CHAPTER 1

Low-Wage Work: The Political Debate and Research Agenda in France

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The impact on the low-skilled/low-pay labor market of economic factors such as technical change, globalization, and, to a lesser extent, changes in financial markets has been scrutinized by many research works both in the United States and Europe. France is no exception in having been exposed to these global trends: new technologies have spread rapidly during the last decades, both the exports and imports ratio to GDP were twice those of the United States in the mid-2000s, and foreign investors, particularly pension funds, are very active on the French stock market. But the same factors may not generate the same labor market outcomes in France as are seen in other countries; the impact of these factors may depend on the institutional context.

Indeed, compared to the United States, the French labor market displays very specific features: a high legal minimum wage, strong employment protection legislation, and a highly restrictive immigration policy are only the most obvious differences. How do French firms respond to economic pressures in such a context, and what have been the consequences for low-wage workers? Can we find differences in strategies and outcomes when we compare French firms to American or other European firms?

A few years ago, Low-Wage America by Eileen Appelbaum, Annette Bernhardt, and Richard Murnane (2003) drew on extensive fieldwork to provide a very detailed picture of the lower reaches of the American job market. The present volume addresses the same issues for France, drawing on comparative research from four other European countries: Denmark, Germany, the Netherlands, and the United Kingdom. It aims at highlighting the role of national institutions in shaping the employment and working conditions of low-wage workers—defined as earning less than two-thirds of the median hourly wage.

From this point of view, France stands as a good comparison point
given that its labor market institutions are in stark contrast to American ones. As a consequence, the pay and working conditions of low-wage workers are likely to be very different in these two countries. This introduction sets the scene by describing the main features of the French labor market. Its aim is also to contribute to an understanding of how these features have shaped the social and political debate on low-wage work in France, which is quite different from that debate in the United States.

A KEY FACTOR: THE MINIMUM WAGE

Low hourly wages are fixed in France—perhaps more than in any other country—at the political level, not through collective bargaining agreements, and these wage rates are set in a centralized, not a decentralized, manner. Thus, the legal minimum wage plays a crucial role in France.

THE MINIMUM WAGE POLICY IN THE POST–WORLD WAR II ERA

There has long been political concern at the central government level about low wages in France. From a historical perspective, the political and social issues at stake turn on integrating the working class into society and on maintaining the stability of the republican regime. As in many other European countries, these issues have also reflected the strength of left-wing and labor movements since the second half of the nineteenth century, as well as the weakening of the political system in the wake of the wars and crises running from 1914 to 1945 (for a comparative historical analysis, see Alesina and Glaeser 2004). In the aftermath of World War II, in 1950, the first national legal minimum hourly wage (the Minimum, Interbranch, Guaranteed Wage, or SMIG), indexed to inflation, was introduced. It was conceived as a “fair wage” that would balance the relationship between the wage earner and the employer in the face of disequilibria that could favor the latter, and also as a “decent wage,” with an explicit reference to needs.

In 1970 this minimum wage was transformed into the SMIC (salaire minimum interprofessionnel de croissance, or interprofessional, index-linked growth minimum wage), which is automatically indexed not only to inflation but also partially to real growth.
SMIC was brought in because the SMIG had not allowed the fruits of growth to be distributed equitably: at the end of the 1960s, France suffered from record wage inequalities among the OECD countries (the 90/10 pay ratio had reached more than 4; see Piketty 2003). The implementation of the SMIC relied on a political and social consensus according to which a decent wage should be defined not only in absolute but also in relative terms and thus low wages should benefit from growth and be indexed to the average wage increase. This is a major difference with the American minimum wage. It should also be remembered that, unlike in the United States, poverty is defined in relative terms in France, as it is in many other European countries—the poverty line being defined as a percentage of the standardized, median income.

The introduction of the SMIC was followed by strong minimum wage growth in both relative and real terms: the French minimum wage real value doubled between 1970 and 2005, whereas in the United States the real value of the federal minimum wage was 34 percent lower in 2005 than in 1970. Overall, at the beginning of 2006, the monthly purchasing power of a full-time minimum wage earner was nearly 45 percent higher in France than in the United States (at the federal minimum wage level). Yet, most French workers believe that the purchasing power of the minimum wage is still too low.

It should also be remembered that besides the SMIC there is a means-tested “basic income” in France (revenu minimum d’insertion [RMI]). The RMI benefit is computed as the difference between a reference threshold and the resources of the household (including family benefits). It amounted to about 40 percent of the full-time, monthly SMIC (net of social contributions) in 2006; at that rate, it limits the development of very poorly paid work.

Overall, both the SMIC and the RMI are representative of the well-documented difference in attitudes toward poverty and inequality between France (and most European countries) and the United States (see Alesina and Glaeser 2004).

**“France Jobless” Compared to “America Penniless”?**

Another key difference between the French and the American labor markets is the level of unemployment: during the last two decades it has been about twice as high in France as in the United States (around 10 percent compared to around 5 percent). France is also characterized by a strong compression at the bottom of the wage distribution
and by a limited number of low-wage workers, as we will see in chapter 2. Does the low number of low-wage workers not simply stem from the fact that many workers who should earn low wages are priced out of the labor market?

This question has been much debated in France in recent years. Some indicators indeed suggest that there may be a shortage of low-skilled jobs, leading to a crowding-out of people who would otherwise be low-wage workers. The unemployment rate among the low-skilled is high, and the number of jobs in the sectors in which low-skilled labor is concentrated is relatively low (especially compared to the United States). Production processes also appear to be particularly capital-intensive in France. An indicator of this is the record high rate of hourly labor productivity. This may also be the outcome of a selection effect if a substantial proportion of potentially low-productivity workers are crowded out of the labor market.

Besides unemployment, many potential low-wage workers are on active labor market policy schemes. Others benefit from various social allowances (such as public early retirement schemes, basic income support, and so on). It should be noted, however, that these are partly “functional equivalents” of incapacity benefits, which cover a large share of the working-age population in other European countries (especially the United Kingdom and the Netherlands).

A HIGHLY REGULATED LABOR MARKET?

France is without doubt the country that best illustrates the contrast between (continental) European labor markets and the American market: the former have numerous rules and regulations protecting workers, whereas the latter is characterized by (nearly) unlimited flexibility. On closer inspection, however, this distinction as it applies to France and the United States is not quite so clear. France has among the lowest rates of unionization in the OECD. At the same time its unions appear to be powerful, but only at certain levels. State regulation in France is extensive compared to other OECD countries, but it is often contradictory and badly applied.

POWERFUL UNIONS?

Seen from outside, French industrial relations appear highly paradoxical. Any foreigner who gets caught up in a public transport strike in Paris or a major demonstration may indeed conclude that France
is the last remaining industrialized country to experience massive labor movement mobilizations. The unions would surely have appeared powerful and highly politicized to such a visitor. And yet, union membership rates are very low (and clearly lower than in the United States). Overall, about 8 percent of the labor force is unionized, and only 5 percent in the private sector.

So what is the reality behind the figures? Because union membership is high in certain key parts of the public sector (transport, energy, education, tax collection), industrial disputes can block or strongly disrupt the functioning of the economy. In the private sector too, the unions are more powerful than such low membership levels would allow in other countries. This follows from the rules governing labor representation and the legal extension of collective bargaining agreements across branches. Overall, the unions do play an important role in regulating the labor market.

However, given the state of industrial relations in France (divisions among unions, poor relations between unions and management), negotiations at the branch and national levels are not as active as they could be—especially concerning low wage rates. As a result, the state (that is, the law) often has to intervene when negotiations break down. Massive strikes may also be seen as a symptom of unions' failure to promote their views at the political level—and therefore as another sign of their weakness.

Moreover, at a more decentralized level, the unions are relatively absent in the workplace, for historical reasons, compared not only to other European countries but even to the United States. They are also often divided. Consequently, in many companies (and not just small firms) unions do not exercise their functions of being a countervailing power or controlling the application of rules and laws. Overall, if France ranks very high in terms of the union protection index, unions are weak at the firm level.8

THE CENTRAL (AND CONTESTED) ROLE OF LABOR LAW

The weakness of industrial relations and the strength of the law go together in France, but it is not easy to determine which is the cause and which is the consequence: they tend to reinforce each other.9 Regulations (codified in the Labor Code, which is more than two thousand pages long) abound in all areas, including employment protection, working time, and hygiene and safety. But there seems to
be a gap between the formal institutional framework and effective regulation.

Overregulation may have something to do with this, to the extent that it may lead to a lack of clarity and poor enforcement. There are many rules, but at the same time many exceptions or derogations to these rules. The labor standards and the employment protection legislation (EPL) are a good illustration of this. French EPL is considered among the most stringent in the OECD (see OECD 2004). However, in almost all sectors there exist special labor contracts, or derogations to the rules guiding the two traditional and well-protected types of contract—open-ended contracts and fixed-term contracts. Overall, there are more than fifteen labor contracts in France, and these serve to raise actual labor flexibility far beyond what could be expected when considering standard indicators of EPL.

The laws on the reduction of working time (implementing the thirty-five-hour working week), adopted at the end of the 1990s, provide a good example of the complexity and lack of transparency in French labor law. Taken as a whole, the texts of the two main laws (the so-called Aubry laws of 1998 and 2000, named after the minister of labor, Martine Aubry) run to several thousand pages. While many employers complain about them, these laws actually include numerous adjustments and adaptations to allow for greater flexibility.

Overall, in many areas of labor regulation rules seem to lead both to greater flexibility and to more rigidity. As a result, it should be noted that it is very difficult to construct indices that properly measure the way existing rules constrain the functioning of the French labor market.

Furthermore, even when the rules are clear, they are often not respected, and the state does not always give itself the resources to enforce them. Indeed, the number of labor inspectors is limited (about one for every 1,100 firms), so that controls and sanctions are few and often low. This problem is compounded by the weakness or even absence of unions in the workplace.

**THE RESEARCH AGENDA AND THE POLITICAL AND SOCIAL DEBATES: A DIFFERENT FOCUS**

All these features help to explain why social and political concerns are different in France and in the United States. In the latter, much attention is paid to the problem of low-wage workers in connection with
the “working poor” phenomenon, whose causes are partly different in France than in the United States. In France the working poor are more often part-time workers or workers facing precariousness (such as alternating periods of employment and non-employment). When the worker is employed full-time and continuously, the minimum wage is often sufficient to escape poverty. In the United States, the fact that a significant share of the working poor have full-time jobs and are continuously employed throughout the year, explains the attention paid there to the problem of insufficient hourly wages (and therefore the ongoing debate about the minimum wage level and “living wages”).

More generally, in the United States analyses of the labor market refer mainly to wages and incomes. For example, studies on changes in the nature of employment (occupations) in the economy tend to classify jobs by wage levels, and increasing earnings inequality is a key issue (see, for instance, Autor, Katz, and Kearney 2006). In contrast, in France—where inequalities have remained relatively stable in the past two decades—research has concentrated much more on employment levels (and symmetrically on unemployment). Interest in low wages and “the working poor” is less strong and more recent. Also, studies on trends in occupations classify them by skill levels (or “qualifications” according to the classification of the Institut National de la Statistique et des Études Économiques [INSEE], or National Institute for Statistics and Economic Studies) rather than by earnings levels. Attention focuses in particular on unemployment and on the matching of workers with jobs according to their skills. This is of great importance given that constraints on many young and educated workers force them to take unskilled jobs. As a result, research has focused more on “low-skilled” (or “unskilled”) jobs rather than on “low-wage” workers (for a comprehensive survey of the issue, see, for instance, Méda and Vennat 2005).

Another key difference is the focus on the job instability and insecurity issue, induced by the proliferation of so-called atypical (that is, nonpermanent) work contracts. Indeed, this “precariousness” issue pervades all discussion on labor and social policy in France, whereas it is much less of an issue in Northern Europe and the United States (Barbier 2004).

THE OUTLINE OF THE BOOK

The aim of this volume is to tackle the low-wage work issue in the French context. More specifically, we investigate to what extent the
pay and working conditions of low-wage workers are influenced by national and local institutions, either directly or in response to changing economic conditions.

Chapter 2 tackles this issue at the macro level. As a first step, it provides an overview of low-wage work in France. The incidence of low-wage work in France is rather limited (about 12 percent), and if anything, it is on a declining trend. As in many countries, low-wage jobs are concentrated in the service sector and in low-skilled occupations, and women, young workers, and foreigners are particularly affected. Moreover, high work intensity and bad working conditions (compared to other European countries) characterize low-skilled/low-paid jobs. The second part of the chapter investigates the potential impact of labor market institutions on the incidence and characteristics of low-wage work. The minimum wage plays, of course, a crucial role, but labor market regulations and industrial relations also come up as important factors. Another characteristic of the French labor market is the high and persistent rate of unemployment. The last part of the chapter investigates the reasons why this model of high (hourly) wages, high work intensity, and low employment has remained so stable until now. Strict immigration policy and social benefits play an important role, and strong social distrust seems to have been an obstacle to any deep structural reforms to date.

Aside this general overview of the French low-wage labor market, our research is based on case studies carried out in five sectors. These sectors have been chosen because of their importance in the lower end of labor markets, in both Europe and the United States. The methodology is very similar for all sectors: seven to eight firms were visited in each sector, and interviews were carried out with managers, workers’ representatives, and a sample of workers in all firms. Overall, a total of 40 establishments were studied and more than 530 employees were interviewed, mostly in 2005.

Chapter 3 presents the food-processing sector. Given its great diversity, we focus on two subsectors, meat processing and confectionery. Food manufacturing is the only manufacturing sector in our sample, and it is quite representative of the French employment model. The share of low-wage work is small despite the large number of low-skilled workers. The sector is facing increasing competitive pressure and rising flexibility requirements. However, none of the firms in our sample has implemented “social dumping” strategies. Compensation is under pressure, but many firms have also tried to cut costs by computerizing their production process and introducing
new forms of work organization, especially multitasking. This has had contradictory effects on workers: on the one hand, physical labor is not as hard, but on the other, some work intensification has taken place, which was not compensated by wage increases.

Interestingly, some of these features can also be found in the hospital sector (chapter 4). The study focuses on nurses’ aides and hospital service workers, among whom the proportion of low-wage workers is very low. This is partly due to the fact that the sector is highly regulated, in terms of both product (health regulations) and employment (the leading role of the public sector). Overall, nurses’ aides and hospital service workers are more highly skilled in France than in the United States, and their jobs appear to be rather attractive. But segmentation is a structural feature of employment in this sector: employers regularly use an important stock of nonpermanent workers, who are waiting to get open-ended contracts. Economic conditions are changing along with the technological change and increasing competition between private and public hospitals and within the public sector. Hospitals adjust to these changes by increasing productivity through mechanization of certain tasks and rising work intensity. Outsourcing is also used but remains marginal. As in the food-processing sector, the traditional employment model is still dominant.

The situation is somewhat different in the hotel sector (chapter 5), where the proportion of low-wage workers is much higher. As for hospital service workers in the previous chapter, the study focuses on housekeepers. Almost all employees in these jobs are women—many of them of foreign origin—and they are paid wages that hardly enable them to support a family. They also have very few career prospects, and long working hours as well as undeclared work are characteristics of their jobs. A lack of labor regulations is one of the reasons why housekeepers fare so much worse in the hotel sector than in the hospital sector. Labor regulations are much less favorable in this sector than in others owing to the weakness of collective bargaining and to sector-specific employer dispensations from the Labor Code resulting from the very low rate of unionization and the strong lobbying power of employers. Overall, hotel housekeeper jobs are both insecure and low-paid. These workers hardly benefit from technological improvements and continuous training, even though in some hotels management has been making some positive initiatives.

Chapter 6 takes us into the retail sector, where the proportion of low-wage workers is also quite high on average. The focus is on
cashiers, delicatessen sales staff in large food retailers, and electrical/electronics sales staff. The pay conditions of workers in these jobs appear to be very different across types of stores. Hard-discount food stores offer rock-bottom wages, but most large retailers pay relatively high hourly wages. In the electrical and electronics sector, high demand for efficient sales staff and incentive pay schemes has pushed wages up. But in food retailing a different mechanism is at play. The “high roads” are supported by high legal entry barriers, which generate rents for firms. Some of these rents are redistributed to workers to compensate them for the demanding work requirements—in particular, the imposition of part-time schedules, the very high labor productivity, and the often harmful working conditions. So, despite very low rates of unionization and no specific labor market regulations, hourly wages are not so low in many large retail stores.

Chapter 7 deals with the most recent of all these employment sectors, namely, call centers. The main focus of the study is on operators in in-house call centers in the bank/insurance and utilities subsectors, where the incidence of low-wage work is rather limited. Branch-level institutions are still being developed, but national institutions play a key role in accounting for the rather high level of wages. First, many workers are covered by the favorable collective agreements covering the bank and utilities sectors. Second, the high level of the French minimum wage has led many call centers to specialize in high-value-added activities; because these can involve rather complex tasks, operators must have a minimum level of social skills and communication competence. To attract such workers, wages cannot be too low, especially since the level of mental strain remains very high for operators. In contrast, a high incidence of low-wage work and classical forms of bad working conditions prevail at independent call centers, where the institutional environment is much looser.

In chapter 8, we conclude by offering a synthesis of our findings.

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NOTES

1. This concept of a “decent wage” may be linked to the notion of a “living wage” in the United States.
2. More precisely, the SMIC is indexed to consumer prices (for rises of 2 percent or more) and must be raised every year by at least half of the increase in the hourly wage rate of all blue collar workers.
3. Every French resident age twenty-five or more is entitled to this social allowance.
4. For instance, in January 2006 the reference benefit was €433 (US$617) for a single person, €650 (US$926) for a couple, and €909 (US$1,295) for a couple with two children.
5. See Krugman (1994).
6. This is a direct consequence of a high minimum wage in relative terms.
7. In March 2006, one to three million people marched in France against a law making labor contracts for young people more flexible. The law was finally withdrawn.
8. The union protection index is an average of indicators of protection, such as the extension of collective agreements, requirements for works councils, the nonreplacement of striking workers, and the legality of sympathy strikes (see Siebert 2005, 4).
9. Note that this reinforcing effect may be one factor in the path dependency phenomenon put forward by Juan Botero and his colleagues (2004) to account for the permanence of legal systems in general and in particular the civil law tradition in France.

REFERENCES


