.

It also neglects that the multinationals are the ones that invest the most in R&D, and that if their stock market value rises they do not distribute all the dividends. It neglects that trade, while not balanced, is bilateral, that is, if we reduce the incomes of our partners by reducing their exports, we reduce our own exports. In other words, if the income of Mexicans falls substantially, they will buy a lot less American goods. Furthermore, protectionism – which always winds up being bilateral (retaliation requires it) – protects not the weak, but the profiteers.

Some argue that protectionist measures are a means of relocating production sites to consumption sites (in order to avoid barriers), and hence to recover activities that have been outsourced. It must be emphasized that protectionism protects the giants, the businesses that can deal with tariff barriers. And while it saves unskilled jobs a little longer, it maintains them in their “unskilled” state. Above all, it hampers the development of a middle class of both consumers and businesses. Inequalities will not be reduced through protectionism; instead, the society and the economy will freeze up. Protectionism is not the solution to the differentiated gains coming from globalization.

In the United States, the effects of globalization have been relatively pronounced, and despite a dynamic labour market, the distribution of the gains from growth has been very uneven. The constraints on skills adjustments have been intense: thus, the 12% of manufacturing value-added, while very honorable, is concentrated mainly in the electronics and information technologies sector (see [Baily and Bosworth, 2016](#)). A recent work by [D. Autor and his co-authors](#) at MIT demonstrates that the exposure to Chinese imports has led to polarizing votes towards candidates at the extremes of the political spectrum. This reveals the strong sensitivity of voters to the hallmarks of globalization.

Yet while the malaise is real, protectionist measures cannot

fundamentally heal it because they will diminish the economic wealth of less well-off groups whose consumption basket contains relatively more imported products, whereas few jobs will be created. Let's look once again at the case of the automobile sector, where the American consumer will see car prices go up: the purchasing power of consumers as a whole will go to the benefit of a small minority of workers in the automobile sector. The reduction in corporate taxation will reduce fiscal revenues and the resources for financing the public goods that benefit less well-off strata the most. And it is not at all certain that this reduction in taxation will have a positive impact on business if at the same time the latter also incurs additional customs duties.

In conclusion, industrial employment will not be revived by protectionist measures. Nor will it lessen the economic malaise of the middle class. With an economic and foreign policy that accentuates the present imbalances – isolationism, protectionism, the revival of full employment – Donald Trump is voluntarily taking his mandate into unstable, unknown territory. The cynical pragmatism of the world's economic players will not be stamped out by Trump's rhetoric, which will instead undoubtedly generate another type of cynicism, one marked by the horizons of an unexpected, personal mandate, with every man for himself.

[\[1\]](#) Manufacturing is a major subset of industry that excludes the energy business. It is common to associate industry with the manufacturing sector.

[\[2\]](#) Branko Milanovic, *Global Inequality*, 2016, HUP.

Unemployment: beyond the (good) figures from France's job centre

Analysis and Forecasting Department (France team)

The 60,000 person decline in March for the number of people registered in Category A at France's Pôle emploi job centre is exceptional. One has to go back to September 2000 to find a fall of this magnitude. There is some natural volatility in the monthly statistics for job seekers, but the fact remains that the trajectory has changed noticeably. In the last year, the number registered in Category A at the job centre rose by 17,000. A year earlier, from March 2014 to March 2015, the increase was 164,000. Better yet, over the last six months the number registered fell by 19,000.

Nevertheless, the number of Category A job seekers is a relatively poor reflection of the multiple dynamics at work in the labour market. If, in addition to job seekers registered in Category A, we add those working reduced hours (categories B and C), the March upturn remains visible, but smaller. The number registered in categories A-B-C falls slightly in March (8700 people) but also over 3 months (down 23,900).

Once again, however, beyond the good results in March, given the continuing deterioration of the labour market and the emergence of more precarious situations with regard to employment over the last eight years, there will be no lasting improvement in households' job situation until these "good figures" have accumulated over a medium-term horizon.

More relevant statistical sources ...

These monthly figures provide only a partial representation of unemployment. They omit in particular people seeking

employment who are not registered at the job agency. As for those registered in Category A, people are also counted who are not performing a real job search because they are close to retirement (see [The elimination of the job search exemption: When governments voluntarily increase the jobless count! – in French](#)). In addition, the figures released by the job centre can be distorted by changes in administrative practices and by occasional technical problems that affect the management of the job centre's files.

The quarterly figures provided by the INSEE are a more reliable source for the analysis of unemployment. According to the employment survey, a person is considered “unemployed within the meaning of the [International Labour Office \(ILO\)](#)” if he or she meets the following three conditions:

- being unemployed, that is to say, not having worked at least one hour during the reference week of the survey;
- being available to take a job within 15 days;
- having actively sought work in the month preceding the survey or having found a job that begins within three months.

Based on these criteria, the unemployment rate in metropolitan France in the fourth quarter of 2015 stood at 10% of the active population (+871,000 people since Q4 2007).

...that help to better measure the precarity of the labour market

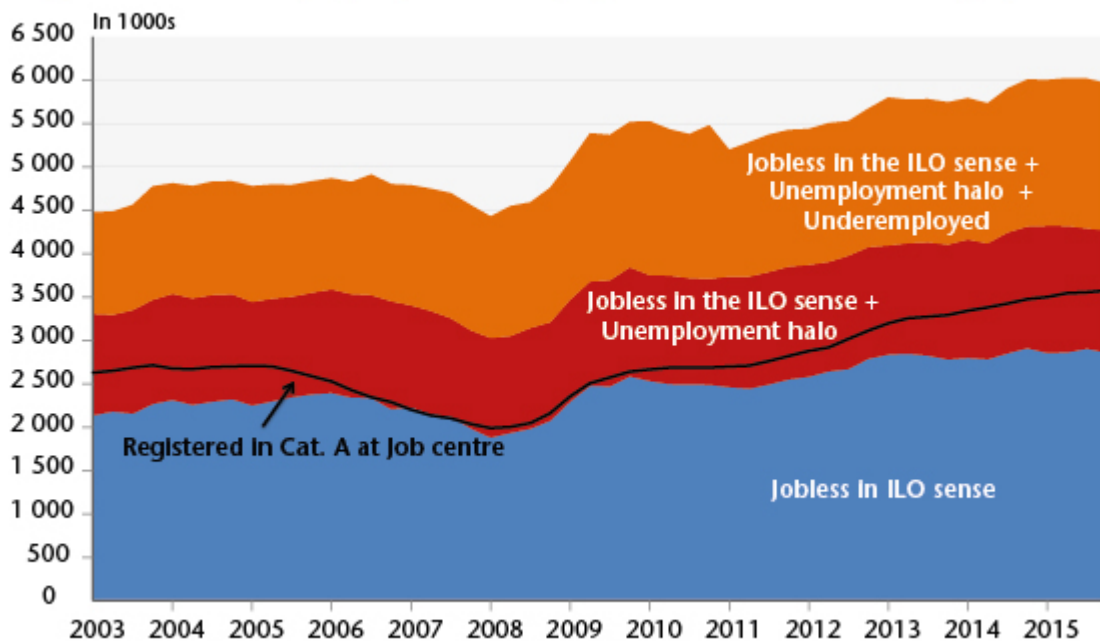
But this definition is still restrictive. It still fails to take into account situations at the margins of unemployment. Thus people who want to work but are considered inactive in the ILO sense, either because they are not readily available for work (within two weeks) or because they are not actively seeking a job, form what is called the unemployment “halo”. In the fourth quarter, this halo included 1.41 million people (+25% over the fourth quarter of 2007, i.e. an additional

279,000 people).

Similarly, the strict ILO definition does not include people who are working part-time but want to work more, or people who are in a situation of partial unemployment. In the fourth quarter of 2015, these situations of “underemployment” involved 1.7 million people (up 18% compared to the fourth quarter of 2007, i.e. by 254,000).

In total, by incorporating underemployment and the “halo” into the strict definition of ILO-measured unemployment, 5.9 million people are in a weakened position with regard to employment, 31% more than eight years ago, i.e. 18.8% of the workforce broadly speaking (Figure 1) [\[1\]](#).

Figure 1. The unemployed, the unemployment halo and underemployment



Source : INSEE, DARES, Pole emploi.

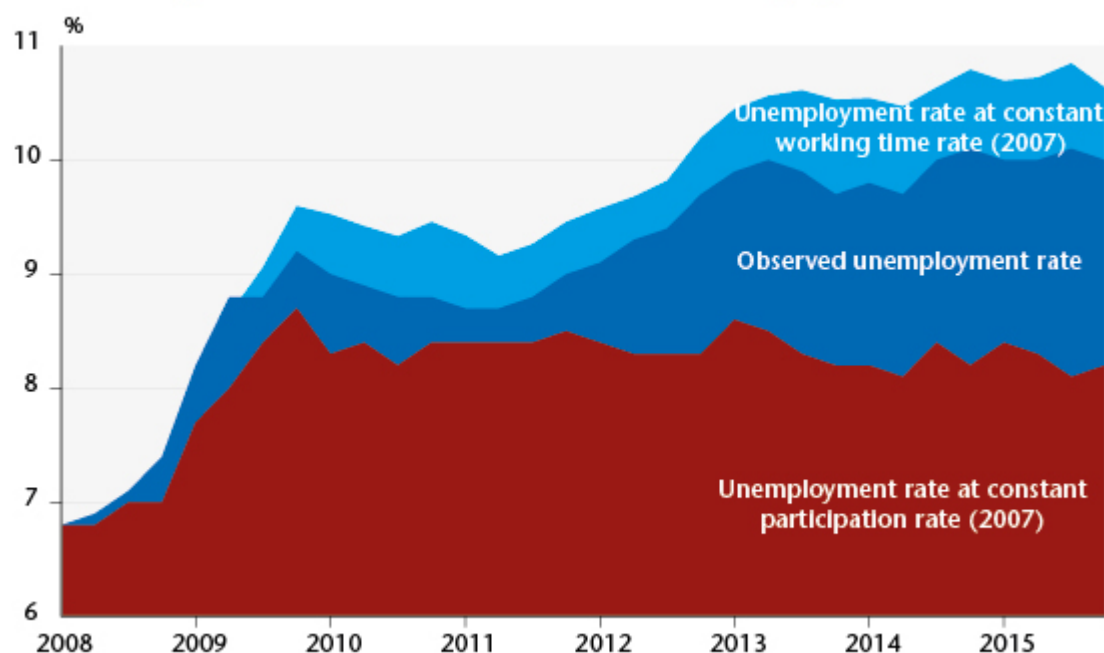
Multiform unemployment, with a transforming labour market

The analysis of the unemployment rate does not therefore include all the dynamics at play in the labour market. The increase in the number of people experiencing underemployment is partly explained by adjustments in the effective working time, via the policy on partial unemployment, the reduction of overtime and the use of working-time accounts, but also

through the expansion of part-time work, including on an involuntary basis. While these adjustments increased underemployment, they also helped slow the rise in unemployment (in the strict sense) that started in mid-2008. Without these adjustments, in other words, if the hours worked had remained stable between 2007 and 2015, the ILO-based unemployment rate in France would have been 0.6 points higher in the fourth quarter of 2015 (Figure 2).

Along with these adjustments in working time, since the beginning of the crisis France has also experienced greater growth in the labour force (employed + unemployed) than in its overall population. This is attributable partly to the implementation of pension reforms that delay seniors' exit from the workforce. Mechanically, without the creation of new jobs, this growth in the labour force has had the effect of pushing up the unemployment rate. In the case of France, the impact has been massive. Indeed, if the participation rate had remained at its 2007 level, the unemployment rate in France would be, all else being equal, 8.2%, i.e. 1.6 points lower than the unemployment rate observed in the fourth quarter of 2015.

Figure 2. Observed and "theoretical" unemployment rate



Source : INSEE.

It must nevertheless be noted that while these adjustments are important, the developments on which they are based are not fully due to the crisis. Indeed, there has been a tendency for working time to decrease since 1990. Between 1990 and 2002, the effective working time decreased on average by 0.9% per year. While this decline has certainly been less rapid since 2003, it is continuing (-0.2% per year). At the same time, the participation rate has been rising continuously, due to the combined effects of the increase in women's participation in the labour market and the successive reforms of the pension system. The participation rate in France, which stood at 67.1% in 1990, reached 69.7% in 2007, and in the fourth quarter of 2015 had risen to 71.5%.

Matteo Renzi's Jobs Act: A very guarded optimism

By Céline Antonin

At a time when the subject of labour market reform has aroused passionate debate in France, Italy is drawing some initial lessons from the reform it introduced a year ago. It should be noted that the labour market reform, dubbed the Jobs Act, had been one of Matteo Renzi's campaign promises. The Italian labour market has indeed been suffering from chronic weaknesses, including segmentation, a duality between employees with and without social protection, high youth unemployment, and a mismatch between costs and labour productivity. Renzi's reform takes a social-liberal approach, advocating flexicurity, with the introduction of a new

permanent employment contract with graduated protection, lower social charges on companies, and better compensation and support for the unemployed. Although the initial assessment is surely positive in terms of both unemployment and job creation, there's no cause for hasty triumphalism: the reform has been implemented in especially favourable circumstances, marked by a return of growth, an accommodative policy mix, and a stagnating work force.

Jobs Act Italian-style: The key points

The Jobs Act is actually the latest in a series of measures adopted since the Fornero Act of 2012 that are aimed at a more flexible labour market. Act I of the Jobs Act, the Poletti Decree (DL 34/2014), was adopted on 12 May 2014, but went relatively unnoticed because it targeted fixed-term contracts and apprenticeships. It allowed in particular extending the duration of fixed-term contracts from 12 to 36 months, suppressing gap periods, and allowing for more fixed-term contracts to be renewed, all while limiting the proportion of fixed-term contracts within a single company[\[1\]](#).

The real change came with Act II of the Jobs Act, for which the Italian Senate passed enabling legislation on 10 December 2014. The eight implementing decrees adopted in the first half 2015 have four key points:

- The elimination of Article 18 of the Labour Code, which allowed reinstatement in cases of manifestly unfair dismissal: the reinstatement requirement was replaced by a requirement for indemnification that is capped[\[2\]](#), with reinstatement still being required in case of a dismissal involving discrimination;
- The creation of a new form of permanent (open-ended) contract and graduated protection, lying between permanent contracts and fixed-term contracts: dismissal was facilitated during the first three years on the job, with severance pay

that increases with employee seniority;

- The suppression of the abuse of what are called “collaboration contracts”, [\[3\]](#) precarious contracts that are often used to disguise an actual employment relationship, affecting about 200,000 people. These contracts will be transformed into wage labour contracts from 1 January 2016 (1 January 2017 for public administrations), except for a few limited cases;

- The reform of unemployment insurance, with an extension of compensation schemes. The benefit period, for instance, is extended to two years (from 12 months previously). As for compensation for short-time working (“technical unemployment”), this is extended to cover apprentices and companies with 5-15 employees [\[4\]](#). A National Employment Agency (ANPAL), which introduces a one-stop system that helps to link training and employment, was also established.

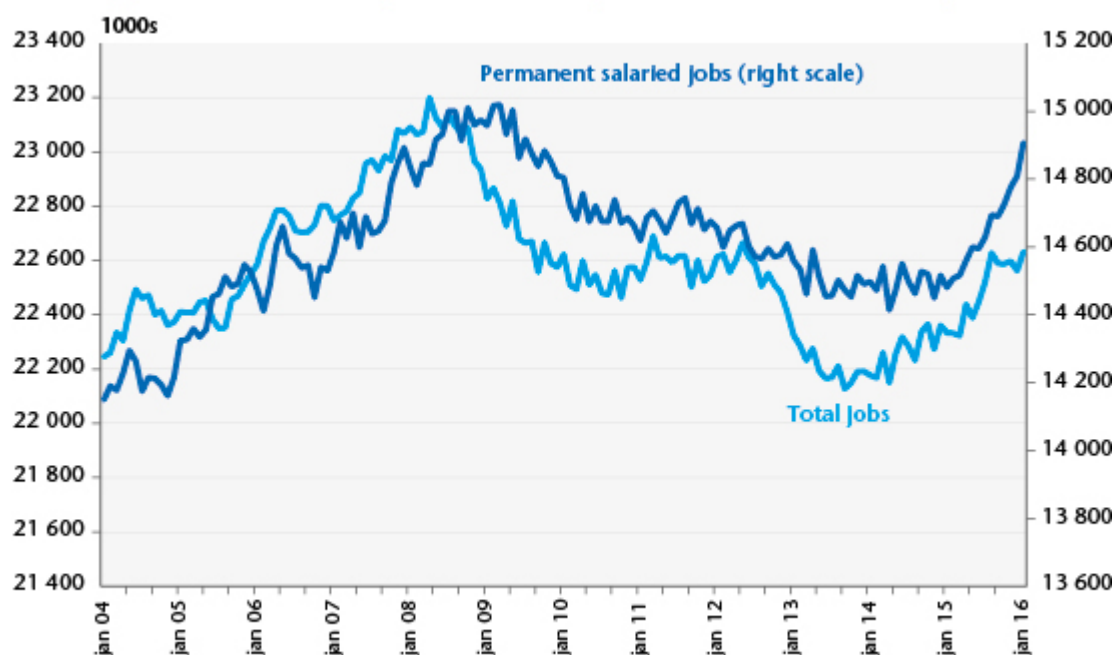
Note that only measures related to experimentation with a national minimum wage [\[5\]](#), which are contained in the enabling law in December 2014, were not addressed.

Alongside the Jobs Act, Italy opted to lower taxes on labour: in 2015, the wage part of the IRAP (equivalent to a business tax) for those employed on permanent contracts was eliminated, reducing the amount of the IRAP by about one-third. Above all, Italy’s 2015 Budget Act eliminates social security contributions for 3 years on the new open-ended contracts with graduated protection, up to a limit of 8,060 euros per year for new hires taken on between January 1 and December 31, 2015 who did not have permanent job contracts in the six months preceding their hiring. This measure is expected to cost 3.5 billion euros between now and 2018. It was extended in 2016: companies that hire employees on the new permanent contracts in 2016 will be exempt from 40% of social security contributions for 2 years.

Strong jobs growth and a lower unemployment rate

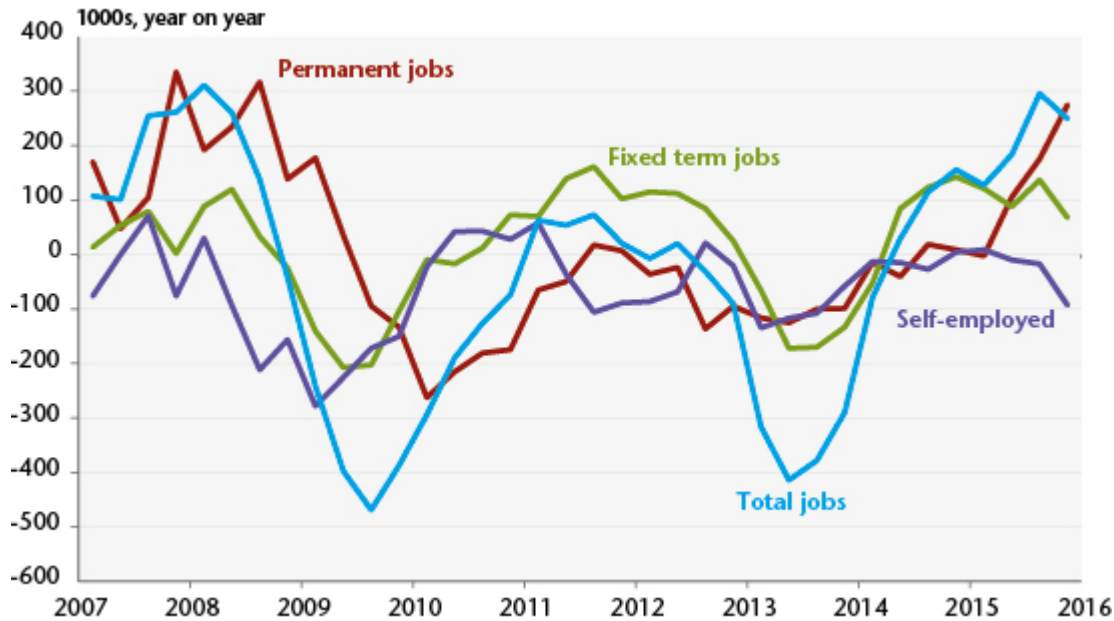
There has been strong growth in employment, in particular permanent jobs, since the start of 2015: between January 2015 and January 2016, the number of employed increased by 229,000, with strong growth in the number of salaried employees (+377,000) and a decline in the number of self-employed (-148,000). Among employees, there was a sharp increase in the number of permanent positions (+328,000). The number of permanent employees has now returned to the 2009 level of 22.6 million (Figure 1); as for total employment, even if it has not yet reached its pre-crisis level, the decline in the 2012-2014 period has been overcome. At the same time, the annual rate of job creation has returned to its pre-crisis level, with growth of about 250,000 per year (Figure 2).

Figure 1. Number of jobs (total and permanent), 2004-January 2016



Sources : Istat, author's calculations.

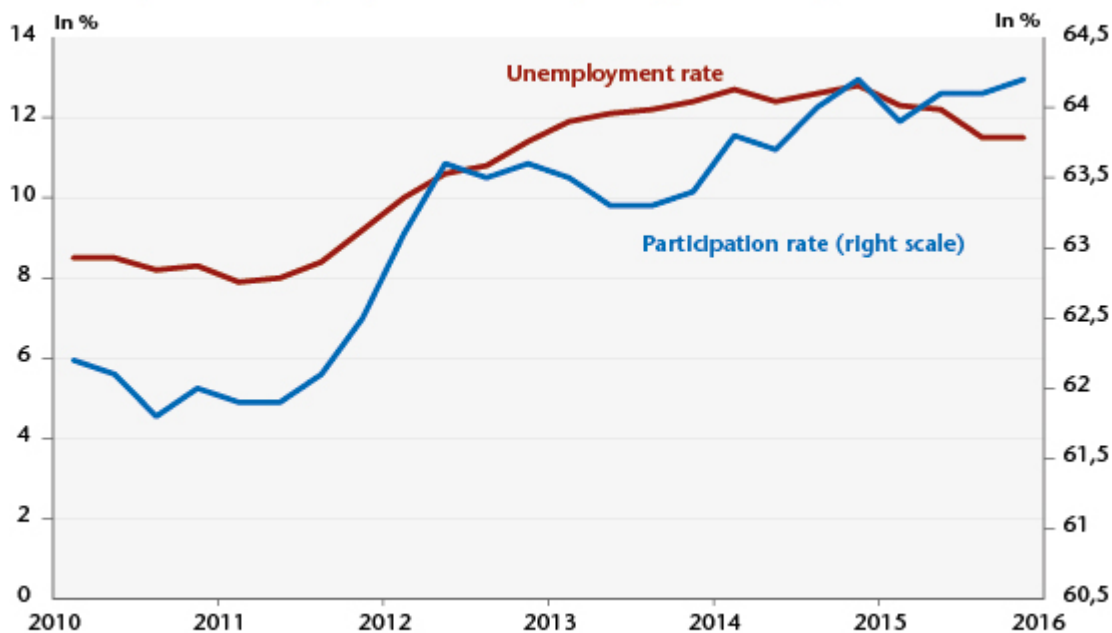
**Figure 2. Annual change in number of jobs by contract type,
Q1 2007 – Q4 2015**



In addition to new hires on permanent contracts, the Jobs Act has led to replacing precarious jobs with permanent jobs with increasing guarantees. Thus, 5.4 million new jobs were created in 2015 (+11% compared to 2014) [\[6\]](#), mainly permanent jobs. Of the 2.4 million permanent jobs created, there were 1.9 million new open-ended contracts and 500,000 fixed-term contracts that were converted into open-ended contracts (including 85,000 apprenticeship contracts), up sharply from 2014. There were also fewer collaboration contracts (a 45% decrease from Q3 2014 to Q3 2015) and apprenticeship contracts (-24.6%). Note also the 4.3% increase in the number of resignations and the 6.9% decrease in layoffs.

The corollary to this jobs growth is a marked fall in the unemployment rate (Figure 3), which fell to 11.4% in the last quarter of 2015 (from 12.8% one year earlier). However, the decline in unemployment was also due to stagnation in the labour force in 2015, unlike previous years that were marked by the pension reform.

Figure 3. Unemployment rate and participation rates, 2010-2015



Sources : Istat, author's calculations.

Uncertainties remain

Matteo Renzi seems to have won his bet. Yet this fall in unemployment should not be over-interpreted, as a number of positive factors have undoubtedly contributed to strengthening this trend.

First, there was a windfall effect related to the announcement of the exemptions on social contributions for hiring new permanent employees, which led some companies to put off new hiring planned for 2014 until 2015 (which led to a rise in unemployment in late 2014). Moreover, part of the fall in unemployment is related to the impact of replacing precarious short-term contracts with the new permanent contracts with graduated protection (see above). The question is whether the new flexibilities allowed by these new contracts will be used over the next three years, and consequently whether there will be an increase in contract terminations.

In addition, the stagnation of the work force (Figure 3) has significantly amplified the downward trend in unemployment. With the improvement observed in the labour market, we expect in the future that the growth in the workforce that began in

the last quarter of 2015 will continue due to what is called in French an “effet de flexion”, or “bending effect”, [\[7\]](#) which would absorb some of the impact of the job creation in 2016 and 2017.

Furthermore, the Jobs Act was adopted when the economy was emerging from a recession, with a recovery that, while soft (+0.6% growth in 2015), still exceeded the growth potential [\[8\]](#). The easing of fiscal constraints had a stimulus effect in 2015, which may partially explain the fall in unemployment. As for monetary conditions, they are particularly favourable, as Italy is one of the main beneficiaries of the quantitative easing measures taken by the ECB.

Notwithstanding these qualifications, it is undeniable that the cut in the social contributions level has had a positive impact. The February 2016 report of the National Social Security Institute (INPS) showed that, of the 2.4 million new permanent jobs created in 2015, 1.4 million benefited from exemptions on employer contributions, or almost two-thirds of these new jobs. Moreover, the reduction of precarious job contracts and their replacement by permanent contracts, even if they offer less protection than before, is a rather encouraging sign for access to long-term employment by groups that have traditionally been more marginal (self-employed, collaboration contracts).

Perhaps the main regret about this reform is the absence of a component aimed explicitly at vocational training, which is one of the main weaknesses of Italy's labour market. The country holds a dismal EU record for the number of young people (15-24) who are neither in employment nor in school or training. Moreover, the workforce has insufficient training, and investment in research and development is low, which results in low productivity. It is legitimate to want to take action on labour costs and the duality of the labour market, but this will not be enough to solve the problem of productivity and the inadequacy of the workforce. Matteo Renzi

would therefore do well to foresee an Act III in his labour reforms to finally pull the country out of its stagnation.

[1] See [C. Antonin, Réforme du marché du travail en Italie : Matteo Renzi au pied du mur](#), [Labour market reform in Italy: Matteo Renzi with his back to the wall], *Note de l'OFCE* no. 48.

[2] The monetary payment is determined by a scale based on the employee's seniority. It is equivalent to two months of the final salary per year of service, for a total that cannot be less than 4 months of salary and is capped at 24 months.

[3] "Intermediate status between salaried employment and self-employment, for workers not subject to a hierarchical subordination but 'coordinated' with the company and creator of certain social rights. These are self-employed workers who are, in fact, dependent on a single client company (which exercises limited management powers, for example in terms of the organization of work and the working time)." [E. Prouet, Contrat de travail, les réformes italiennes](#) [The job contract, the Italian reforms], France Stratégie, *La Note d'Analyse*, no. 30, May 2015.

[4] Other measures concerning short-time work ("chomage technique") are also planned, including that an employee on short-time work may not have their hours cut by more than 80% of their total work hours. Furthermore, the period during which a company may resort to this procedure is a maximum of 24 months over five rolling years.

[5] There is no national minimum wage in Italy, with minimum wages instead set at the industry level, as was the case in Germany before 2015.

[6] This figure of 5.4 million represents gross job creation, including all forms of employment (including very short-term

contracts), and without taking into account job destruction. In terms of net job creation between January 2015 and January 2016, we accept the figure of 229,000.

[\[7\]](#) When unemployment rises, working-age people are discouraged from reporting for the labour market. Conversely, when employment picks up again, some people are encouraged to return to the labour market, slowing the decline in unemployment; this phenomenon is called the “effet de flexion” in French, or the bending effect.

[8] Labour productivity tends to grow relatively slowly in Italy; consequently, an increase in production tends to create more jobs in Italy than in France for example, where labour productivity is higher.

The labour market on the road to recovery

By [Bruno Ducoudré](#)

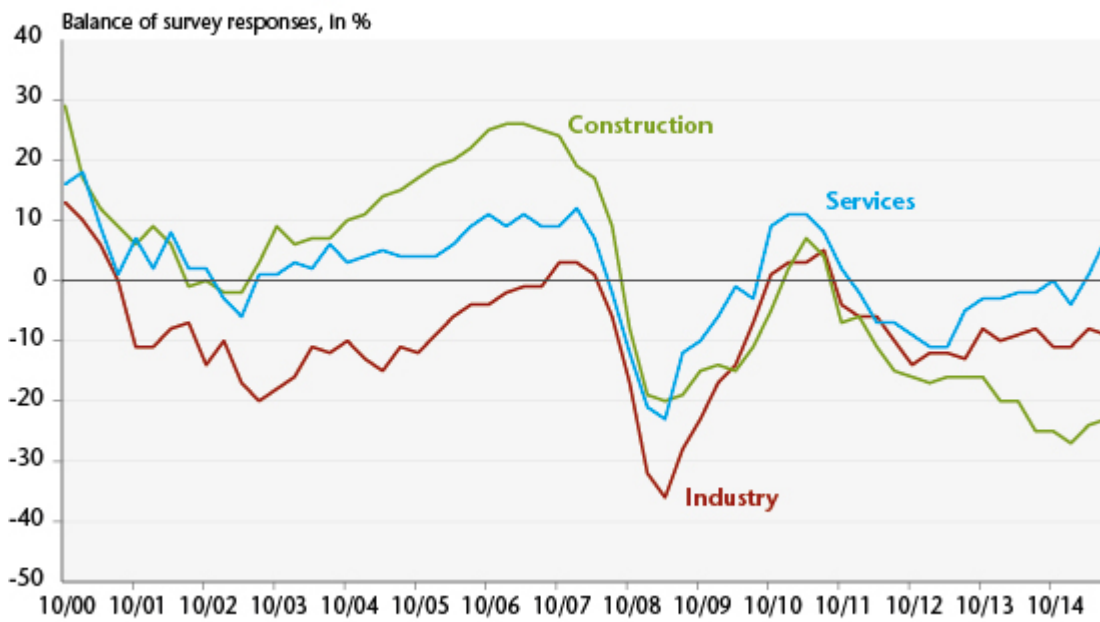
A look at the figures just published by France's Pôle Emploi job centre for the month of September 2015 shows that the number of job seekers who were registered and inactive (category A) has declined significantly (-23,800), following an increase in August (+20,000). While this is encouraging news, the decrease has to be compared with the increases seen in categories B and C (+25,600). So while employment has indeed picked up, this has not resulted in the numbers of people exiting unemployment as measured by the job centre, *i.e.* it has not put a stop to the continuing rise in the

number of long-term unemployed (+10.4% in one year). Nevertheless, these trends do support the conclusions drawn from current analysis which indicate that [a recovery has indeed begun](#).

After seeing 76,000 jobs created in France in 2014 due to growth in non-commercial jobs, the first half of 2015 was marked by an increase in the workforce in the commercial sector (+26,000), which resulted in an acceleration of job creation in the economy overall (+45,000) over the first half of the year. The recently released statistics on employment confirm the accelerating trend in the third quarter of 2015: hence, over a year, declarations on job hires of over one month recorded by ACOSS rose by 3.7%, following 0.7% in the previous quarter. Business surveys also point to an increase in hiring intentions in the third quarter; these have turned positive in the service sector since the year started, which is also when the low point seen in construction was probably reached (see Figure 1).

Our analysis of the labour market up to 2017, which was spelled out in the latest OFCE forecasts of October 2015, indicates that the commercial sector will continue to generate jobs up to the end of 2015 (+0.1% in the third and fourth quarters). The pace of job creation will nevertheless remain too low to foresee a fall in the unemployment rate by year end, particularly in light of our forecast for the GDP growth rate (0.3% in Q3 2015 and 0.4% in Q4) and the existence of overstaffing in companies, which we estimate at 100,000 in Q2 2015. The unemployment rate should remain stable at 10% until year end. With GDP growth of 1.8% in 2016, job creation will pick up markedly in the commercial sector once the overstaffing has been absorbed by companies, allowing the unemployment rate to fall starting in the second quarter of 2016. This decline will continue until the end of 2017.

Figure 1. Forecast of labour force trends



Sources: INSEE, business surveys.

The last three years of weak growth have hurt employment in the commercial sector (-73,000 jobs between the start of 2012 and the end of 2014, cf. the Table). The strength of employment in the non-commercial sector, supported by the ramp-up of subsidized contracts (the “jobs for the future” programme and non-commercial job integration contracts) helped to offset the loss of commercial sector jobs, with total employment rising by 164,000 over the same period, which slowed the increase in the ILO unemployment rate: this figure for mainland France rose from 9% of the labour force in late 2011 to 10.1% at end 2014, i.e. a 1.1 point increase.

Tableau. Employment and unemployment

Annual change in 1000s, at last quarter

Year on year	2012	2013	2014	2015*	2016*	2017*
Observed labour force	265	46	203	62	134	139
Total employment	31	57	76	103	193	242
– Commercial sector	0	-38	-35	73	238	245
Employed	-63	-58	-43	60	209	216
Unemployed	63	20	8	14	28	29
– Non commercial sector	31	95	111	29	-45	-3
Subsidized jobs	5	60	21	17	-54	-4
Non-subsidized jobs	26	35	90	12	10	1
Unemployment	234	-11	127	-41	-58	-103
Unemployment rate at Q4 (%)	9,7	9,7	10,1	10,0	9,8	9,4
GDP growth rate (%)	0,3	0,8	0,2	1,1	1,8	2,0

* OFCE forecast

Sources : INSEE and Ministry of Labour, OFCE forecasts, e-mod.fr 2015-2017, October 2015.

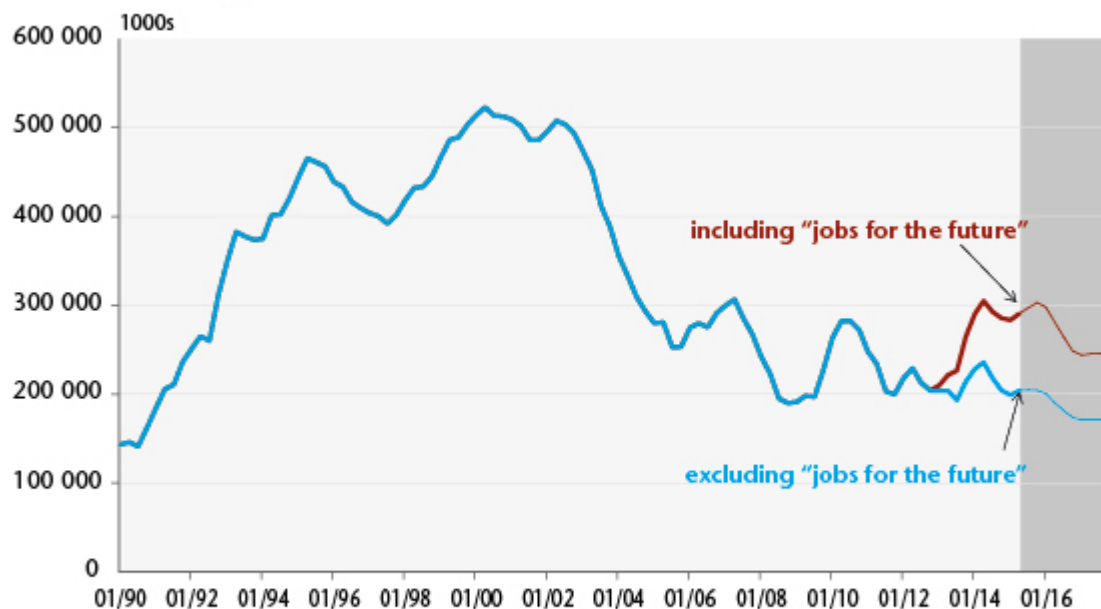
2015 is a year of transition, with a resumption of job creation in the commercial sector (+73,000 expected for the year as a whole) but less dynamic job creation in the non-commercial sector. For the full year, job creation will be boosted by the acceleration of growth (an annual average of +1.1% expected in 2015 but 1.4% yoy) and the implementation of policies to cut labour costs (CICE tax credit and the Responsibility Pact). The cumulative impact of the CICE and the Responsibility Pact, after taking into account the effect of financing, will create or save 42,000 jobs in 2015. However, job creation will be hampered by the presence of overstaffing^[1]: as economic activity picks up pace, companies typically absorb underutilized labour before increasing the volume of employment.

As for the non-commercial sector, employment policy is continuing to support the labour market in 2015 through the increase in subsidized job contracts. This increase has nevertheless been slower than in previous years, with the number of “jobs for the future” contracts peaking in 2015 (Figure 2). Ultimately, total employment will increase by 103,000 in 2015, with the unemployment rate remaining stable at 10% till year end.

For 2016 and 2017, the acceleration of growth (at respectively

1.8% and 2%) combined with the ongoing implementation of policies to cut labour costs and the closing of the productivity cycle in the course of 2016 will lead to accelerating job creation in the commercial sector. This will increase, year on year, to 238,000 in 2016 and 245,000 in 2017 for the commercial sector alone, a rate comparable to what was seen between mid-2010 and mid-2011 (234,000 jobs created). However, in 2016, the number of subsidized contracts in the non-commercial sector set out in the 2016 Finance Bill will be down from previous years (200,000 CUI-CAE jobs and 25,000 “jobs for the future” in 2016, compared with 270,000 and 65,000 respectively for 2015). For 2017, we are assuming stability in the stock of subsidized non-commercial job contracts (see Figure 2). Overall, the long-term return of job creation by business will trigger a decline in the unemployment rate starting in the second quarter of 2016. Although sluggish, this fall should be sustainable, with the unemployment rate down to 9.8% of the labour force at end 2016 and 9.4% by end 2017.

Figure 2. Subsidized contracts in the non-commercial sector



Note : The fall in CUI-CAE contracts seen in the second half of 2014 comes from the switch from CAE job integration contracts to CDD fixed-term contracts.

Scope: Mainland France.

Sources : DARES, OFCE forecasts *emod.fr* 2015-2017, October 2015.

[1] The presence of overstaffing in businesses derives from the gap between labour productivity and its long-term trend, called the productivity cycle. This reflects the time employment takes to adjust to economic activity. See Ducoudré and Plane, 2015, « [Les demandes de facteurs de production en France](#) » [The demand for production factors in France], *Revue de l'OFCE*, no.142.

Part-time work

By [Françoise Milewski](#)

Part-time work as a share of total employment has increased significantly. This increase was limited in the 1970s and then accelerated in the 1980s and especially in the 1990s. During the 2000s and early 2010s, changes in the long-term trend were less pronounced. Overall, the share of part-time work more than doubled in the last forty years and now accounts for nearly one-fifth of employment.

This development is the result of a number of social and economic trends. It reflects both changes in the labour market – growth in the tertiary sector to the detriment of industry and the proliferation of categories of employment – and inequalities between women and men. It is also the fruit of public policy.

Part-time jobs are occupied mostly by women. They are also predominantly held by employees aged 25 to 49, although a

trend towards part-time work has emerged among seniors. Part-time jobs are usually low-skilled. Although these jobs often involve working 15 to 29 hours a week, working times can vary greatly, with a trend towards a greater portion of shorter work weeks. Part-time employees generally are not on fixed-term contracts, so it is a stable form of employment. Whether monthly or hourly, wages are low, and part-time employees are overrepresented among minimum wage and low-wage workers. Work schedules that are atypical and which can involve multiple shifts, with fluctuating unpredictable schedules, generally mean poorer working conditions.

Part-time work is heterogeneous in terms of both the reasons given by employees who may request it as well as the ways businesses are organized in different economic sectors. There are thus multiple logics involved in part-time work (which in French leads to use of the term “des temps partiels” to account for this multiplicity).

The development of the service sector has spurred the increase in part-time work. Part-time jobs in sectors such as retailing and distribution, hotels and catering, cleaning, personal services and some public services are predominantly occupied by women. This reflects the type of training women have acquired, stereotypes about the natural aptitude they supposedly have to care for others, and their overrepresentation in low or unskilled work. The tradeoffs women make between work and family tasks reinforce these trends, either because full-time work seems incompatible, or because after parental leave they prolong the reduction in work that they have experienced. After an extended leave, it can sometimes be very difficult to reintegrate the world of work.

Increasing labour flexibility in recent decades has reinforced these trends. The multiplication of forms of employment has affected women in particular, both because they work mainly in the sectors that have been at the origin of this trend and

because women are at a disadvantage in the labour market and more readily accept poorly paid jobs.

During certain periods public policy has favoured part-time employment while at others it has sought to limit its impact. At the junction between employment-related goals and family-related goals, policy has sometimes suffered from being inconsistent.

There are sometimes significant differences between countries within the European Union, as a result of specific historical developments, different social consensuses, and specific regulations on the labour market.

Analyzing the current situation and identifying the changes underway provides a glimpse of the potential changes to come and thus fuels debate about these developments and their implications for policy makers. Do part-time work and full-time work develop according to the same dynamics? Is there a trend within part-time work towards greater flexibility, or less? To what extent is women's autonomy being challenged by the development of part-time work as a stable form of employment? Is part-time work a form of underemployment or a way of getting into the labour market and full-time work? All of these are questions that influence the development of public policy^[1].

For further information, read the [*OFCE Note, no. 38 of 13 December 2013*](#).

^[1] This article summarizes a study by the Labor and Employment section of the Conseil économique, social et environnemental [Economic, Social and Environmental Council], "Part-time work ," Françoise Milewski , Les Editions des Journaux officiels, December 2013, forthcoming.

How can a basic income be defended?

By [Guillaume Allègre](#)

Following the submission of 125,000 signatures collected by organizations supporting the introduction of a basic income, Swiss citizens will vote in a referendum on a popular initiative on the inclusion of the principle of an unconditional basic income in the Swiss Federal Constitution.

An [OFCE Note \(no. 39 of 19 December 2013\)](#) analyses the grounds for supporting the institution of a basic income.

While a basic income can take many forms, its principle is that it is paid (1) on a universal basis, in an equal amount to all, without testing for means or needs, (2) on an individual basis and not to households, and (3) unconditionally, without requirement of any counterpart. A progressive version would add a fourth characteristic: it must be (4) in an amount sufficient to cover basic needs and enable participation in social life.

While this looks attractive, it is not easy to find grounds in terms of distributive justice that are consistent with these four characteristics of a guaranteed basic income. So long as there exist economies of scale and a political trade-off between conditionality and the level of minimum income, then in a Rawlsian perspective a system of guaranteed minimum income like the French RMI / RSA programme (family-based with weak conditionality) seems preferable to a pure basic income.

In addition, the generalized reduction of working time seems more sustainable than a guaranteed basic income for achieving the ecological and emancipatory goals that are often attributed to a guaranteed basic income.

It seems that the main advantage of a guaranteed basic income is that its universality means that it does not cause any undue use or non-use and so does not stigmatize the net beneficiaries of the system. From this perspective, minimum income support could be turned into a universal benefit, which would be less stigmatizing. This allocation needs to take into account family composition and set conditions on social participation. It would involve checks on black market work and include incentives to work. It would be supplemented by specific policies to provide support for children, the elderly and disabled people, *i.e.* people who do not respond to incentives, and it would complement the insurance system (unemployment, retirement, illness). The social protection system would thus not really be simplified but transformed in such a way as to avoid stigmatization and the lack of take-up.

While a guaranteed basic income is not a stupid idea, nor is it the miracle reform pictured by its advocates, *i.e.* a veritable Swiss Army knife for reforming social welfare, a social and environmental emancipator.

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Has the 35-hour work week

really “weighed down” the French economy?

By [Eric Heyer](#)

Did the Aubry laws introducing the 35-hour work week in France between 1998 and 2002 really make French business less competitive and lead to job losses, as is suggested in the [latest report from the OECD](#)? Has France seen its economic performance decline post-reform relative to its European partners? Have the public finances been “weighed down” by these laws?

A review of our recent macroeconomic history, coupled with international comparisons, provides some answers to these questions.

Record macroeconomic performances in the private sector between 1998 and 2002...

Leaving aside an analysis of the recent Great Recession, over the past 30 years private sector activity in France grew by an annual average of 2.1%. Since the establishment of the 35-hour work week, far from collapsing, economic growth in this sector instead accelerated sharply, from 1.8% before 1997 to 2.6% afterwards, and even hit a peak during the period in which the 35-hour week was being established (an annual average of 2.9%, Table 1). Furthermore, it is noteworthy that of the five best years recorded by the French market sector over the past 30 years, three were in the period 1998-2002 based on the criterion of GDP growth, and four if the criterion used is job creation.

The global economic environment accounts for some of this good performance, but only in part: foreign demand for French output was certainly more dynamic after 1997 than before, but this acceleration continued after 2002, and cannot therefore

explain the better performances recorded between 1998 and 2002 (Table 1).

Table 1. Macroeconomic impact of the 35-hour week in the market sector

Growth rate, in % (unless specified otherwise), annual average

		1980- 2007	1980- 1997	1998- 2007	1997- 2002	2003- 2007
A	Added value	2,1	1,8	2,6	2,9	2,2
B	Hourly productivity	1,8	1,8	1,8	2,1	1,5
C	Productivity per worker	1,1	1,1	1,2	0,8	1,6
A-C	Employment...	0,9	0,7	1,4	2,0	0,7
B-C	... linked to the duration of work	0,6	0,6	0,6	1,2	0,0
In thousands over the period analyzed						
	Jobs created...	5 374	2 335	3 040	2 247	793
D	Gross wages*	4,3	5,1	2,9	2,7	3,0
E	Consumer prices	3,7	4,7	2,0	2,1	2,1
D-E	Real gross wages*	0,6	0,4	0,8	0,6	1,0
D-E-C	Unit labour cost*	-0,6	-0,7	-0,4	-0,2	-0,6
Global demand for French output		5,7	5,0	6,9	6,2	7,6

* Per capita.

Source : INSEE.

... and better than the performance of our European partners

Since the establishment of the 35-hour work week, France's performance has been superior to that of the rest of the euro zone, especially in comparison with our two main partners, Germany and Italy. For instance, over the decade 1998-2007 France's average annual growth was 1 point higher than for Italy and 0.8 point than for Germany (Table 2).

During this period, French companies and households spent more than their German and Italian counterparts. Business investment, which rose at an annual average of 0.8%, was more dynamic in France than in Germany (0.3%) or Italy (0.5%). As for households, consumption grew by an annual average of 1.4% in France against, respectively, 0.4% in Germany and 0.9% in Italy. Furthermore, it should be noted that the continued

higher consumption in France does not reflect the behaviour of household savings. The savings rate was not only higher than elsewhere in Europe, but it has also risen since 1998. The solid performance of French consumption is the consequence of greater dynamism in job creation in France during this period, especially when compared to what was taking place in Germany (Table 2).

Table 2. Main macroeconomic indicators: a comparison with our principal partners

In %, annual average

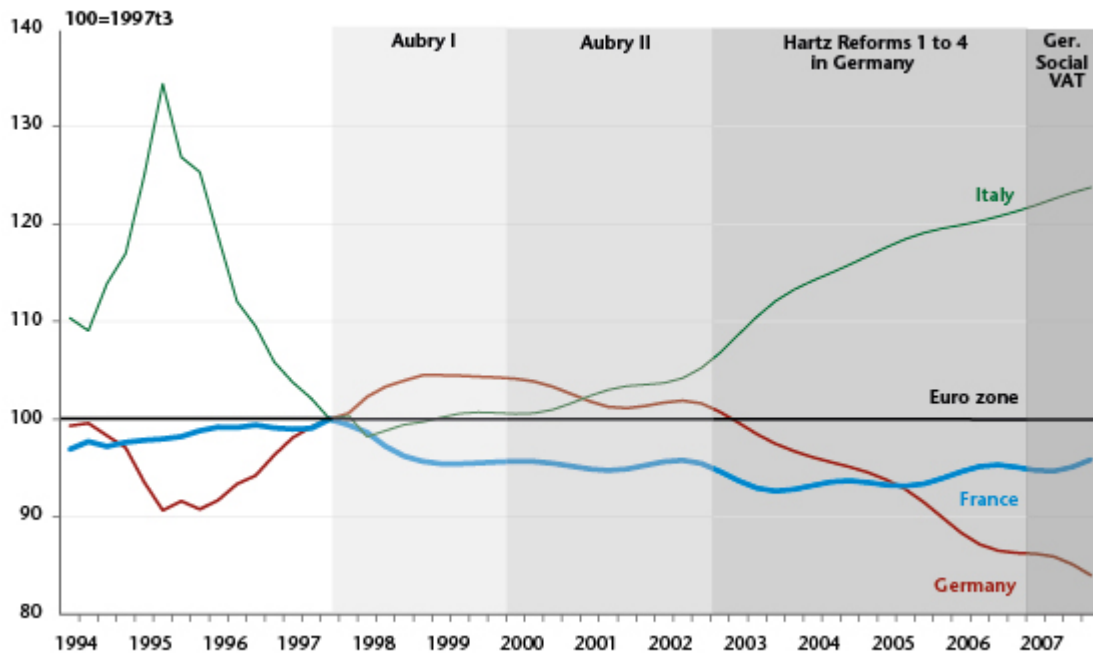
		1998-2007		
			1998-2002	2003-2007
GDP	Fra.	2,4	2,7	2,0
	All.	1,6	1,7	1,6
	Ita.	1,4	1,8	1,1
GDP per capita	Fra.	1,7	2,0	1,2
	All.	1,4	1,5	1,2
	Ita.	1,1	1,7	0,4
Total employment	Fra.	1,2	1,6	0,7
	All.	0,5	0,6	0,3
	Ita.	1,2	1,4	0,9
Current balance (in GDP points)	Fra.	1,1	2,1	-0,1
	All.	2,1	-0,4	5,0
	Ita.	-4,6	-2,6	-7,0
Public deficit (in GDP points)	Fra.	-2,7	-2,3	-3,2
	All.	-2,2	-1,9	-2,5
	Ita.	-2,8	-2,4	-3,3

Source : OECD.

Unit labour costs [\[1\]](#) under control

Considering the large countries, France has cut hourly unit labour costs in the manufacturing sector the most during the period 1997-2002 (Figure 1). With respect to labour costs for the economy as a whole, only Germany has done better than France over this period.

Figure 1. Change in hourly unit labour costs in manufacturing



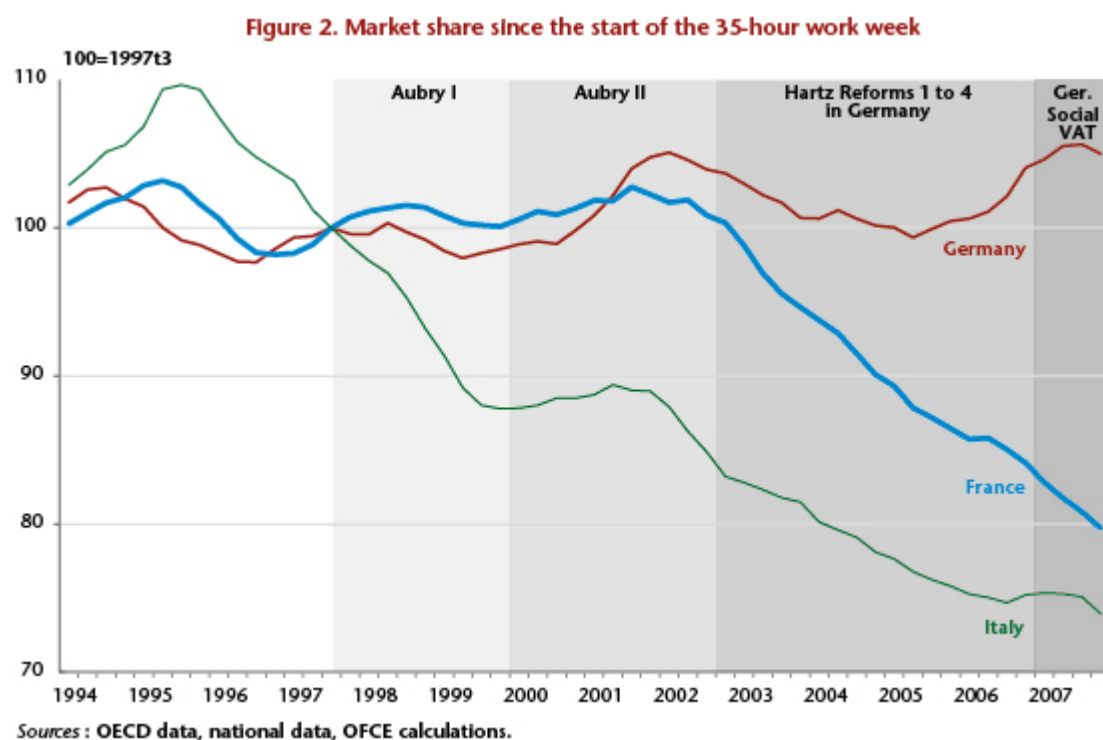
Source : European Commission.

The implementation of the Aubry laws has not therefore led to reducing the competitiveness of the French economy. The reasons why are now well known: the way the increase in hourly wages linked to the 35-hour week was offset by wage moderation; the more flexible organization of working time, which helped to boost the hourly productivity of labour (Table 1); the suppression of overtime pay; and finally State aid in the form of lower social contributions.

Between 1997 and 2002 , by better controlling wage costs than most European and Anglo-American countries, France improved its price competitiveness and thereby its market share of world trade (Figure 2). The share of French exports in world trade, which was helped by the weakness of the euro and by wage moderation, reached a peak in 2001.

Since 2002, France's market share has declined considerably, for two basic reasons: first, the loss of price competitiveness of French exports subsequent to the appreciation of the nominal effective exchange rate in France, comparable to that observed in the early 1990s, and second, Germany's commitment to a policy of drastically reducing

production costs. Since 2002, Germany has engaged in a process of improving its supply by restricting income and social transfers (Hartz reforms , social VAT), which led to lower unit labour costs in absolute terms but also relative to its other European partners, including France. It is this policy that accounts for the 30% loss in market share experienced by France in the period 2002-2007.



The loss in market share is thus not peculiar to France. The policy being implemented in Germany has enabled it to gain market share in countries that are geographically and structurally close to it, *i.e.* the large European countries. In this respect, France is not the only country to have suffered from this strategy, as Italy too has lost market share during this period^[2].

In total, since the introduction of the 35-hour week, Italy has lost even more market share than the French economy (-27% for Italy against -20% for France).

A limited cost for the public purse

Since the implementation of the Aubry laws, the relief on

charges on low wages has cost general government an annual average of nearly 22 billion euros. But this amount is not attributable solely to the Aubry laws, since even before that such measures had been established by the Balladur and Juppé governments in the early and mid 1990s. The additional relief generated by the Aubry laws, which was made more long term by the "Fillon" measures, comes to nearly 12.5 billion euros per year. But this amount does not represent the cost actually incurred by general government. Indeed, as the Aubry laws have created jobs (350,000 over the period 1997-2002 according to official figures — by the DARES and used by the INSEE), the cost for the public purse has been smaller: this job creation generates four billion euros in additional payroll taxes; this has reduced the number of unemployed, and thus unemployment benefits by 1.8 billion euros; and finally this has boosted household income, and the consequent consumption is generating additional tax revenues (VAT, income tax, etc.) in the amount of 3.7 billion euros. In sum, once the macroeconomic feedback is taken into account, the additional cost of these reductions comes to 3 billion euros annually, or 0.15 percentage point of GDP.

A review of our macroeconomic history does not therefore corroborate the thesis that the 35-hour week has "weighed down" the French economy: business growth and job creation were higher during the period from 1997 to 2007 than in the rest of the euro zone, and the competitiveness of the French economy, as measured by unit labour costs, fell by less than in the rest of the euro zone, with the exception of Germany. In this regard, it appears that the strategy conducted in Germany from 2002 (Hartz reform and social VAT) better explains the losses in market share by both the French economy and our other European partners. It is rather in the public sector, including hospitals, that the 35-hour work week has proven ineffective.

The different measures relaxing the 35-hour week

I –The Fillon law of 2003

The Law of 17 January 2003 has two main provisions:

(1) Regulation of overtime

By increasing the overtime quota from 130 to 180 hours, this law permits companies to use overtime structurally. Allowing for an additional 4 hours per week throughout the year enables companies to stay on a 39-hour week if they so wish. Specific industries also have the right to negotiate a higher amount. The Decree of 9 December 2004 brought the regulatory overtime quota to 220 hours per year.

The Law also reduces the cost of overtime. For companies with 20 employees or fewer, overtime begins only with the 37th hour, and the rate of extra pay is only 10%. For other firms, this may be negotiated between 10% and 25% by an industry agreement.

(2) Measure easing social contributions

The provisions for the reduction of employer social contributions introduced by the Aubry laws were henceforth disconnected from the length of the work week. All companies, whether or not they had shifted to the 35-hour week, now benefited. Structural aid beyond 1.6 times the minimum wage (SMIC) was eliminated.

II – The tax exemption of overtime hours in 2007

This measure had several provisions:

(1) Lump-sum reduction in payroll taxes

This measure introduced a lump-sum reduction in payroll taxes of 1.5 euros per hour of overtime worked by companies with

fewer than 20 employees and 0.50 euros in enterprises with more than 20 employees.

(2) Alignment of extra pay for overtime

This measure provided that extra pay for overtime be aligned at the minimum rate of 25% for all companies.

(3) Exemption from income tax

This measure allowed employees to exempt their pay for overtime hours from income tax, up to a limit of 25% extra.

(4) Exemption from social contributions

This measure also included a reduction of payroll taxes equal to the amount of the CSG / CRDS tax as well as all legal and contractual contributions.

For more information:

Philippe Askenazy, Catherine Bloch-London and Muriel Roger, 2004, "La réduction du temps de travail 1997-2003: dynamique de construction des lois 'Aubry' et premières évaluations" [The reduction of the work week 1997-2003: dynamics of the development of the Aubry laws and initial evaluations], *Economie et Statistiques*, no. 376-377.

Chen R., GM. Milesi-Ferreti and T. Tressel, 2013, "Eurozone external imbalances", *Economic Policy*, 28 (73), pp. 102-142.

DARES, 2003, *Les politiques de l'emploi et du marché du travail*, Collection Repères, Editions La Découverte.

Guillaume Duval, 2008, *Sommes-nous des paresseux ? et 30 autres questions sur la France et les Français*, Editions du Seuil.

Alain Gubian, Stéphane Jugnot, Frédéric Lerais and Vladimir Passeron, 2004, “Les effets de la RTT sur l’emploi: des simulations ex-ante aux évaluations ex-post” [Impact of the shorter work week on employment: from ex-ante simulations to ex-post evaluations], *Economie et Statistiques*, n° 376-377.

Éric Heyer and Xavier Timbeau, 2000, “35 heures : réduction réduite” [35 hours: the reduction reduced], *Revue de l’OFCE*, no. 74, July.

[\[1\]](#) The unit labour cost is the ratio of the hourly cost of [labour](#) to the hourly [productivity](#) of the [work](#).

[\[2\]](#) Other factors may of course explain Germany’s better performance, such as the emergence of China. For a recent version of this idea, see Chen R., G.M. Milesi-Ferreti and T. Tressel (2013).

The trend in unemployment: no reversal in sight

By [Bruno Ducoudré](#)

The government has announced that the trend in unemployment will be reversed by the end of 2013. The number of jobseekers registered in category A with France’s Pôle Emploi job centre at the end of September increased by 60,000. The number fell during August by 50,000, mainly due to a “bug” in sending SMS

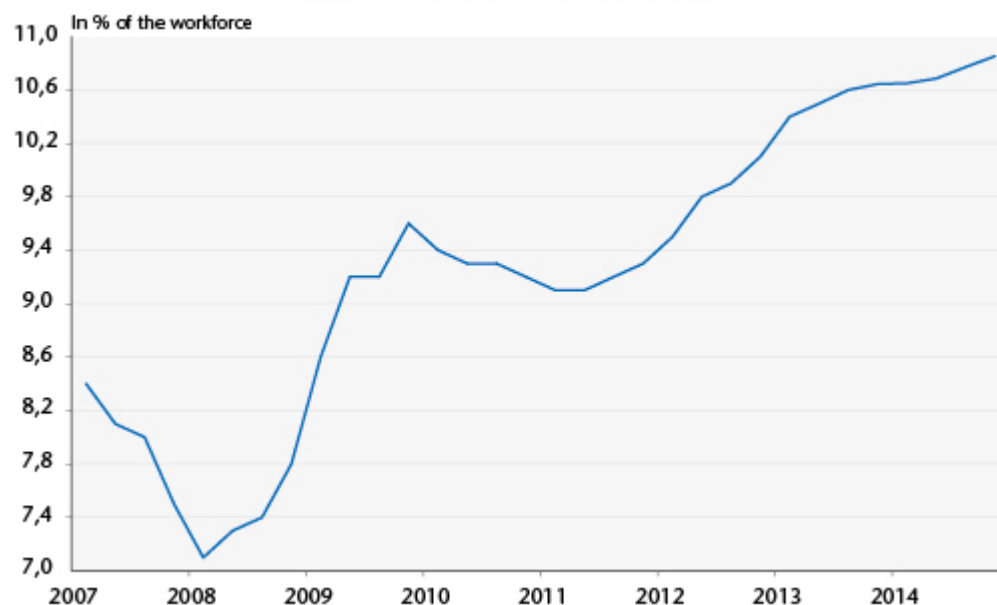
texts, which led to an unusually large rise in the number of terminations due to the claimant's failure to stay up to date (up 72,000 over the previous month). An increase in enrolments for the month of September due to the re-registration of jobless people who had been unduly terminated was therefore expected. The number of jobseekers registered in category A thus rose by 10,000 between July and September 2013, which meant that the trend is still upwards but at a more moderate pace than earlier in the year. These large variations in the very short term in the numbers registered with the ANPE job centre make it impossible to give a precise idea of upcoming trends in employment and unemployment. Our analysis of the labour market up to 2014, which is set out in the latest [OFCE forecasts of October 2013](#), suggests that no significant improvement in unemployment is expected by the end of 2014.

In an attempt to reverse the trend in unemployment, the government has planned for the rapid expansion of subsidized jobs in the non-profit sector (Emplois d'avenir, Contrats Uniques d'Insertion – Contrats d'Accompagnement dans l'Emploi (CUI-CAE)). Joining these programmes are the CICE tax credit for competitiveness and employment together with "generation contracts" in the commercial sector, whose impact on employment will begin to be felt in 2014. All these measures to promote employment will help to stabilize the unemployment rate by late 2013/early 2014, with continuing job losses in the private sector until the end of the year. The unemployment rate will then begin to rise again until the end of 2014, since job creation in the non-profit sector will be insufficient to absorb the increase in the labour force.

In retrospect, an initial reversal of the trend in unemployment began in 2010 and was then interrupted in 2011, as unemployment started to rise again under the impact of a series of austerity measures. The unemployment rate was creeping toward the record levels hit in 1997, rising from 9.1% in early 2011 to 10.5% in the second quarter of 2013

(Figure 1). After a bad year in 2012 (66,000 jobs lost), the labour market continued to deteriorate in the first half of 2013, as job losses in the private sector continued at the same pace as in the second half of 2012 (-28,000 jobs on average each quarter). The number of unemployed thus continued to increase (+113,000). To try to stop this downward spiral and reverse the rise in unemployment, the government is relying in the short term on expanding the Emplois d'avenir and CUI- CAE subsidized job programmes.

Figure 1. Unemployment rate (ILO definition)



Sources: INSEE, quarterly accounts; OFCE forecast e-mod.fr 2013-2014, October 2013.

The gradual introduction of Emplois d'avenir jobs has resulted in 31,566 hires between January and August 2013 in France. A total of 70,000 hires are expected in 2013 in mainland France and 70,000 more in 2014. There is, however, a deadweight loss for this type of programme: according to [Fontaine and Malherbet \(2012\)](#), 20% of the jobs created through the Emplois d'avenir scheme would have existed even in the absence of the subsidy. The net impact is thus expected to be 56,000 jobs created in 2013 and in 2014. The impact of this job creation will be especially important since these involve long-term contracts (1-3 years). People hired in 2013 will still be in their jobs in 2014, and the Emplois d'avenir jobs created in 2014 will indeed constitute net job creation.

As for the CUI- CAE programme, the number of contracts budgeted at the beginning of 2013 was the same as the previous year (340,000 for the whole of France, including 310,000 for mainland France), with 50% of these in the first half year. In order to reverse the trend in unemployment by the end of the year, in June 2013 the Ayrault government announced an extension of 92,000 contracts in the non-profit sector. This brings to 262,000 the number of contracts signed in the second half year, and 432,000 for the year. As in 2013, 340,000 contracts are planned in the 2014 Budget Bill (PLF), but the budget allocation is nearly 20% larger, which will fund an increase in the stock of CUI-CAE. These will increase until the first half of 2014, reaching 250,000 by end 2014. The government is thus reactivating the social treatment of unemployment through greater use of short-term subsidized jobs (7-12 months), but at a level comparable to that seen in 2007 and in 2010.

In contrast, there will still be significant job losses in the private sector up to year-end 2013 due to companies being overstaffed (see our [October 2013 forecasts](#)). Subsidized jobs in the non-profit sector (+82,000 in the last quarter of 2013 compared to the last quarter of the previous year) will nevertheless stabilize the unemployment rate at around 10.6% in late 2013 / early 2014.

Table. Employment and unemployment

Annual change, in thousands, at last quarter

Year on year	2009	2010	2011	2012	2013*	2014*
Observed workforce	210	45	178	200	83	116
Total employment	-321	128	130	-66	-91	41
- Private sector	-347	65	104	-64	-121	-12
- Subsidized non-profit	38	44	-74	6	82	96
- Other jobs	-12	19	100	-8	-52	-44
Unemployment	531	-83	48	266	174	75
Unemployment rate	9,6	9,2	9,3	10,1	10,6	10,9

* OFCE October 2013 forecast.

Sources INSEE and Ministry of Labour, OFCE forecasts.

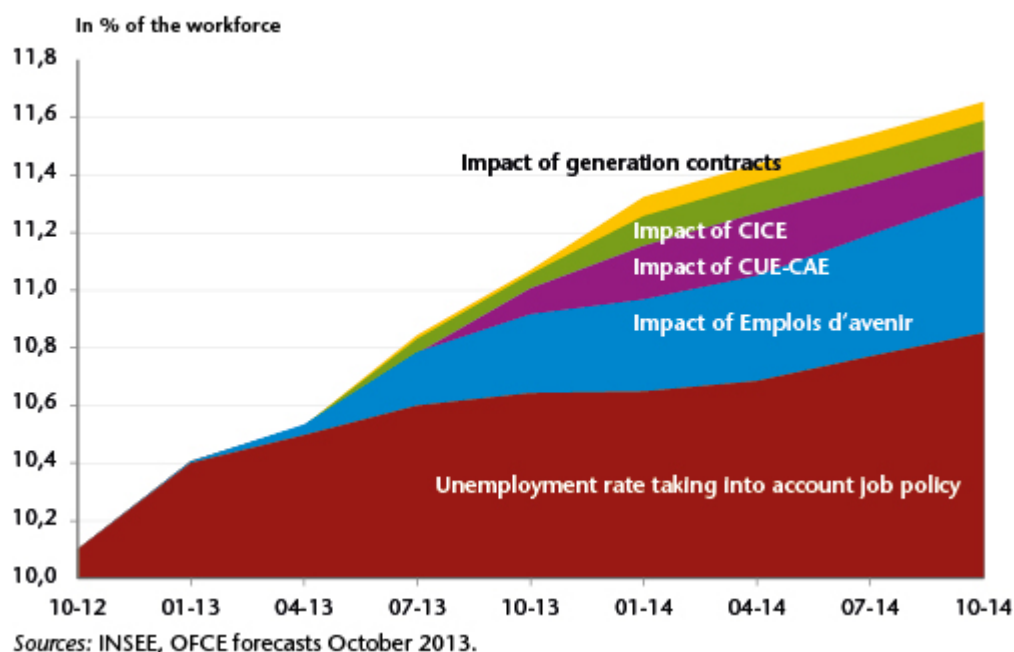
Total employment began rising again in 2014 (41,000 jobs), driven by the creation of subsidized jobs in the non-profit sector, but also by the expansion of the generation contract and CICE programmes. The CICE, which is open to all businesses, will be equivalent to 6% of payroll, excluding employer social security contributions, and corresponds to wages of less than 2.5 times the minimum wage (SMIC). According to the assessment made by [Mathieu Plane \(2012\)](#) using the e- mod.fr model, the CICE will decrease labour costs in the private sector by on average 2.6%, which should result in the creation of jobs, both by promoting the substitution of labour for capital and through gains in competitiveness. In total, by 2018, five years after its establishment, the CICE will have created 152,000 jobs, thus lowering the unemployment rate by 0.6 percentage point. At the horizon of our forecast, it will have created 46,000 jobs, or half the government's forecast (91,000).

The generation contract covers unemployment among both younger (under age 26) and older workers (over 57). It consists of the creation of a permanent contract (CDI) for a young person, linked to the promise of non-dismissal of an older worker for a period of 5 years. In return for this commitment, the company will receive a lump sum grant of up to 4,000 euros per year for 3 years. This type of measure runs the risk of generating significant deadweight effects.[\[1\]](#) Overall, the measure will result in 99,000 new jobs in the private sector, with the signing of 500,000 generation contracts over the 5-year period. In September 2013, 10,000 generation contracts were signed. Under the assumption of a gradual ramp-up by the end of 2013 (20,000 contracts signed), with 100,000 contracts signed in 2014, this should correspond to the net creation of nearly 4,000 jobs in 2013 and about 20,000 jobs in 2014.

Despite this, unemployment will continue to rise over the two years (+174,000 in 2013 and +75,000 in 2014 compared to the same quarter of the previous year), due to a still dynamic

workforce (+116,000 in 2014 after +83,000 in 2013) and a lack of net job creation in the private sector (see the table above). Given the subsidized jobs in the non-profit sector as well as the private sector programmes, the unemployment rate in mainland France will temporarily stabilize at 10.6 % in the fourth quarter of 2013, before gradually creeping up to 10.9% of the workforce in mainland France by late 2014. By the end of 2014 it will surpass the historic peak reached in the first half of 1997 (10.8% of the workforce), with no prospect of reversing the trend over our forecast horizon. However, without the impact of the jobs programmes, the unemployment rate would have increased much more, to 11.6 % at end 2014 (Figure 2).

Figure 2. Impact of employment measures on the unemployment rate



[1] See the OFCE Note of July 2012 on [“An assessment of the 2012-2017 five-year economic plan”](#). Companies will benefit from this aid, including for the jobs they would have created even in the measure’s absence. The way the measure is implemented should limit the deadweight loss: aid linked to the implementation of the generation contract will for instance be reserved for companies with fewer than 300

employees. Companies with over 300 employees, where the risk of a windfall effect is greatest, will be obliged to set up the programme on pain of financial penalty. In addition, the lump sum of 2000 euros represents a total exemption from employer social charges at the level of the SMIC, and above that decreases in proportion to the salary. This helps to limit the windfall effect, since the elasticity of employment to labour costs is higher for low wages.