« Les effets des allègements de cotisations sociales sur l’emploi et les salaires : une évaluation de la réforme Fillon de 2003 »

Presented by Yannick L’Horty

DISCUSSANT: Elena STANCANELLI
CNRS Researcher
THEMA, Université Cergy Pontoise
Aims and Background

• This paper provides an evaluation of the Fillon Reform 2003, which aimed at harmonizing hourly and monthly minimum wages, as well as equalizing employers’ payroll subsidies (social security cuts) across all enterprises.

• Carried out in three steps, the objective being to reach convergence of minimum wages and payroll taxes by 2005.

• But the Reform Fillon 2003 interacted with earlier policies.

• Aubry 1 and Aubry 2, targeted at enterprises that had joined in the 35-hours scheme, to increase min. hourly wage (to prevent monthly wage from falling), and reduce employers payroll to keep unit labor costs unchanged.

• The reform Fillon increased labor costs in the 35-hours enterprises and reduced them in the 39-hours enterprises.
The methodology

• Use & compare different approaches (score, quantiles, OLS)
• Merge data from different administrative sources to gather precise information on workers, wages, payroll costs, social security reductions and any other firm subsidies
• Throw away the restaurant sector (affected also by a different reform) and use only « permanent » firms, to get a balanced panel for 2002 to 2005, so can look for the same enterprise at the different steps of the Reform
• Use actual and theoretical (evaluated at the 2002 structure of the firm) changes in labor costs
• Distinguish six intervals for possible changes in the variables of interest to minimize measurement errors
• In the absence of a counterfactual, focus on the incremental effects of the policy on labor costs, employment and wages
Main findings

• Labor costs increased generally in the 35-hours enterprises and fell in those that stayed with a 39-hours week.

• The Reform reduced employment in the 35-hours enterprises and slightly increased it elsewhere, with rather insignificant total effects on employment

• Hourly wages increased everywhere

• Similar findings, Simmonet and Terracol, Labour Force Surveys 2002-2005, merged with information on whether enterprises had joined the 35-hours week, to analyse flows from U into E, following the Reform Fillon; exits from U pool to 35 hours enterprises slowed down, while exits to others enterprises were almost unaffected.

• Slightly more positive outcomes for employment Margolis, but some data and selection problems
Extensions and future work

• Exploit further the longitudinal structure of the dataset by using firms fixed effects? Though you take differences.
• By focusing on changes in labor costs, one misses insights into the separate effects of increasing the hourly minimum wages for different types of workers and increasing /reducing social security contributions. I wonder whether the effects of the two measures could not be disentangled? Could one enter the two separately into the model?
• Firms that joined 35-hours may differ from the others. Did you test for this and can one think of possible instruments?
• Look at the differential effects for workers with different skill levels and firms of different sectors or size.
• Look at what happened in the semi-public sector (control).
• Long-term effects of the policy may differ. Negative effects for the 35 hours firms may even get worse?
Conclusions and Optimal Policy Mix

• Because 35-hours scheme quite successful at creating jobs, government may want to look closer at misintended effects of the Reform. Increase subsidies to 35 hours firms?
• From a more global perspective, interactions between minimum wages, employers payroll cuts, tax credits
• They are targeted at the same set workers with aim stimulating employment & ‘making work pay’
• Minimum wages may reduce youth employment but have generally less negative effects for other groups
• Tax credits, target them at youth, USA debate. French tax credits generalized but very small in amounts. Due to means-test, disincentive effects for secondary earners
• Payroll cuts have usually little effect on employment but combined with min wage and/or tax credits may work?