

THE EFFECT OF REDUCED SOCIAL SECURITY CONTRIBUTIONS ON EMPLOYMENT AND WAGES: AN EVALUATION OF THE FRENCH REFORM OF 2003

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The French Fillon reform of 17 January 2003 unified the schemes of reduced social security contributions for companies on the 35-hour week and those for companies on the 39-hour week. This reform had very different effects depending on the category of company concerned: the reduction in social security contributions was considerably greater for the companies that had remained on 39 hours than for those that had adopted the 35-hour week, particularly for wages situated at around 1.3 times the Smic (national minimum wage). This article examines in detail the nature of the reform and its effects on wages and labour costs, before presenting an evaluation of its impact on employment, using a panel of companies with more than 5 employees drawn from a matching between several administrative data sources for the period 2002-2005.

In both categories of company, we find elasticities of employment with respect to labour costs that are significant and of the expected signs: a rise of 1% in average wage costs reduces employment by 0.25%. As the majority of 39-hour companies received greater reductions, the Fillon reform allowed them to raise their level of employment. For the 35-hour companies, on the contrary, the reverse situation prevailed: the reform led to a fall in employment. Ultimately, the Fillon reform has had no clear effect on aggregate employment, measured either in job numbers or full-time equivalents. It has, however, contributed to a rise in average wages, for both categories of companies.

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