

The French Minimum Wage: Why and how to reform it

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1. Minimum wages: Not everywhere

- **Among OECD countries: 28 / 36 (78 %)**
no MW: AUT, CHE, DEN, FIN, ITA, ISL, NOR, SWE
- **Sometimes recently:**
AUS 1998, UK 1999, IRL 2000, NZE 2000, MEX 2006, DEU 2015
- In France since 1950 (SMIG), renovated in 1970 (SMIC)

2. But... linked to collective negotiation deficiencies

- Ex. Italy, Denmark ... where social partners are opposed to a national MW

3. MW revaluation rules differ. Among the 28 OECD countries having a MW:

- 100% discretionary government decision in 24 countries
- Automatic Indexation + discretionary decision in 4 countries
 - Automatic indexation on inflation + discretionary decision in 3 countries:
BEL, LUX, SVN
 - Automatic indexation on inflation + part of wage index purchasing power growth + discretionary decision in France
→ **France has a one-of-a-kind indexation rule**

4. Circular relation between average wage and SMIC

- Increases in the real wage for blue-collar workers and employees influence the SMIC through indexation
- Revaluations of the SMIC influence that reference wage

5. The French MW is costly for public finances

- In order to counterbalance damage of a high MW on employment of low skilled workers, **large policies targeted on low wages** reduce employer social contributions

6. Ineffectiveness of the MW in the fight against poverty

- For wage earners, main poverty factors are the number of hours worked and the family size (OECD 2009, previous reports of the MW expert group ...)
- **Hourly wage is a minor poverty factor**
- If labour costs are too high at the MW level, they have a damaging impact on the employment of low skilled people and the youth

7. High wage stability of MW workers in France

- More than the **wage level**, is not the main issue the one of **wage mobility** at the MW level?

Recommendations of the minimum wage expert group (2017)

1. No specific MW for youth

Apprenticeships are a better way to help youth integration in labor market
Bad previous experiences in France (CIP, 1993 ; CPE, 2005)

2. No regional MW

Housing is the main factor of different CPI levels. At a city level more than a regional one

This differentiation should concern also all social policies, not only MW
Working location does not necessarily correspond to living location

3. Change of SMIC revaluation rules

Remove either one or the two automatic MW increase parameters
Reinforcement of the expert group role
=> Becoming closer to other countries

4. Decrease worker poverty through an income support premium (the PA) increase and not through MW increase

5. Increase wage mobility for low wage workers, through professional training

Labor share in France

Non financial corporates – In %

