

Dualism in France: « Le contrat unique »

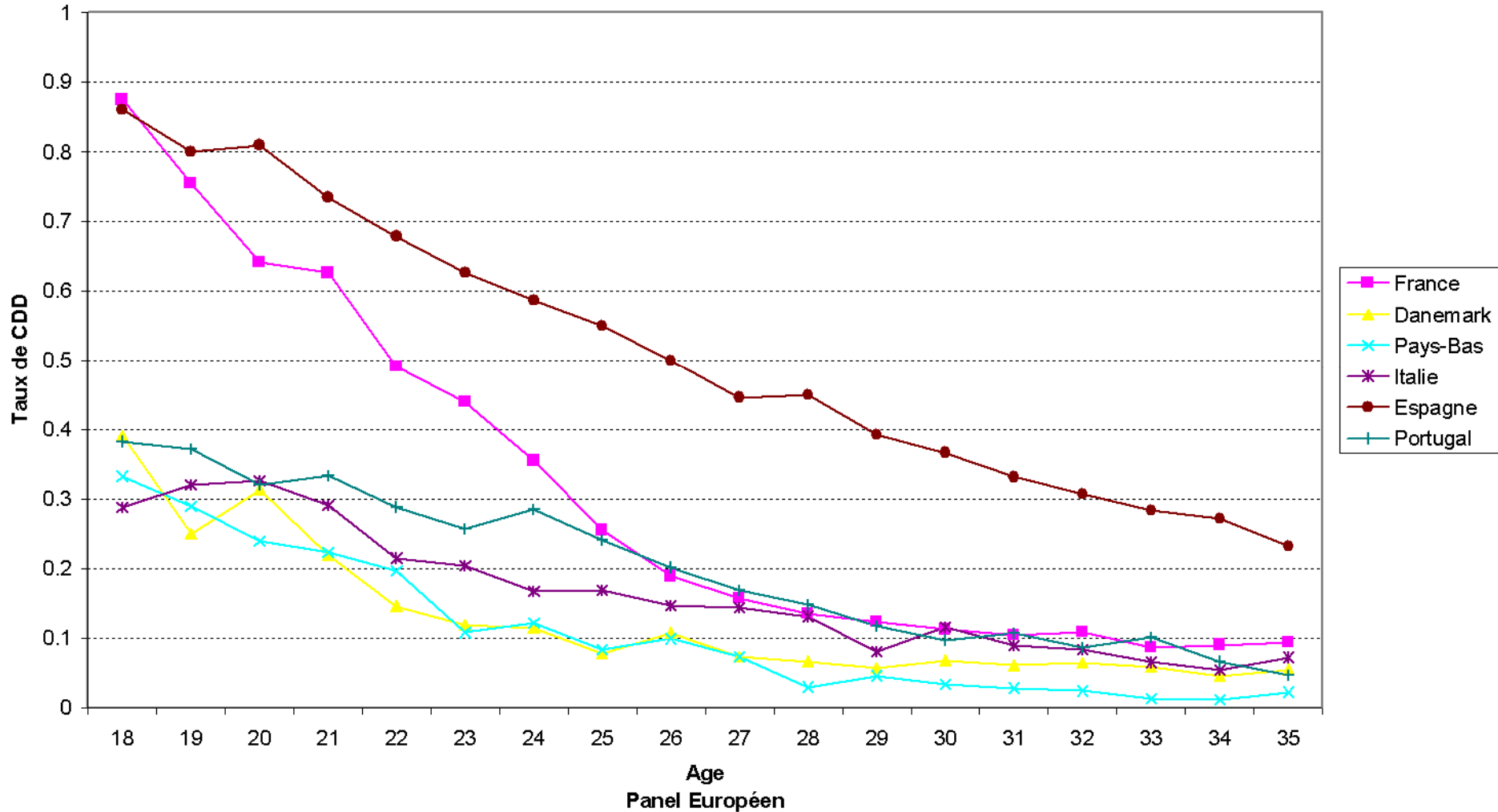
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- Presentation relies on reports
 - Pierre Cahuc and Francis Kramarz (2004)
 - Olivier Blanchard and Jean Tirole (2004)
- Pierre Cahuc and Francis Kramarz: Deep coordinated reform of
 1. employment services
 2. product market regulation
 3. labor contract (contrat unique)
- Olivier Blanchard and Jean Tirole (2004): Deep reform of the labor contract (contrat unique)

Dualism in France

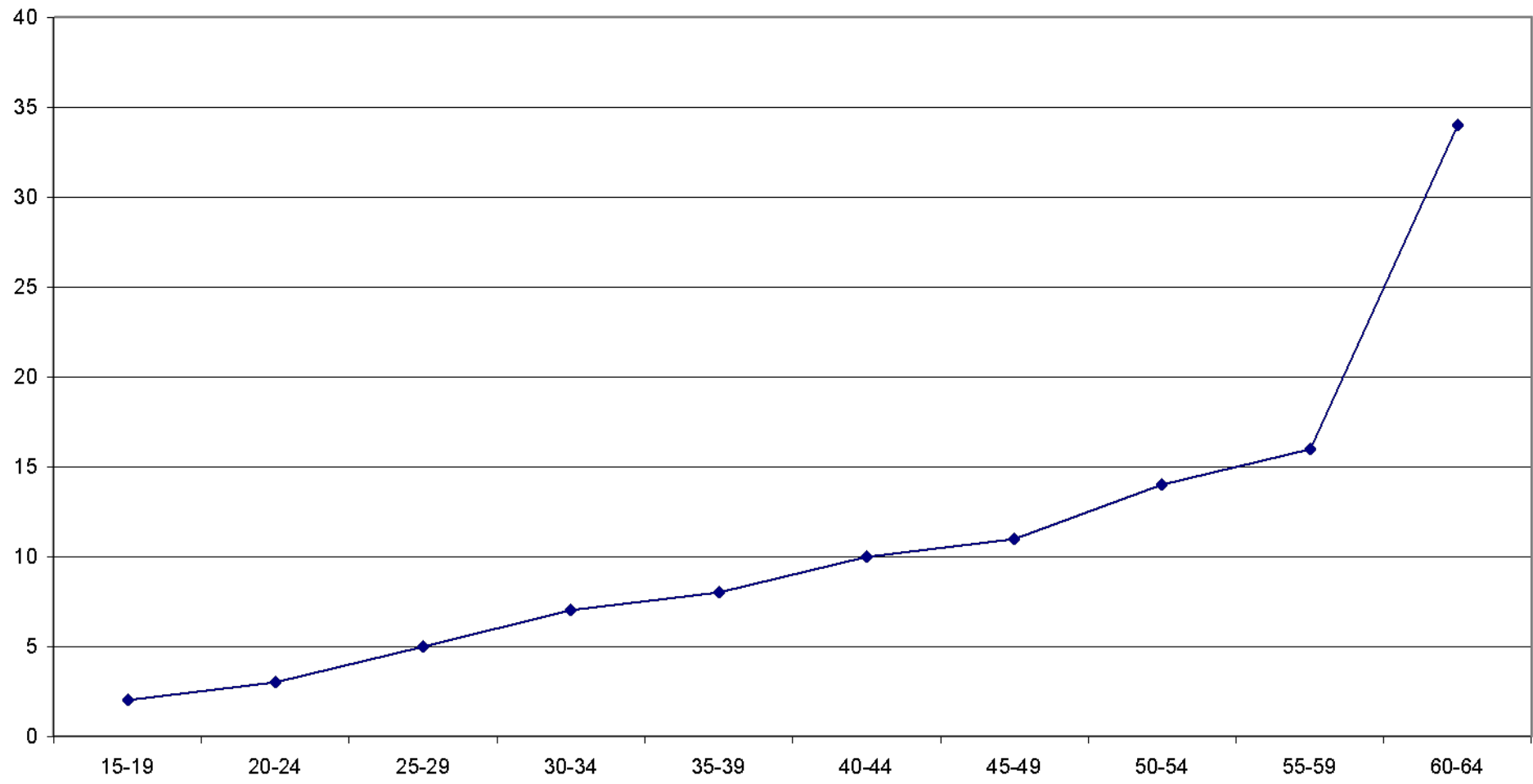
- 30 000 job separations every day in France
- Adjustment relies to a large extent on the youth because
 - many short term contracts
 - stringent protection of permanent contracts

Part de contrats précaires, parmi tous les contrats



Many fixed term jobs for young workers

Ancienneté médiane de chômage



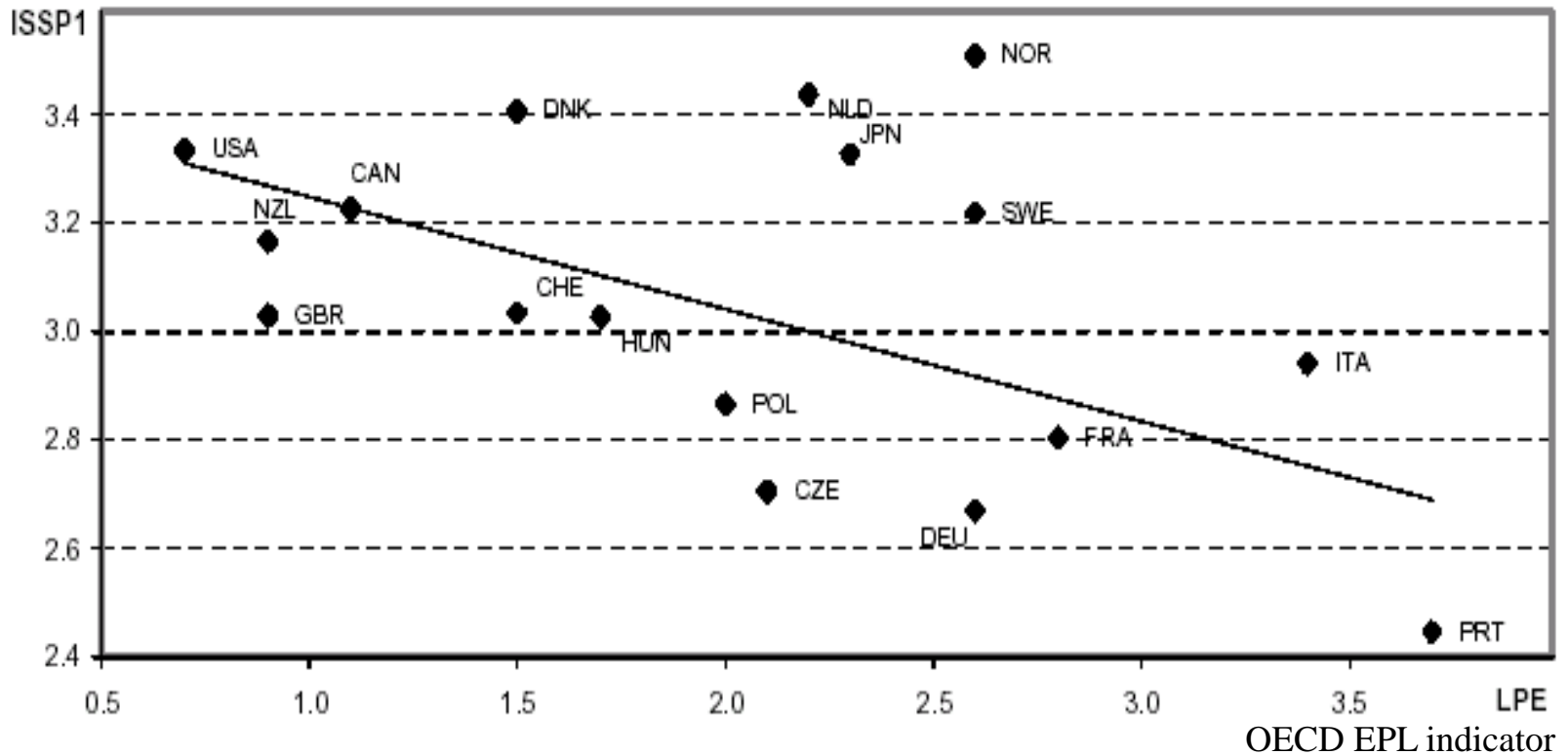
Source: enquête Emploi, 2003

Tranche d'âge

Median unemployment duration by age

Do you worry about the possibilities of losing your job?
I worry a great deal I worry to some extent I worry a little
I don't worry at all”

Feeling of job security



EPL is negatively correlated with the feeling of job security

Propose deep change in the regulation of the employment relation

Basic idea: protect individuals instead of protect jobs
(flexicurity)

- employment services (to move between jobs)
- product market regulation in service industry (to favor job creation, especially for young people)
- labor contract

Single labor contract

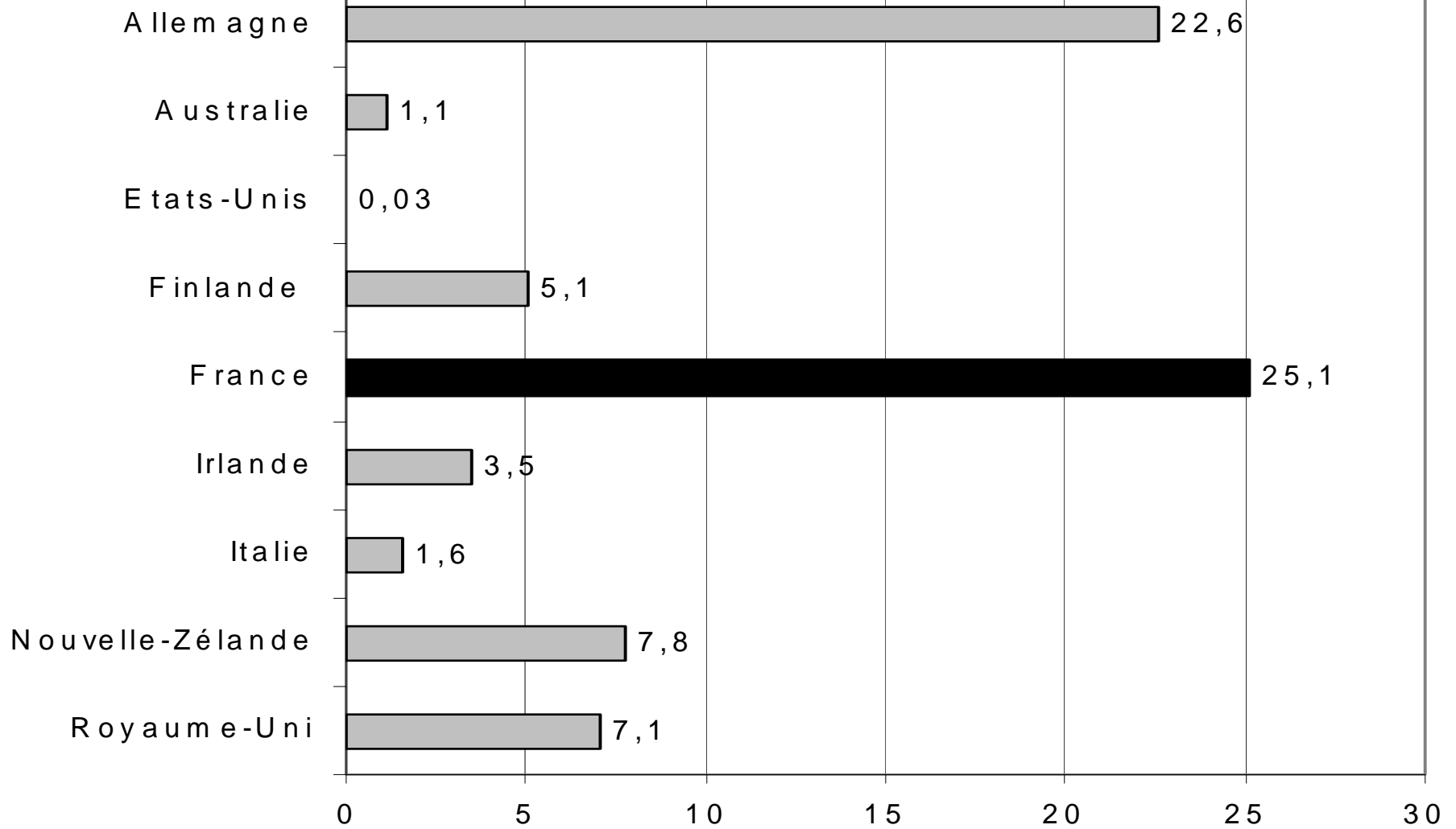
 Strong EPL in France

Firing for economic causes

- Complex procedures
- Important intervention of the State (Ministry of labor)
- Employers have to try to keep the workers in the firm (provide training...)
- Long delay
- Weak role of trade unions (only on the procedure)

Strong judicial insecurity

- Problem with the definition of economic causes:
can « safeguard » the competitiveness of the firm, but cannot fire
to « improve » the competitiveness of the firm.



Percentage of layoffs giving rise to legal proceedings in the end of the 1990's. Source : *OECD*

The Law is circumvented

- Layoffs for economic causes = **2** percent of separations
(has been divided by 3 since the beginning of the 1990s)
- Collective layoffs = **0.5** percent of job separations
- 70% of recruitings are fixed term jobs (should be the exception according to the law: replacement, seasonal work, temporary increase in compagny activity)

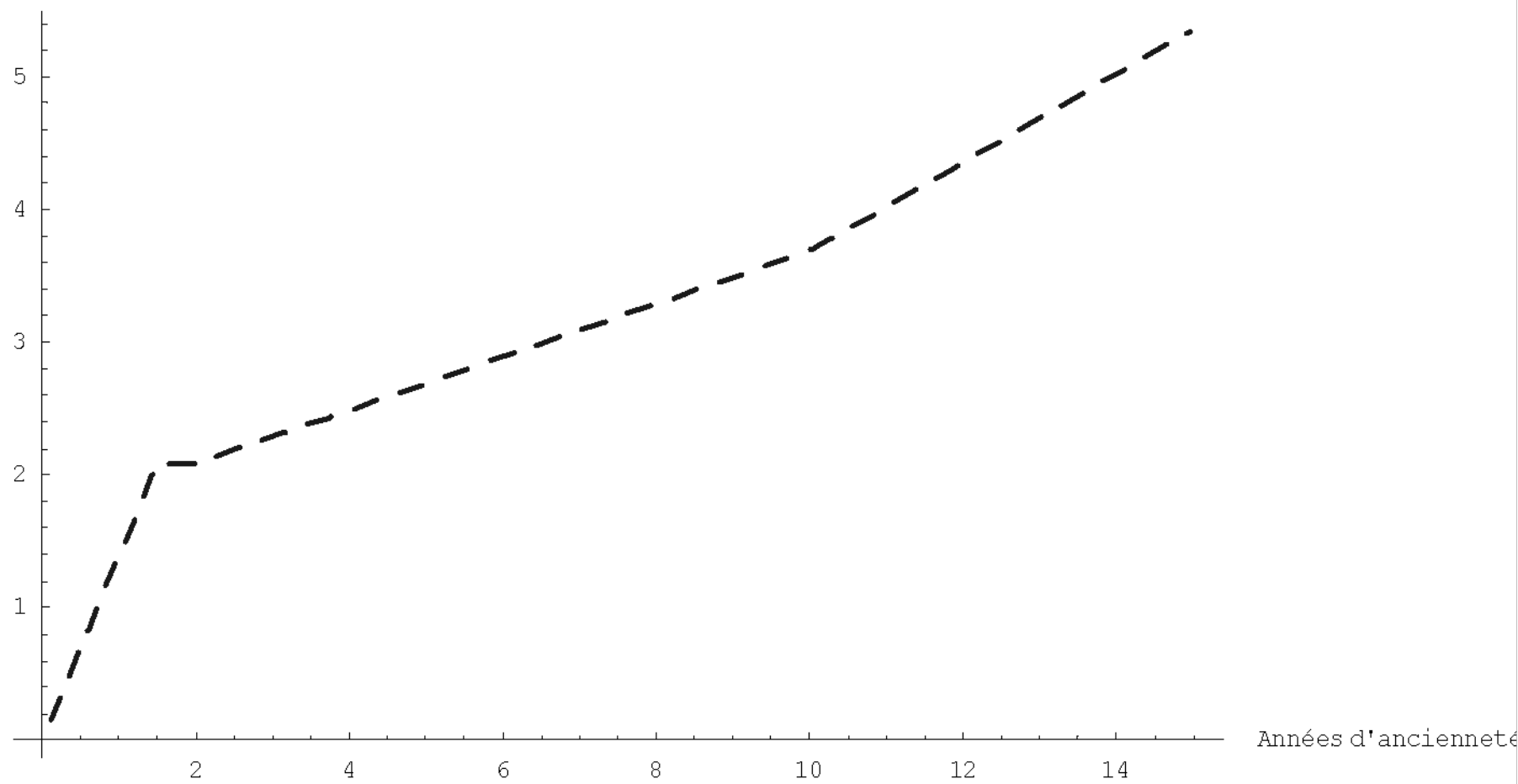
Proposal : single contract

1. Same regime whatever the term (fixed or indeterminate) of the contract
 - Dismissals prohibited if based on discrimination, pregnancy, exercise of a legal right (trade union membership...). Otherwise authorized
 - Notice period increases with seniority (zero at the beginning...)
 - Simple procedure (letter, interview, if indeterminate duration)
 - No imposed order of dismissals for collective dismissals

2. Counterpart: Layoff tax

- difference in the social value and the private value of the job
- experience rating (in the US), tax used to finance public employment services
- Amount of the tax:
 - 1.6 percent of the wages paid to the fired workers
 - + 10 percent for the 18 first months

Coût du licenciement



Layoff costs (in monthly wage units) and seniority (in year)