

CHAPTER 3

DEMAND-SIDE BARRIERS TO YOUTH EMPLOYMENT

To the extent that France's performance with regard to youth entering the labour market was not as good as the other OECD countries, even in periods of the greatest economic growth, demand-side barriers *must* be playing a role, all else being equal. This could involve not only the relative level of youth wages, but also the institutional framework that sets hiring conditions and contract terms. While business demand for the labour of young new entrants tends to fall during economic crises, nevertheless, in the medium and longer-term, shortages of skilled labour in certain sectors and certain occupations can have an impact on the employment prospects and careers of young people. The purpose of this chapter is to take a look at the main demand-side barriers to youth employment and to identify a certain number of factors that could improve the situation in France.

1. Business needs and the hiring of young workers

A. Sectors hiring school-leavers

Four sectors account for the hiring of half of young new entrants

According to the figures from the *Génération* 2004 survey, young new entrants often find their first jobs in sectors with labour shortages, with four sectors accounting for the hiring of half of youth: commerce (18%), personal services (12%), healthcare (11%) and construction (8%). This last sector, which regularly experiences recruiting difficulties, accounts for the hiring of one out of six youth without diplomas, whereas the better-educated are found more frequently in business operating services (13%) and education (13%).

Stable employment depends on the sector of initial activity

Based on the longitudinal data from the *Génération 1998* survey, Mansuy and Minni (2004) showed that the probability of stabilisation in the company where first hired, three years after the end of studies, depends significantly on the sector of initial activity. Given the same educational level, gender and company size, in the early 2000s a stable job with the first employer occurred more frequently in the sectors involving plane, ship and rail construction, energy, air transport, finance, real estate, healthcare, post and telecommunications, automobile repairs and consultancy services. The healthcare sector offered new employees the best prospects for stability. The current economic crisis will undoubtedly change the situation in each sector slightly. In addition, business sectors that risk being hit hardest by the crisis (in particular construction) are the ones that hire young people in the greatest difficulty.

B. Occupations under pressure today and tomorrow

In a country marked by mass unemployment like France, it might seem paradoxical that in certain fields jobs remain vacant while employers have difficulty hiring. In the third quarter of 2008, the indicator for labour-market pressure, which relates job offers to job vacancies as collected by the PES, remained virtually stable, after having fallen in the two first quarters of 2008 (Tabet and Viney, 2009). This relative stability is the result of a variety of situations. Labour-market shortages diminished sharply for jobs in building and public works and almost all industrial occupations (except for industrial engineers and managers and electronics and electricity), in the field of administration, business management (in particular for accounting and financial administrators) and in the fields of transport, logistics and tourism (in particular for skilled warehouse workers) and for jobs in commerce (except for store cashiers and shelvers). There was, in contrast, increasing pressure in the field of healthcare and social services, culture and sports (in particular for nurses and nurses' aids).

Jobs facing temporary shortages

Shortages can reflect difficulties that last only temporarily. In this regard, continuing education and short-term training for job seekers is more effective and quicker to set up than making changes to the initial education system, with results that will not be tangible until three to five years later. Employers could also offer more attractive compensation packages as part of an apprenticeship. Nothing prevents a branch of trade from providing compensation above the legal minimum in a sector agreement. For example,

in the construction sector, which is not considered very attractive for young people, the social partners decided to augment the level of compensation of apprentices.

A tax credit designed to promote the hiring of young people in sectors with recruiting difficulties was introduced between 2005 and 2007 for a period of two-and-a-half years. It is paid to youth under age 26 who have chosen to work in an occupation experiencing hiring difficulties.⁴⁵ The maximum tax credit per beneficiary is EUR 1 000, which can be paid to youth early upon a simple request. Even though this measure has not been evaluated yet, it seems that it has not made it possible to effectively reduce labour-market shortages.

Jobs facing lasting shortages

If, on the contrary, the difficulties are considered to be lasting, then changing the initial education programmes could be one way to meet company needs. Nevertheless, the links between initial education and employment are complex. The contexts vary enormously, ranging, in the few cases of regulated professions (health, law), from a very tight link between the level and specialisation of initial education and the job to the almost complete absence of a link in most occupations. Since the national multi-sector labour agreement in 2003, various sectors must set up monitoring bodies for jobs and qualifications. The type of body can vary greatly from one trade to another, with some using regional monitoring bodies while others rely solely on a national body. These bodies are generally financed by the Agencies to Collect Vocational Training Funds (OPCA), and they publish forecasts that are used as a basis for making revisions to initial education. This is the case in particular for apprenticeships negotiated with the regional councils and for the creation of new diplomas within the framework of the Professional Advisory Commissions (CPC).

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45. The conditions were: salaried employment for at least six consecutive months generating income of between EUR 2 970 and EUR 10 060. The list of sectors covered was set by a decree on 2 August 2005: agriculture: growers, gardeners, wine growers; building and public works: skilled workers in public works, cement and extraction, skilled workers on public construction projects, building and public works technicians; mechanics and metal working: skilled workers in metal forming, technicians, engineering industry supervisors; commerce: store cashiers and shelvers; hotel, restaurant, food: butchers, bakers, cooks, hotel employees and supervisors.

Forecasting jobs and skills

There is, in addition, a relatively aggregated level of *ex-ante* assessments that consider various scenarios for trends in job supply-and-demand for different occupations and skills in order to offer the various actors, including those responsible for initial education, the information required to develop a relevant mid-term strategy. Two large-scale national forecasts of jobs over the next ten years have been conducted simultaneously in France. One was performed by the CAS together with the DARES (Ministry of Employment) and basically sought to analyse changes in the demand for various occupations (Chardon and Estrade, 2007). The other, conducted by BIPE at the request of the Ministry of Education (and in particular by the High Committee on Education, Economic Affairs and Employment (HCEEE),⁴⁶ aimed to set out several forward-looking scenarios with regard to the hiring of new entrants based on their level of education and job specialisation (Chirache *et al.*, 2006). These national studies have served as a framework for work being conducted in the regions, in particular to help them to draw up their mid-term plans for developing vocational education. To ensure a balance between labour supply and demand, the next large-scale national study for the period up to 2020 will be developed in close co-ordination between the DARES and the Ministry of Education under the aegis of the CAS.

Ultimately, while an exercise like this conducted at a relatively aggregated level can provide the elements for a framework, it is not sufficient for a fine-tuned diagnosis of training. Furthermore, company behaviour in the field of hiring also needs to be taken into account. According to the trends projected by the DARES and the CAS, the occupations that will see the most jobs created by 2015 will be managerial positions, particularly those related to less-skilled services. Today most hiring in low-skilled services (home help, cleaners) involves women over the age of 40 who do not have a diploma and are foreign and not in the labour market. It is thus not sure that there will continue to be labour demand in these fields for poorly educated youth. At the same time, a significant number of managers are currently people who have benefited from promotions during their careers, in particular in the civil service and in sectors like banking and insurance. If current policies on in-house promotion continue (or expand), recruiting will not take place among young people with a tertiary education, but rather among less-educated youth for less-skilled positions at the start of their careers.

46. The HCEEE was set up in 2000 under the authority of the Ministry of Education. It is responsible for developing continuing co-ordination between Education and its economic partners in order to ensure forward planning for the links between the the economy, employment, and the education system as a whole, and to shed light on the decisions being taken by those in charge of these areas.

C. Discrimination in hiring

Young people from visible minorities are particularly victims of discrimination in hiring

With regard to the visible minorities, almost all the testing conducted in the OECD countries points toward the same conclusion: discrimination in the hiring process is far from unusual. According to the OECD (2008), generally speaking, for a rigorously equivalent situation in terms of diploma, skills, job experience and place of residence, visible minorities will be convoked less frequently to a job interview (about 30 percentage points less) than the rest of the population when they send a curriculum vitae (CV) in response to a job offer. This implies that overall job hunting takes 40% to 50% longer for the visible minorities, which makes them much more vulnerable to the risk of long-term unemployment.

In France, an operation to test discrimination conducted in 2006 in six large cities under the supervision of the ILO showed that young low-skilled French youth who were obviously of North African or even more so of black African origin were victims of discrimination in hiring in comparison to French youth who were obviously of older French origin (Cediey *et al.*, 2008; see Box 3.1). Key differences in treatment thus show up even before the youth have been interviewed by the employer. Youth of North African or black African origin are much more pushed to the wayside as soon as there is any contact, with the differences in treatment taking the form of a rejection notice or being put on a waiting list.

Box 3.1. Testing discrimination in the hiring of French youth

Tests for discrimination were conducted from end 2005 to mid-2006 in France in the job catchment areas around Lille, Lyon, Marseille, Nantes, Paris and Strasbourg. They covered offers for low and medium-low-skilled jobs, in the fields of hotel-restaurant, sales and commerce, business and local government services, personal services, transport, reception and secretarial, building and public works, healthcare and social services.

Each job offer tested received two job candidacies. The candidates were either two young French women or two young French men, all aged 20-25. The two had done their schooling and training in France, and were completely comparable with regard to their education, initial job experience, and personal characteristics, including their dress style and ways of expressing themselves, which were standard and similar. One of the two candidates had a first and last name evoking a conventional French background (called the “majority candidate”), whereas the other candidate (called the “minority candidate”) had a first and last name evoking either a North African or black African origin.

Box 3.1. Testing discrimination in the hiring of French youth (*cont'd*)

In total, 2 440 tests involving 4 880 candidates were conducted. Out of these, 2 323 corresponded to job offers that were validly tested, among the same number of different employers, out of which 1 100 had results that could be used in calculating the level of net discrimination according to the ILO methodology.

The results showed that when the employer had a choice between the two candidates, the majority candidate was favoured:

- about 4 times out of 5 in all the tests, regardless of the initial method of contact;
- 4 times out of 5 in the hotel and restaurant industry;
- 3 times out of 4 in commerce and sales;
- 3 times out of 4 in the other occupations tested;
- 4 times out of 5 over a candidate of black African origin;
- 3 times out of 4 over a male candidate of North African origin;
- 2 times out of 3 over a female candidate of North African origin.

Many measures have been taken to combat discrimination in hiring

Many measures have been taken in France since the mid-2000s to fight against discrimination, in particular racial discrimination, and to promote diversity in employment. Current policy (detailed in OECD, 2008j) consists of responding to complaints, promoting diversity and tolerance, and raising the awareness of key stakeholders. The role of the High Authority for the Fight against Discrimination and for Equality (HALDE) created at end 2004 is central. The equal opportunity law passed on 31 March 2006 introduced a series of measures to combat all types of discrimination, in particular racial discrimination, but the measures are not obligatory, due to the lack of an implementing decree. Tests and spot-checks are recognised by the Penal Code as valid methods to establish proof of the crime of discrimination, and the principle of anonymous CVs is set out in the Labour Code for hiring procedures in companies with 50 or more employees.

The social partners are also taking action to promote diversity. A corporate diversity agreement was signed in October 2006 that targets the field of employment and aims to guarantee non-discrimination and equality in hiring, assignments, pay, professional training and career development. It provides in particular that, in companies with more than 50 employees, every year the company head should present to the labour-management committee the information needed to assess diversity, to establish an expanded diversity committee, and to appoint an equal opportunity officer.

At the national level, an ad-hoc labour-management working group is in charge of collecting and disseminating best corporate practices.

In addition, on 18 November 2005 two ethics charters were signed in the field of anti-discrimination, equal opportunity, and the promotion of diversity. The first involves the PES, and the second temporary employment agencies, in particular through the establishment of an ethics committee. To this end, training modules were put in place in some 60 PES sites, and 1 200 people were trained to combat discrimination based on race, national origin or sex.

Overall, according to the OECD (2008j), it is not easy to implement measures that are truly effective. Nevertheless, there are certain indications that some of the discriminatory behaviour on the part of certain employers towards young people, in particular of African origin, is “elastic” and could be altered by appropriate public intervention. Mentoring has proved to be the most effective and profitable programme for this purpose in the OECD countries. Mentors can help to provide youth from immigrant backgrounds information about the “rules of the game” and about how to behave appropriately during interviews and at the work place, so as to reassure employers.

2. Wages and the cost of labour

A. Transversal age-based wage profiles have remained stable in France during the last decade

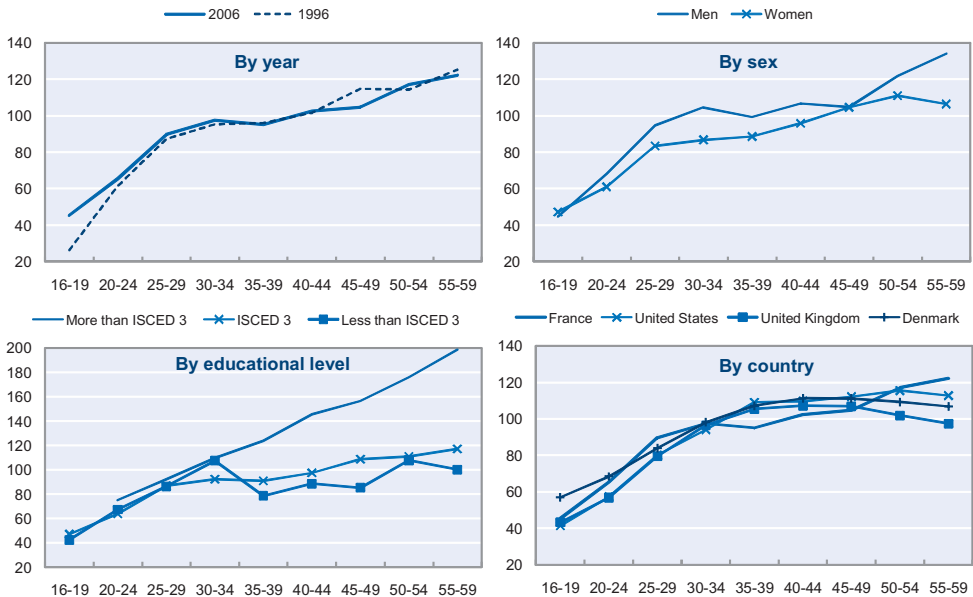
When French youth enter the labour market, they can hope to experience a career with a rising salary, as on average, full-time, in 2006 they received 45% of the average wage between age 16 and 19, 65% between age 20 and 24, and 122% between age 55 and 59 (Figure 3.1).

The increase in wages during the working life in France is, however, smaller than in the United States, the United Kingdom and Denmark. For instance, in the United States, while those aged 20-24 earn less (57% of the average wage), they progress more rapidly, receiving 110% by age 35, versus 95% for a French worker of the same age. Unsurprisingly, the wage profiles of men and women are comparable, but women receive an average of 10 percentage points less pay than men. Holding a diploma is a particularly discriminatory factor for wages, especially for the most-skilled employees. A tertiary diploma holder (> ISCED 3) can hope to make 200% of the average wage as retirement approaches. Holders of a *baccalauréat* (ISCED 3), on the other hand, must reach age 45 before gaining the equivalent of the average wage. Those without a diploma (< ISCED 3) started their careers with a rising wage comparable to that of holders of a

baccalauréat, due to their early entry into the labour market, but on average received an average wage only by age 50. Breaks in a career (temporary work, CDD, lay-off) that result in lowering the wage occur more frequently for those with less education.

Figure 3.1. Wage profile^a of full-time workers, by age, sex, and educational level, France and selected OECD countries, 1996 and 2006

As a percentage of the average full-time wage



a) Hourly earnings in France, the United States and the United Kingdom and weekly earnings in Denmark.

Source: Estimates by the OECD Secretariat based on the INSEE *Emploi* survey for France, the Current Population Survey in 2005 for the United States; the Quarterly Survey from Business Enterprises in the Private Sector in 2006 for Denmark; and the Labour-force Survey in 2006 for the United Kingdom.

B. Wage profiles by generation indicate both sharp wage increases and sharp wage instability at the start of the career

Part of the wage differential observed in a given year between employees of different ages can stem from the fact that, not having the same age, they have not experienced the same business swings during their careers and do not have the same profile (training, employment sector, level of skills, etc.). As a consequence, wage differences between different age employees are in part attributable to a “generation effect”, which interferes with the “age effect”. Trends in individual wages by generation in the

private sector⁴⁷ confirm a sharp rise in wages at the start of the career. This is particularly pronounced for managers, who double their salary between the age of 20 and 30 (Koubi, 2004). This study also emphasises that the dynamics for the start of a career have changed profoundly from one cohort to another since the end of the 1970s. For the generations born after 1950, real wages at the career start have stagnated, whereas they had been systematically higher for earlier cohorts compared with previous generations. This stagnation has, however, been offset by a more rapid increase during the initial years of the career, which can be seen for all socio-professional categories. Similarly, career starts have been more disturbed than in the past: between age 20 and 30, wage instability was particularly high, and it generally falls with age to the extent that the employee's situation stabilises. This wage instability has been magnified for cohorts born after 1956. For these later cohorts, disparities in remuneration between employees are due above all to differences in the time worked in the early career. In contrast, career wage prospects stagnate after age 40, as the earnings trend flattens out from then on, even though on average individuals are only about halfway through their working lives.

C. The minimum wage in France at age 17 represents 57% of the median wage, which is much higher than the OECD average

Analyses by the OECD conducted as part of the re-evaluation of the OECD Jobs Strategy have shown that, whereas a moderate minimum wage can prove to be a redistribution tool that has no major impact on employment, a high minimum wage can penalise the employment of certain disadvantaged groups, in particular the youth (OECD, 2006).⁴⁸ A majority of OECD countries (21 countries) have a minimum wage, though the level varies greatly from one country to another (from a little more than 30% of the median wage in the United States and Japan to about 60% or more in Australia, New Zealand and France). About half of the countries with a minimum wage have reduced levels for youth (Table 3.1). The scale of the reduction in the youth minimum wage differs from one country to another, as does the age group affected. The Netherlands stands out for its very extensive range of ages for the reduction, and for particularly low wages for the very young (from 30% of the minimum wage at age 15 to 85% at age 22). In France, the minimum wage (SMIC) can be reduced by only 10%

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47. The source used here is the annual declaration of social data (DADS), and the wage used is the net remuneration paid by the company during the year. This source is generally more reliable than the *Emploi* survey, which uses the net wage declared by the worker.
48. See also Box 3.1 in OECD (2008d).

(20%) for youth under age 18 (17) with less than six months of job tenure.⁴⁹ As a result, the SMIC at age 17 in France is 57% of the median wage, versus 19% in the Netherlands (Figure 3.2). Likewise, compared to the median wage, the SMIC at age 20 (which corresponds to the adult SMIC) is at the highest level in the OECD, and is more than 17 percentage points above the average minimum wage at age 20 in the OECD countries that have a reduced minimum wage for youth.

Table 3.1. Youth and adult minimum wages across OECD countries, 2006^a

Percentages

Numerator Denominator	Adult MW ^b Median wage	Average youth MW ^c Adult MW ^b	MW at 17 Median wage	MW at 18 Median wage	MW at 20 Median wage
Australia ^d	56.9	-	-	-	-
Belgium ^e	52.6	82.0	40.0	43.1	49.4
Canada	40.5	-	-	-	-
Czech Republic ^f	39.3	85.0	31.4	31.4	35.3
Spain	38.9	-	-	-	-
France^g	63.2	85.0	56.9	63.0	63.2
Greece	39.0	-	-	-	-
Hungary	47.8	-	-	-	-
Ireland ^h	48.0	70.1	33.6	48.0	48.0
Japan	33.8	-	-	-	-
Korea	35.0	-	-	-	-
Luxembourg ⁱ	52.8	77.5	42.2	53.0	52.8
Mexico	19.0	-	-	-	-
Netherlands ^j	44.0	52.6	19.0	20.3	27.5
New Zealand ^k	56.9	73.3	41.7	57.0	56.9
Poland ^l	41.0	-	-	-	-
Portugal ^m	44.0	74.9	33.0	44.0	44.0
Slovak Republic ⁿ	43.4	75.0	32.6	43.0	43.4
Turkey	36.1	-	-	-	-
United Kingdom ^o	47.7	72.4	29.4	39.7	39.7
United States	30.7	-	-	-	-
OECD^p	44 (49)	74.8	36.0	44.3	46.0

- Not applicable.

a) This is a gross figure that does not take into account any reductions on social charges. For Greece, Mexico, the Netherlands, Poland and Portugal, data refer to 2005.

b) Full minimum wage (MW) rate.

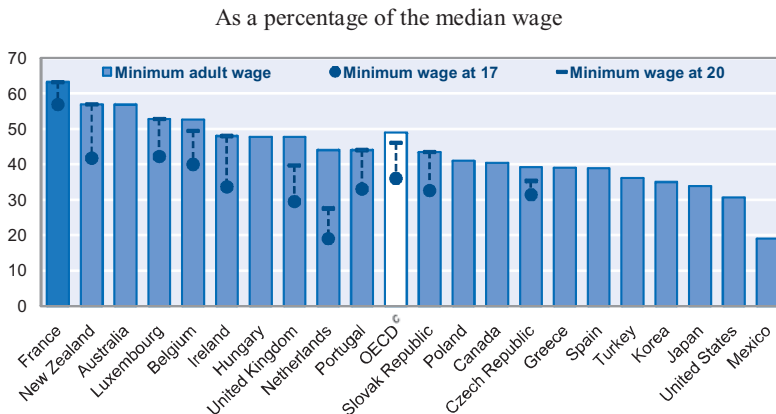
c) Unweighted average across sub-MW rates for youth.

49. As of 1 July 2008, the gross monthly SMIC (35 hour basis) was EUR 1 321.02. The next adjustment of the SMIC will take place on 1 July 2009, and then on 1 January 2010, in accordance with the law on labour income. Young people paid at the SMIC in France receive lower wage bonuses than older employees. Fewer than one-fifth of young people under age 25 on the SMIC receive more than 1.3 times the hourly SMIC when wage bonuses are included.

- d) In Australia, youth are entitled to a reduced MW to be set in collective agreements.
- e) Youth get an amount ranging from 70% of the adult MW at age 16 to 94% at 20.
- f) A reduced MW applies for workers under the age of 19 (80%) and for workers aged 19-20 with less than six months of job tenure (90%).
- g) Employees under age 18 with less than six months of job experience in a sector receive 90% of the adult MW at age 17 and 80% under age 17.
- h) A reduced MW applies to youth under age 18.
- i) Youth aged 15 and 16 are entitled to 75% of the MW and youth aged 17 to 80% of the MW.
- j) Youth are entitled to a reduced MW, varying from 30% at age 15 to 85% at age 22.
- k) A reduced MW covers youth aged 16 to 18. Starting on 1 April 2008, the youth sub-MW will be abolished, and the adult MW will apply for all workers from age 16.
- l) There is no reduced MW for youth, but school-leavers are entitled to 80% of the adult MW for the first 12 months of their first job, and 90% in the second year. There is no age limit set by law.
- m) A reduced MW applies to youth up to age 17.
- n) Youth aged 16 to 18 are entitled to 75% of the adult MW and youth under 16 to 50% (the latter rate is not used in practice, as the minimum school-leaving age has been raised to 16; consequently, 75% is used in the calculations).
- o) A reduced MW applies to youth under age 22. Two different rates apply: a development rate (83% for those aged 18 to 21) and a reduced rate of 62% for those aged 16 and 17.
- p) Unweighted average. Between brackets: rate solely for countries that have a reduced MW for youth.

Source: OECD Database on the Minimum Wage.

Figure 3.2. Minimum wage^a: difference between youth and adults, 2006^b



- a) Data refer to the gross wage, which does not take into account potential social contribution exemptions.
- b) 2005 for Greece, Mexico, the Netherlands, Poland and Portugal.
- c) Weighted average of countries having a sub-minimum wage for youth.

Source: OECD Database on the Minimum Wage.

A minimum wage that is high relative to the median wage could lead to excluding from the labour market those who are least productive or least experienced, in particular young people. This also leads to reducing the range of salaries, and transforms the minimum wage, the SMIC, into a reference wage for a large portion of the workforce. While a very large share of the workforce is paid at the minimum wage in France (14%,⁵⁰ versus an OECD average of 5%), the share of workers under age 25 on the SMIC is double that of their elders (30%, versus 13% of workers aged 25 or more) (Seguin, 2006). Ultimately, the over-representation of youth in France among minimum-wage employees is less pronounced than in the other OECD countries. For example, in Canada more than 60% of all minimum-wage workers are under age 25 (OECD, 2008c), compared with only 15% in France. At the minimum wage level, youth are therefore competing with experienced adults. This is why the OECD's economic studies of France have recommended that the French authorities ensure that in the long term the SMIC does not grow faster than the productivity of low-skilled workers (OECD, 2007g and OECD, 2009).

For Cahuc *et al.* (2008), the French strategy of setting a relatively high universal minimum wage is very unfavourable to young people insofar as the minimum wage makes it very difficult for this group, which still has limited job experience, to gain employment. The minimum wage tends instead to benefit their elders, in an “insiders-outsiders” configuration, where older workers with a job push the minimum wage upwards in order to increase their own income. The work conducted as part of the re-evaluation of the OECD Jobs Strategy tends to show that it is essential to set minimum levels below the minimum wage for less productive workers, in particular low-skilled youth (OECD, 2006).

D. The wage of apprentices being trained by business is below the minimum wage

In France, in addition to reductions for youth under age 18 with less than six months of job tenure, there are also exemptions to the minimum wage in apprenticeship contracts.⁵¹ The wage issue, or, more broadly, the cost of labour, plays an important role in the design of apprenticeship programmes. For

50. According to a survey of the wage structure in 2002. The international data are difficult to compare, as there is no standardised definition of salaries paid at the minimum wage (see, for example, the comparison between France and the United Kingdom made by Boissinot, 2008).

51. The same is true of subsidised contracts that include a training requirement (see Chapter 4).

example, in countries like Germany, Switzerland and Austria, which have placed great emphasis on apprenticeships, the wage level is set far below the wage normally paid for an equivalent job, a condition that is necessary (though not sufficient) so that companies do actually hire apprentices. This is also a way of offsetting the cost of in-house training. In France, an apprentice's wage varies between 25% and 78% of the SMIC, based on the degree of progress in the training programme, and the wage of a young person under age 26 on a *contrat de professionnalisation* varies between 55% and 80% of the SMIC, based on the diploma level (Table 3.2). In most countries, companies also receive subsidies when they hire apprentices that they have trained, although this is not true in France. These companies obviously have made a commitment to training, which has a cost. The issue of a link between a company's wages, productivity and training expenses is clearly posed with respect to apprenticeships, but it should in fact be raised more generally, as this involves especially the most disadvantaged youth, who have neither qualifications nor job experience, and who often do not make it into apprenticeship programmes.

Table 3.2. Wage levels of work-study contracts (*contrats en alternance*) set by the Labour Code, France

Contrats d'apprentissage			
	1 st year	2 nd year	3 rd year
Less than 18	25 % of SMIC	37% SMIC	53 % SMIC or sector-agreed minimum wage
From 18 to 20	41 % of SMIC	49 % SMIC	65 % SMIC or sector-agreed minimum wage
21 or more	53 % of SMIC	61 % SMIC	78 % SMIC or sector-agreed minimum wage
Contrats de professionnalisation			
	Less than <i>baccalauréat</i>		At least <i>baccalauréat</i>
From 16 to 20	55 % of SMIC		65 % of SMIC
From 21 to 25	70 % of SMIC		80 % of SMIC
26 or more	85% of sector-agreed minimum wage but at least the SMIC		

Source: Information provided to the OECD Secretariat by the DGEFP.

E. Non-wage costs are reduced massively at the SMIC level

In France, mandatory levies that affect all wages, including employer and employee social charges and income tax, are, on average, among the highest in the OECD. As no breakdown of data by age exists, Table 3.3 presents the tax wedge on the wages⁵² of a worker earning 67% of the average wage, which is close to the relative wage of a young person. In 2006, the tax wedge for low-wage workers in France – at 44% - was 11 percentage points above the OECD average and 6 percentage points above the EU average. The analytical work carried out as part of the re-evaluation of the OECD Jobs Strategy shows that the tax wedge is very important for explaining the performance of the labour market in the OECD countries (OECD, 2006). These levies increase labour costs and can hinder job creation. The combination of high social charges and a high minimum wage tends to penalise the employment of the low-skilled, particularly of low-skilled youth. Since the early 1990s, the public authorities have influenced labour costs at the SMIC level by means of a policy to reduce employer charges on low wages, which was implemented in 1993 and gradually extended since then. This policy has helped to reduce the cost of labour at the SMIC level, but it has not necessarily promoted the hiring of low-skilled youth. In practice, due to the high number of workers paid the SMIC, when low-skilled youth seek employment they more frequently find themselves competing at the same wage level with more experienced adult workers than is the case in other countries.

France is not the only OECD country to have followed this path. Belgium, the Netherlands (until recently) and, to a lesser extent, the United Kingdom have also established reductions on employer charges at the lower wage scale. Overall, the evaluations available for these countries point to the same conclusion, that is, a significant impact on the employment of the less-skilled. These evaluations also show significant deadweight effects: in addition to the fact that these reductions benefit all low-wage employees, several studies conducted among employers indicate that a non-negligible share of the new recruitment conferring a right to this financial assistance would have taken place even in its absence (OECD, 2007c). This raises the question of the cost-effectiveness of these policies. This is a crucial issue, since these massive reductions in social charges also pose major funding problems. The policy implemented in France to reduce social charges, which in 2005 cost a total of more than EUR 17 billion, *i.e.* 1% of GPD, has probably reached its limits.

52. This corresponds to the share of wage costs represented by tax levies and social security contributions, excluding family allowances and similar benefits and any reductions.

Table 3.3. Tax wedge^a including employer social security contributions, OECD countries, 2000 and 2006
Percentages

	Tax wedge on low-wage earner ^b		Tax wedge on average earner ^c
	2000	2006	2006
Mexico	11.0	10.6	15.0
Korea	14.9	16.0	18.1
New Zealand	18.5	19.0	20.9
Ireland	18.1	16.3	23.1
Australia	25.4	24.4	28.1
Iceland	19.7	23.6	28.6
Japan	23.4	27.5	28.8
United States	27.2	26.4	28.9
Switzerland	27.3	26.9	29.7
Canada	27.8	27.6	32.1
United Kingdom	28.3	30.4	33.9
Portugal	33.2	31.7	36.3
Luxembourg	32.5	30.6	36.5
Norway	35.1	34.3	37.3
Slovak Republic	40.6	35.6	38.5
Spain	34.7	35.9	39.1
Greece	35.5	35.4	41.2
Denmark	41.2	39.3	41.3
Czech Republic	41.4	40.1	42.6
Turkey	39.1	42.0	42.8
Poland	42.2	42.5	43.7
Finland	43.0	38.9	44.1
Netherlands	42.0	40.6	44.4
Italy	43.1	41.5	45.2
Sweden	48.6	46.0	47.9
Austria	43.2	43.5	48.1
France	47.4	44.5	50.2
Hungary	48.5	42.9	51.0
Germany	48.6	47.4	52.5
Belgium	51.3	49.1	55.4
EU-19^d	40.2	38.5	42.9
OECD^d	34.4	33.7	37.5

The countries are ranked by the ascending tax wedge on the average earner.

- a) The tax wedge includes mandatory social security contributions paid by the employer, excluding tax reductions.
- b) On a single worker with no children earning 67% of the average worker's wage.
- c) On a single worker with no children earning the average worker's wage.
- d) Unweighted average.

Source: OECD Database on Taxes and Wages.

3. Rigorous job protection legislation

A. *Job protection is still relatively strict in France*

France has some of the strictest job protection legislation of any OECD country (OECD, 2004). Although France ranks poorly on the OECD's overall indicator, this is due to its legislation on CDDs. The labour market is heavily segmented between those on CDIs and those on CDDs. The latter are plagued by uncertainty, which poses personal difficulties and in particular affects the accumulation of human capital. The CDD is less and less a stepping stone towards quick, stable employment for French youth. As in the Netherlands, temporary jobs (CDDs and temping) can be converted automatically into a CDI after a certain time (36 months) or a certain number of renewals (after three successive contracts) (OECD, 2008a).

The work conducted as part of the re-evaluation of the OECD Jobs Strategy did not find a direct impact of job protection legislation on youth employment and unemployment (OECD, 2006). It is true that the costs of laying off youth are very low relative to those for their elders, and thus do not represent an obstacle to hiring new entrants. This work does, however, show that overly strict job protection legislation undermines labour-market fluidity and contributes to segmentation (OECD, 2007c; Blanchard and Landier, 2002; Cahuc and Jolivet, 2003). The OECD thus recommended that the French government deals with this harmful segmentation, which is partly responsible for the long time that French youth need to find stable employment, by making the existing CDI more flexible and introducing better guarantees for the CDD (OECD, 2007c).

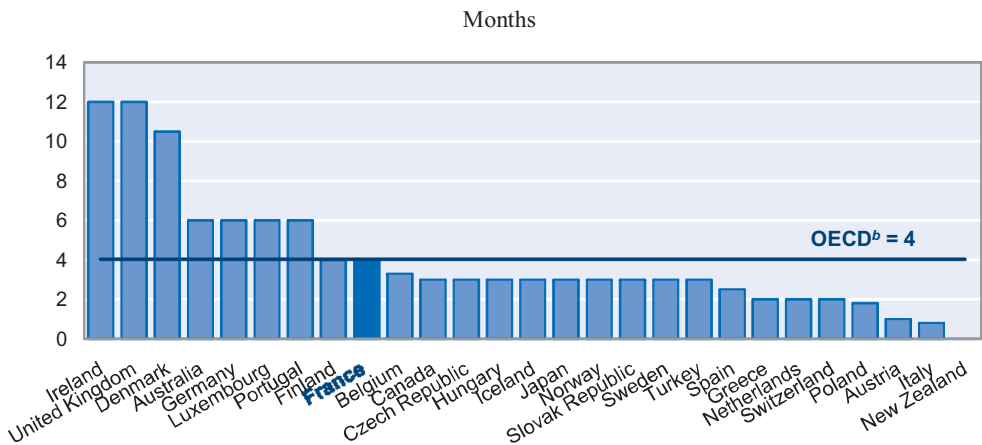
There has been progress in this direction. The law on labour contracts was modified by the Law of 25 June 2008 on the modernisation of the labour market, which followed the multi-sector agreement of January 2008. The purpose of this agreement was to lay the cornerstone of a system marrying job flexibility and secure career development. With regard to flexibility, in broad terms this agreement proposed the following: a longer trial period for CDIs, which would be renewable once,⁵³ a new type of CDD (between 18 and 36 months), but with “an undefined term” for engineers and managers; and the establishment of a new method of termination, called a *rupture conventionnelle*

53. Unless, before the agreement came into force, a sector agreement had been reached that provided for longer periods, the maximum duration is two months for workers and employees, three months for supervisors and technicians and four months for managers. Overall, including renewals, the maximum legal trial period is four months for workers and employees, six months for supervisors and technicians and eight months for managers.

(“agreed break”), for the labour contract. This termination method enables the employer and the employee to agree mutually on the conditions for terminating the contract. With regard to employee security, in certain conditions when leaving the company some rights (provident funds, training) are still included, based on the notion of transferability to the person and no longer to the job. There is more security in relation to redundancies, as costs are handled by the establishment of an indemnity with a floor and legal protection. In addition, the job tenure required to claim the legal redundancy indemnity has been reduced from two years to one year.

In 2007, contract terminations during the trial period were about three times more numerous than economic redundancies, although it is not known whether the decision came from the employee or the employer (Arnold, 2008). Despite the recent extension of the trial period, the maximum legal term of the trial period in France for employees at the bottom of the qualifications ladder is average for the OECD, far behind Denmark, Ireland and the United Kingdom, which have trial periods of ten to 12 months (Figure 3.3). In Denmark in particular, the long trial period is part of the “flexicurity” strategy, as a result of which employers are subsequently less hesitant to offer a permanent contract to a new entrant.

Figure 3.3. **Maximum trial period for permanent contracts for low-skilled employees in OECD countries, 2008^a**



- a) 2009 for Portugal, 2003 for Ireland, Italy and Turkey.
 b) Unweighted average of the countries shown in the figure.

Source: OECD Database on Job Protection Legislation.

The Law of 25 June 2008 also established two measures for young people. First, the duration of an internship associated with a pedagogical curriculum performed during the last year of studies is taken into account in the duration of the trial period. However, it cannot reduce the period by more than half, unless there is a sector or company agreement specifying more favourable provisions in the case of recruitment into the company at the end of training. Second, at the end of a labour contract, anyone under age 25 who so wishes can benefit from PES services in the form of an individual examination of the person's situation and personalised support.

B. Other specific provisions to protect the employment of French youth

The “last hired, first fired” rule does not apply systematically in France, in contrast to countries like Sweden, the United Kingdom and the United States, where young people are the first to be made redundant. Nevertheless, according to the Law of 2 August 1989, certain characteristics must be taken into account during redundancies. While age is not mentioned explicitly, some factors militate against young people, such as not having a dependent family or having less seniority in the company.

Even though an apprenticeship contract is agreed for a specified term, it is covered by the exemption rules on a CDD, in particular for contract termination. While either party can unilaterally break the contract during the first two months, once this period has passed unilateral termination is not permitted. After the two-month deadline, termination by the employer or the unilateral resignation by the apprentice is null and void. The contract can thus be terminated only upon the explicit written agreement of the parties, signed by the employer, the apprentice, and, if the apprentice is a minor, his or her legal representative, or if necessary upon a decision of the *conseil des prud'hommes* (industrial relations tribunal).

4. Type of jobs filled by young people and working conditions

A. Regulations governing youth employment

The minimum legal age for paid work is 16, after having completed compulsory schooling. In some cases, it is nonetheless possible to begin working before age 16 (in the family company, under the responsibility of a parent, for occasional or short-term work) or from age 15 (as an apprentice following year 3 in middle school). A minor can also be hired in a company engaged in entertainment, cinema, television, audio recording, radio or modelling, upon authorisation by the *préfet*. Payment of anyone under age 15 is broken down between a sum paid to the legal representative and a sum

intended for the minor, placed in the Caisse des dépôts et consignations bank. It is also possible to work from age 14 during school holidays.

The employment of young minors in France is strictly regulated. Night work is prohibited to anyone under age 18, as well as to minors in work-study programmes. Exemptions can be granted by the labour inspector for specified sectors, except between midnight and 4 AM. In addition, by law some types of work are prohibited for young workers, on the grounds that the task is morally reprehensible, exceeds their physical capacities or is dangerous.

There is thus specific legislation to ensure the protection of young workers who are minors. On the other hand, there are no specific preventive measures or legislation for other new workers. Measures to prevent occupational hazards thus fall within the purview of the company's overall plans.

B. Characteristics of jobs filled by youth

With respect to the part-time employment of youth, France occupies a relatively intermediary position compared with the other OECD countries: its rate is close to the OECD average for young women (32% versus 35% in 2007), and below that for young men (9% versus 22%). As in most countries, young people work part-time more often than their elders do, but unlike the general tendency in the OECD countries, the part-time rate for young people fell slightly in the last ten years, from 22% in 1997 to 19% in 2007, which was significantly below the OECD average of 24% in 2007.⁵⁴ The relatively low level of part-time employment of French youth undoubtedly reflects the low work-study rate.

In terms of the volume and arrangement of working hours, the differences found for the employed population as a whole between men and women also exist among youth (Table 3.4): young men have a longer working week, and more frequently work nights. Young people work fewer hours than their elders, and less often work odd hours (evenings, nights and weekends) except for women, about 60% of whom work Saturdays, which undoubtedly reflects their over-representation in the commercial sector.

54. See Table 1.1.

Table 3.4. **Work arrangements by age group, France, 2006**

As a percentage of employed in the group

	15-24		25-29		30-59	
	Men	Women	Men	Women	Men	Women
Part-time employment	13.1	36.8	6.5	20.1	4.7	30.7
<i>Of which</i> involuntary part-time	4.5	17.9	3.1	9.1	1.6	7.6
Full-time more than 40 hours	20.0	13.5	38.6	25.1	46.9	31.3
Evening work	28.0	28.4	40.6	29.6	42.3	27.0
Nighttime work	16.4	8.4	22.4	9.7	23.0	8.5
Work on Saturdays	44.3	59.4	50.1	53.6	55.7	48.3
Work on Sundays	21.9	30.9	27.5	30.5	32.4	26.6
Average weekly hours worked	36.6	31.1	39.1	35.1	42.0	34.7

Source: Estimates by the OECD Secretariat based on the INSEE *Emploi* survey.

5. Key points

The practice of discrimination in hiring youth from visible minorities is far from unusual in France. Low-skilled French youth from a North African background, or even more so a black African one, are particularly victims.

Unskilled young people are hired on at least the minimum wage, unless they are in a subsidised job or on a work-study contract where they receive only a portion of it. Relative to the median wage, France's minimum wage, the SMIC, is at the highest level in the OECD. Another distinctive feature of France is that relatively inexperienced young people are far from being the only ones to work at the minimum wage. At the minimum wage level, young people are in competition with more experienced adults. The question of labour costs also plays a significant role in the design of apprenticeship programmes. In France, an apprentice's wage varies between 25% and 78% of the SMIC, and companies receive subsidies for taking on apprentices.

The labour market in France is sharply segmented between those on fixed-term contracts (CDIs) and those on permanent contracts (CDDs). The fact that young people begin their careers almost systematically by alternating between a CDD and periods of unemployment leads them and their employers to under-invest in their human capital at an age when progress is decisive for their future productivity.



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