

Wage Bargaining and Compensation Practices in France : An Overview

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This contribution tries to define the current characteristics of the French wage setting system. Two dimensions are described and discussed: the institutional system of collective wage regulation, particularly collective wage bargaining, and the actual practices of French firms concerning the structure of workers' payment. Such a descriptive but detailed view is a necessary first step to understand how the institutional wage setting system in France influences prices and then macroeconomic performance (inflation and employment), beyond some simplistic traditional views.

This description mainly refers to the statistical results of the French REPOSE¹ survey, which consists of a repeated survey of employment relations in French establishments of more than twenty employees belonging to the market sector (i.e. excluding agriculture and public administrations). This survey has been conducted on three occasions: 1992, 1996 and 2004.

The first part of the paper presents the rules of collective wage bargaining in France and clarifies the multi-levelled structure of the French system (national, industry-level, firm level). In the 80s, the emphasis was put on the regulatory role of the branch or industry collective bargaining. Simultaneously, the Auroux laws (1982) were promoting decentralized bargaining at the firm and industry level. International organisations as OECD² still consider the French system as a largely decentralized and uncoordinated system of collective bargaining, essentially regulated at firms and industry-levels. Since the end of the 90s, this view has sometimes been partly discussed³. Branches may have lost part of their dominant role, and then wage regulation in France would essentially depend on legal minimum wage, defined at the national level, and decentralized collective bargaining at the firm level. Such a dual wage regulation makes even more difficult the classification of the French system in terms of centralization/coordination and then the economic evaluation of its macroeconomic efficiency. Yet, a more detailed analysis of each level real contribution is necessary. Particularly, the idea of a "residual" role of branch or industry level must be debated, taking into account its interactions with the other levels. The influence of the state level wage policies on the collective bargaining structures is particularly examined, as well the existence of a real but smooth decentralization since the 80's, with a larger autonomy of firms from the industry level regulation.

A connected main question, that is not taken into account by general centralization indicators, is the real content of each level of collective regulation: general wage increase, job classification and minima, individual wage increases, bonus and share option plans, etc. Such a question is debated within the second part of this paper that analyses how French firms concretely mix the different elements of labour compensation. The traditional wage component of work income is progressively challenged by the increasing use of reversible labour compensation. Aside from irreversible pay increases – either individualised or generalised – that directly affect the wages, other work incomes should from now be taken into account considering their amount: individual and collective bonuses, profit sharing, stock options, etc. This non-exhaustive list of the components of work incomes crosses two determinant dimensions of these devices: their reversible vs. irreversible and individual vs. collective properties.

The dynamic relationship between wage setting (or labour cost) and price setting at the firm level is probably dependant on the real structure of the "wage" growth. Firms' decisions to adjust their prices are partly influenced by their labour compensation strategies. That is why a detailed analysis of French firms' wage setting practices is interesting with the REPOSE survey data.

¹ Relations Professionnelles et N  gociation Sociale en Entreprise. This survey is similar to the British "Workplace Employment Relations Survey" (WERS).

² See OECD employment outlook (2004) for example.

³ See Fayolle et al. (2005) ; European Commission (2007) ; Visser (2005).

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I. Wage setting and collective bargaining in France: structure and trends

Essential element of the employment contract, the wage constitutes the reward for the worker in compensation for the job that it performs, under the subordination of the employer. Wage setting or wage revaluation, though there are theoretically ruled by the individual and contractual relationship between the employer and the employee, must respect rules relating to the legal minimum wage and those concerning classifications and minimum wages envisaged by conventions and collective agreements. The French system of wage setting is particularly complex because it depends simultaneously on state level wage policies and collective bargaining at other levels. Analyzing the characteristics of the French system of collective bargaining on wages, particularly its centralization and coordination dimensions, is important but not sufficient to understand the functioning of the overall wage regulation.

As a point of departure, we summarize how the French system is frequently characterized in the international comparisons that essentially focus on the centralization and coordination criteria. These criteria shed light on the more or less decentralized and uncoordinated nature of the French system: this view, if not wrong, needs to be refined by exploring in details some specific aspects of the French system that are not sufficiently taken into account by the indicators.

After reviewing the evolution of the French system of collective bargaining and the main characteristics of industry-level and firm-level bargaining since 1980, we emphasises on two points:

- first it seems necessary, in the French case, to take into account the state compensation policies (minimum wage, labour cost reduction) as main elements defining the framework, the autonomy and the real influence of each lower level of bargaining, even if such polices are not the subject of central collective bargaining;
- second, we try to show the existence of an effective “qualitative” decentralization of collective bargaining since the 80’s, that takes the form of a growing “autonomization” of firms’ wage policies or practices from the industry level.

1.1. The French system of wage bargaining in the international comparisons

The benchmark studies of Cameron (1984), Calmfors and Driffill (1988) or Soskice (1990) have generated numerous attempts to build multi-dimensional indicators in order to compare national wage setting systems, and particularly national collective bargaining structures. These indexes essentially focus on two dimensions: centralization and coordination within the bargaining system. When applied to the French system, they reveal the main characteristics of the system but also their own structural weaknesses.

1.1.a – Centralization of collective bargaining on wages in France

Centralization of collective bargaining refers to the bargaining levels at which collective agreements are formally concluded.

The indicators progressively built up by the OECD are probably the most famous and the most frequently used in the empirical works that try to link macroeconomic performances to labour market institutions. According to the 2004 most recent results, the French system of collective bargaining is structurally classified as “significantly decentralized”, because wage bargaining only take place at the branch and enterprise levels and they cover a large part of the employees.

Table 1 : Centralization and coordination of wage bargaining, OECD index 2004.

	Centralisation ^c						Co-ordination ^d					
	1970-74	1975-79	1980-84	1985-89	1990-94	1995-2000	1970-74	1975-79	1980-84	1985-89	1990-94	1995-2000
Australia	4	4	4	4	2	2	4	4	(4.5)	4	2	2
Austria	3	3	3	3	3	3	5	5	(4.5)	4	4	4
Belgium	4	(3.5)	3	3	3	3	4	(3.5)	(4)	(4)	(4)	(4.5)
Canada	1	1	1	1	1	1	1	(3)	1	1	1	1
Czech Republic	..	..	..	..	1	1	..	..	..	..	1	1
Denmark	5	5	3	3	3	2	5	5	3	(4)	3	(4)
Finland	5	5	(4)	5	5	5	5	5	(4)	5	5	5
France	2	2	2	2	2	2	2	2	2	2	2	2
Germany	3	3	3	3	3	3	4	4	4	4	4	4
Hungary	..	..	..	..	1	1	..	..	..	..	1	1
Ireland	4	4	1	(2.5)	4	4	4	4	1	(2.5)	4	4
Italy	2	2	(3.5)	2	2	2	2	2	(3.5)	2	(3)	4
Japan	1	1	1	1	1	1	4	4	4	4	4	4
Korea	1	1	1	1	1	1	1	1	1	1	1	1
Netherlands	3	3	3	3	3	3	3	(4)	(4.5)	4	4	4
New Zealand	3	3	3	3	1	1	4	4	4	4	1	1
Norway	(4.5)	(4.5)	(3.5)	(4.5)	(4.5)	(4.5)	(4.5)	(4.5)	(3.5)	(4.5)	(4.5)	(4.5)
Poland	..	..	..	..	1	1	..	..	..	..	1	1
Portugal	5	4	3	3	4	4	5	4	3	3	4	4
Slovak Republic	..	..	..	..	2	2	..	..	..	..	2	2
Spain	5	4	4	(3.5)	3	3	5	4	4	(3.5)	3	3
Sweden	5	5	(4.5)	3	3	3	4	4	(3.5)	3	3	3
Switzerland	3	3	3	3	2	2	4	4	4	4	4	4
United Kingdom	2	2	1	1	1	1	(3)	4	1	1	1	1
United States	1	1	1	1	1	1	1	1	1	1	1	1

.. Data not available.

- a) Figures in brackets are period averages in cases where at least two years differ from the period's modal value.
b) No scores for 1970-89 were attributed to the central and eastern European OECD countries (formerly "central command" economies).
c) Centralisation:
1 = Company and plant level predominant.
2 = Combination of industry and company/plant level, with an important share of employees covered by company bargains.
3 = Industry-level predominant.
4 = Predominantly industrial bargaining, but also recurrent central-level agreements.
5 = Central-level agreements of overriding importance.
d) Co-ordination:
1 = Fragmented company/plant bargaining, little or no co-ordination by upper-level associations.
2 = Fragmented industry and company-level bargaining, with little or no pattern-setting.
3 = Industry-level bargaining with irregular pattern-setting and moderate co-ordination among major bargaining actors.
4 = a) informal co-ordination of industry and firm-level bargaining by (multiple) peak associations;
b) co-ordinated bargaining by peak confederations, including government-sponsored negotiations (tripartite agreements, social pacts), or government imposition of wage schedules;
c) regular pattern-setting coupled with high union concentration and/or bargaining co-ordination by large firms;
d) government wage arbitration.
5 = a) informal co-ordination of industry-level bargaining by an encompassing union confederation;
b) co-ordinated bargaining by peak confederations or government imposition of a wage schedule/freeze, with a peace obligation.

Source : OECD Employment Outlook 2004.

The weakness of this indicator is that it does not clearly specify the equilibrium between the two levels of collective bargaining on wages. Whether or not the industry level is more influential than the enterprise level is of first importance notably if we consider that centralized or decentralized systems should have better macroeconomic performance (employment, inflation, growth) than intermediate systems. This point of view, traditionally associated with Calmfors and Driffill U-shaped curve, has long been prevalent. In the 80's and 90's, France was frequently associated with intermediate system, like Germany, where industry-level collective bargaining was very influential and employment performances were poor. Such a simplistic view that has progressively been challenged reveals the difficulty to sum up in one dimension the complexity of the French system of industrial relations.

Box 1 : Main characteristics of the French legal framework of collective bargaining on wages

There are schematically various levels of collective bargaining in France: the national or inter-industry level, the industry level (in the sense conventionally defined local or national branches), and the level of the company. The industry or professional levels are, in some cases, divided according to precise regional spaces that have historically specific industrial relations.

Concerning wages, there is no national or multi-sectoral collective bargaining. It is only on very rare occasions that multi-sectoral initiatives could be taken on wage topic, under the impulse of the State.

The wage bargaining in France takes place within the broader legal framework defining the methods of the collective bargaining, its legitimate actors and its obligations.

→ A dual system of employee representation at the enterprise level

In one hand, trade unions may designate their own delegates and, in the other hand, employees elect directly different kind of representative institution within the company or the plant (employee delegate, works council). Company size criteria define different sorts of duty for the employers concerning employee representation.

→ Trade unions' quasi-monopoly on collective bargaining and the signature of agreements.

Traditionally, only trade unions that are representative at a given level are entitled, via their delegates, to negotiate agreements with the employers or the employers' organizations. The designation of delegates is easier in the companies of 50 employees and more, which doesn't mean that all these companies have union delegate: only 8% of the workers are unionized in France, a majority of them being in the public sector. In many firms, particularly the smallest ones, unions are not represented. Elected employee representatives sometimes take part in the discussions with the direction even if it's not their traditional function. Since 2004, under particular conditions, elected employee representatives can legally bargain and sign agreements at the firm level.

→ Criteria of representativeness of the negotiators

At the national level, five trade-unions and three employers' organizations are officially recognized as representative and are entitled to engage of the collective bargaining. The representativeness of the 5 main trade-union organizations is, since 1966, a legal irrefragable presumption at any level of collective bargaining. It can't be disputed because it is acquired independently of the number of members. Any trade union affiliated to one of these 5 trade-union organizations is thus automatically regarded as representative and can thus take part in collective bargaining at the sectoral level or companies level where they have delegates. The non-affiliated trade unions must prove their real representativeness at each level, notably through the number of their members.

→ Trade union pluralism and validity of an agreement

Several trade unions can take part jointly in a collective bargaining. Up till may 2004, an agreement could be applied to all the workers if signed by at least one representative trade union, even a minority one. Since 2004, an agreement signed by one ore more trades unions is only valid if it is not the subject of an opposition procedure by one or more majority trade unions.

→ Coverage of workers by collective at the firm level

In the companies, an agreement signed by trade unions applies to all the employees of the company and not only to the members of the trade unions that signed the agreement.

→ Coverage of industry level agreements and the legal extension procedure

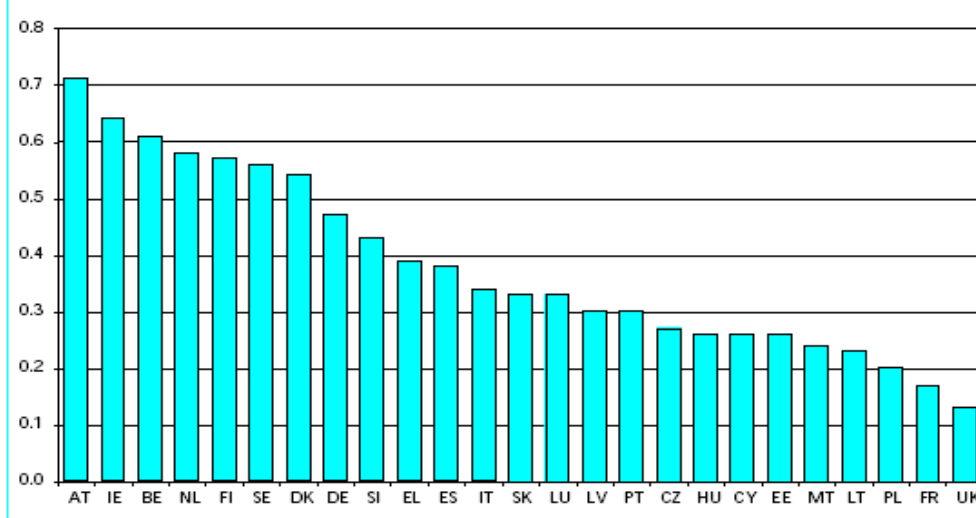
Sectoral agreements first apply to the companies that are members of the employer organisations that signed it. The "extension" principle gives possibility to the signatories of a sectoral agreement to ask the labour minister to extend this agreement to all the companies of the concerned industry. It is thus mainly by the application of this administrative procedure that 98% of the employees are in fact covered by industry level collective agreements. This is a mean to rule the whole industry and to limit the phenomena of social dumping. Concerning collective wage bargaining, the signatories of an agreement systematically ask for the extension.

→ Legal duty to open collective bargaining

Since the Auroux laws of 1982, industry level organisations and the companies that have at least one representative union must open each year collective bargaining on various subjects, of which wages. This obligation to negotiate is however not an obligation to obtain an agreement.

Other indicators have been developed since the end of the 90's, based on extensive qualitative analyses of each national institutional systems and real wage bargaining practices. Being more complex, these indicators give more ambiguous results when employed in comparative econometric studies. Kenworthy (2001) analyses the methodology of some of them (see Golden, Lange, and Wallerstein data set, 1997; Iversen, 1999; Traxler, Blascke and Kittel, 2001) and compares their results for different countries. It shows that the different indexes are convergent when applied to the French case, in terms of structure and evolution. All of them describe, like the OECD index, the French system as significantly decentralized. Iversen's indicator and Visser's one (2005) tend to emphasize this decentralization by acknowledging that the branch level has in fact a marginal influence (figure 1). Such indicators rank the French system of wage bargaining closer to the Anglo-Saxon system than to the German one. Such a ranking can be surprising if we consider, more generally, the important differences between French and Anglo-Saxon systems of wage regulation.

Figure 1 : Centralization of wage bargaining in 2003, J.Visser's index



Source : J.Visser, Industrial relations in Europe 2004, European commission report.

In terms of general classification, all the previous indicators of bargaining centralization are quite consistent with the main characteristics of the French institutional arrangement structuring collective bargaining (see frame 1 for a description of these main characteristics). Strictly speaking, there is no national or inter-industry wage bargaining, no tripartite bargaining with the government in order to set guidelines for wage increases. On the contrary, since 1982, collective bargaining on wage has become a yearly legal duty for branch organisations and firms where trade unions are represented. Moreover, due to some institutional mechanisms (legal trade unions representativeness, possibility of an extension procedure by the ministry of labour; see box 1) the coverage of workers by industries' and firms' collective agreements is much larger than what the membership rates of the trade unions and employer associations would imply.

1.1.b- Coordination of collective bargaining on wages in France

Centralization of bargaining structures and/or bargaining practices is just one above all the dimensions of the wage regulation. Soskice (1990) insisted on the fact that there can be coordination mechanisms of wage bargaining at different levels that transcend the formal degree of centralization of bargaining structures. This idea has been significantly taken into account during the 90's.

Macro-coordination essentially refers to the synchronization of the distinct bargaining units across the economy for the sake of macroeconomic or macro-social goals. The coordination is then first horizontal (between sectors). Other dimension of coordination can be identified. Vertical coordination, sometimes called "governability" (see Traxler et al. 2001), refers to the ability of higher level of bargaining to constraint lower level to respect their guidelines. Coordination can be explicit, through official mechanisms of cooperation, discussion or enforcement between trade unions, employers'

associations and the government (a complete centralization with a social pact is, in this respect, the highest form of horizontal coordination). A strong coordination can also be implicit in apparently decentralized systems because of the concrete supremacy of one particular actor in the system (one union or one employer association); the vertical coordination within the leading organisation becomes then the main criteria. At last, Implicit coordination can result from the importance of one major industry that in fact defines the norm that other sectors and firms take as a reference.

Whatever the indicator (see table 1 and table 2), the French system of wage bargaining appears as weakly coordinated. Industry and firms collective bargaining are quite segmented, with few horizontal coordination (within unions and employers associations) and no systematic pattern setting. Visser (2005) only identifies occasional pattern setting in the public sector and nationalized industries.

Table 2 : J.Visser's index of wage bargaining coordination, 2003

Types of coordination			
Finland	Explicit coordination through national wage agreements and sectoral coordination	5	0.64
Belgium	Explicit coordination in National Labour Council, little sectoral coordination	4	0.61
Slovenia	Explicit coordination through bipartite and tripartite national agreements	4	0.63
Denmark	Some explicit coordination and broad sectoral agreements and pattern-setting	4	0.58
Netherlands	Some explicit, but mostly implicit coordination and some pattern-setting by large employers and unions	4	0.57
Sweden	Implicit coordination within confederations (unions) and pattern-setting, aided by joint institutions	4	0.57
Austria	Implicit coordination through synchronisation of bargaining rounds and pattern-setting between sectors	3	0.54
Ireland	Explicit coordination through national wage agreements, coordination within sectors absent	4	0.49
Germany	Implicit coordination through comprehensive sectoral bargaining and pattern-setting	3	0.43
Spain	Some explicit coordination between confederations of unions and employers in recent years and weak pattern-setting in sectoral bargaining	3	0.48
Italy	Implicit coordination between major employers (through strongest regional and sectoral federations) and in principle trade union confederations	2.5	0.42
Portugal	Implicit coordination between major employers, little coordination between unions	2	0.41
Luxembourg	Implicit coordination among employees and employers, no sectoral coordination	2.5	0.38
Greece	Some explicit coordination, with government assistance, little sectoral coordination	2.5	0.37
France	Irregular implicit coordination through pattern-setting in the public sector and nationalised industries	1.5	0.37
Cyprus	Incomplete pattern-setting between sectors	2	0.36
Malta	Implicit coordination among unions and employers	2	0.35
Slovakia	No national coordination since 2000, some sectoral coordination	2	0.31
Hungary	Some national coordination through the tripartite body, no sectoral coordination	2	0.28
Latvia	Some national coordination, mainly on minimum wages	1.5	0.26
Poland	No national or sectoral coordination	1	0.21
UK	No national or sectoral coordination	1	0.19
Estonia	No national or sectoral coordination	1	0.17
Czech Rep.	No national or sectoral coordination	1	0.16
Lithuania	No national or sectoral coordination	1	0.11

NB: 5 = Explicit coordination between and within the peak association of unions and employers, through agreements at the national and sectoral level; 4 = Explicit coordination between peak federations through agreements at national level only, or implicit coordination in confederations (unions or employers) at the national and sectoral level; 3 = Implicit coordination through synchronisation of sectoral bargaining and pattern-setting; 2 = Some coordination through supervision and weak, irregular or incomplete pattern-setting; 1= No coordination at the national or sectoral level. Weighted with coverage rate (coverage rates in Greece and Ireland are set at the level of employer organisation rates, in Malta at the level of the union density rate).

Source : J.Visser, Industrial relations in Europe 2004, European commission report.

This diagnostic, considering a restricted view of coordination within the French system of collective bargaining on wages, is, overall, correct. The lack of social pact, of national bargaining between social partners where the state would be directly and explicitly involved, certainly explains a large part of such a conclusion. Nevertheless, such a view of coordination, focusing on bargaining actors, seems to under-estimate the real influence of the government as a coordinating agent of wage regulation in general, and of wage bargaining in particular.

1.1.c- A classification to be refined

Even if the indicators described above give a correct overview concerning the French system of collective bargaining on wages “*stricto sensu*”, they are not enough informative concerning some specific aspects of the French wage regulation.

First, the ranking of the French system in terms of centralization is still ambiguous, in some case close to the German model (intermediate level) and in other cases largely decentralized like Great Britain for example. Such a fuzzy ranking shows the real difficulty to determinate the exact influence of each level in France since 1980. It calls for a precise re-examination of the equilibrium between the industry level and the firm level, in the particular area of the wage bargaining. The section 1.2 will present with more details the actual situation of each level of collective bargaining.

Second, the effective influence of the government policies on the bargaining at industry and firm level is certainly underestimated. The indicators of centralization and coordination only take into account the policies that directly define the legal framework of collective bargaining (extension mechanism, representativeness and so on) or the direct involvement of the government in the national bargaining.

Other major compensation policies (legal minimum wage for example) are generally dissociated from the bargaining side in most of the studies dealing with the institutional framework of wage setting, as soon as they are unilaterally decided by the government. They are introduced by the side of bargaining indicators in empirical studies estimating the impact of institutional arrangements on macroeconomic performances. From our point view, such a strategy is imperfect, notably in the French case. Compensation policies set up by the French state during the last 20 years influence the ability of firm and industry-level organisations to bargain effectively and certainly give directions to the content of collective agreements. A complete evaluation of the later dimensions then necessarily implies to analyze all the interactions with the different state policies. This point will be developed in the section II.3.

The third point of discussion concerns the dynamics of the wage regulation since 1980, and particularly the existence of a decentralization process during this period. According to the indicators described previously, there is not any trend of decentralization since the 70's (neither growth of coordination). This stability of the French system, independent form the kind of indicator (see Kenworthy's comparison)⁴ is quite surprising if we consider how much such a trend has been advocated during the last decades and has been empirically identified in different European countries. Such a paradox raises the following question: either, the decentralization has not effectively happen in France, or the indicators fail to identify the form of such a trend in the French case.

Our idea is that in the French case, a smooth but real decentralization has happen: it takes the form of an “autonomization” of firms' bargaining and compensation policies from the industry level, this latter level loosing then part (but not all) of its influence on the wage dynamics. The indicators can't possibly quantify such an evolution for two reasons. First, it happens in a system that is structurally quite “decentralized” compared to systems where there is a strong tradition of inter-industry or national bargaining. By construction, most of the indicators of centralization are built by authors living in countries where collective bargaining is culturally a central way of labour regulation. They possibly tend to focus on strong changes occurring at the higher level of the bargaining system and then fails to analyze smooth change between lower levels. Second, this “autonomization” is a qualitative and smooth evolution rather than a violent dislocation of the system. It is based on an “organized “ process of decentralization that does not delete radically the activity of the industry level, and it depends on progressive changes in the wage practices of firms and the evolution of the productive system. Such arguments will be detailed in the section I.3, with some factual illustrations.

⁴ The convergence and the stability of the different indicators are far from being observed in the data concerning other countries like Netherlands

1.2. Historical and statistical perspectives on the French system of collective bargaining

1.2.a- Historical perspective

The traditional view of the French wage bargaining system, where industry level agreements play a central role, dates from the mid 20th century. In 1936, and later, after 1950, industry level collective agreements (at national or local scale), that define job classification and wage growth, became rapidly more numerous (see Saglio 1986, 1991). This system is part of the “fordist regime” characterized by a redistribution of productivity gains to workers that allows mass consumption and is then complementary to a mass production of standardized goods. During this post-war period, called “30 glorieuses” in France, the distribution of wealth was then in favour of wages. The growing place of collective agreements should not eclipse that state intervention was already a central element of the wage regulation, through the policy of guaranteed minimum wage and the influence of largest public firms for example (see Howell, 1992; Turquet, 1996).

Such an economic model met dysfunctions at the end the 60’s, and even more after the oil crisis of the early 70’s, when inflation and unemployment simultaneously grew. Mass consumption and mass production model were in question, and industry level collective bargaining partly dried up. During the 70’s and 80’s, the growing unemployment changed the power struggle, and employers progressively advocated that firms needed more flexibility in labour relations in order to cope with an unstable demand and a growing international competition. The decentralization of collective bargaining to the firm level was required to promote more flexibility, notably because trade unions are less influential at this level.

The evolution of the French collective bargaining system is then a process that progressively matured during the 70’s. The “Auroux Laws” voted in 1982 are the institutional results of this process. Voted by a government led by socialists and communists, these laws tried to establish a compromise between what seemed to be contradictory needs: giving more flexibility to the firms, maintaining intermediate regulation to avoid excessive competition within industries, and preserving workers’ interests. By creating a duty to bargain annually on wages at **the firm level and industry level** (each five years for industry level job classifications), these laws simultaneously aimed at reviving industry level bargaining and promoting firm level collective bargaining. Moreover, these laws gave to the trade unions an even more central role in the bargaining system, notably because the duty to bargain at the firm level only concerns companies where trade unions are represented.

Employers were at the beginning quite opposed to this system. They finally adopted it, company level collective bargaining appearing as a favourable tool to develop specific wage regulation, notably because trade unions are not represented in numerous firms or have a limited influence (division, weak support, and possibility to sign agreement with only one union).

This evolution of the French system of collective bargaining has been one of the means that led to moderate wage increases after 1985, first in order to reduce inflation, and second to favour competitiveness. The main consequences of the Auroux laws are as follow: the industry level kept a partial influence on wages even though collective bargaining at this level was frequently poor. Collective bargaining at the firm level grew in general, but a large part of the firms escaped from this trend because trade unions are far from being represented everywhere (particularly in small and medium companies). The next sections present some quantitative aspects of each level of collective bargaining.

1.2.b- The actual place of the industry-level bargaining

The French system of industry level collective agreements is the product of a long historical process that defined the protagonists and the industrial relations specifically for each particular area. It consists of a juxtaposition of industry level collective agreements at the national, regional and county levels. 680 industry level collective agreements are effective in 2007⁵ ; the Ministry of Employment extended 60 % of them. Theoretically, collective labour agreement is therefore the reference of conventional right for a great majority of wage earners: the rate of wage earners covered by a conventional text is in the order of 98 %. It does not mean that 98% of the workers are covered by recently bargained agreements with real influence.

⁵ It is necessary to add about 200 collective labour agreements that concern the farming sector.

Organizations of employers and trade unions traditionally agree to define the branch as an essential level in the system of industrial relations, but for quite different reasons. For the employers, the industry level constitutes a place of harmonization for employment conditions, to avoid excessive competition and “social dumping”. Collective agreement provides a wage reference to all the companies and constitutes a guide at the same time for internal bargaining. Conflicts on wages are partly removed from the firm level (avoiding strikes) and regulated at the industry level.

For labour unions, the industry level is a place of industrial relations that palliates their weak influence at the company level in certain economic activities or in small and medium enterprises. They can influence wage revaluation indirectly in firms where they are not represented or where in general, they have less influence than the employer does. At last, the industry level fit better with the traditional strategy of French unions: defending workers’ interest in general, as a whole population, rather than being “co-manager” of the individual firm.

As a compromise between both sides, industry wide agreements aims at defining minimum wages for different kind of job positions and qualifications, real wages being finally set up in the firms.

Such an institutional compromise has led to a paradoxical situation since the 80’s : some significant gaps exist between industry level minimum wages and effective wages observed at the firm level. In spite of the Auroux Laws, industry level collective bargaining on wages stagnate since the 80s, excepted during few periods when the government strongly stimulated them (see section I.3).

Whereas 80% of the collective agreements signed in 1984 concerned wages, this rate falls to no more than 50 % in 2006. Such a fall also reflects the growth of new topics that have to be regulated at the branch level. Wages are still a major topic of the industry level conventional activity. Any collective agreement includes obligatorily a grid of job classification, which defines the various occupations or the various necessary criteria required to occupy a particular job. This grid set up the hierarchy of wages by assigning a minimum wage to each level of employment. It is seldom renegotiated, because the process of its development is long and expensive. Moreover, its function as a standard for the wage hierarchy within companies requires a certain stability (Eyraud et al., 1989).

Statistically, it is always difficult to identify a significant influence of the industry level regulation on the real evolution of the wages. This impact may be weak on the effective wage levels at the firms level, but stronger on the wage structure: many firms state that they use the collective agreement to determine their wage hierarchy (but such a use can be purely for the sake of the form). One main question is whether the industry level regulation has more influence in sectors where industrial relations a poor at the firm level (because small companies are dominating) than in sectors where large firms dominate. Such a view is not clear: in one hand the two levels of regulation should effectively be substitutive, but in the order hand, it seems that the industries where strong centralized industrial relations exist are frequently quite concentrated and important industrial relations already take place within large companies.

It is then difficult to give a global diagnostic on this point. It would be necessary here to distinguish the very diverse practices between industries, notably according to their structures (see Coutrot and Lanfranchi, 1993 ; Meurs and Skalli, 1997). For example, in the craft industry, where a majority of companies are small, the branch is the principal level of social regulation, and the different levels of minimum wages really serve as references. On the other hand, in the branches where there are companies of more important size, these firms generally seek to preserve margins in the determination of their own wage policy, and possibly block industry level wage bargaining. On the contrary, some very large firms may want to impose at the industry level high standards of wage that they are the only to be able to support.

The question of the influence of the industry level agreements on wages at the firm level will be later illustrated with data from the REPONSE survey on workplace compensation practices.

1.2.c- Collective bargaining at the enterprise level : a significant trend, but not generalized.

The other side of the current French system of collective bargaining on wages is the firm level. Since the end of the 80’s, the number of enterprise collective agreements on wages ⁶ grew significantly: from about 3.000 in 1993, they raised up to more than 7.500 in 2006. Such a growth first reflects a kind of

⁶ This the number of agreements legally registered by the French Labour Administration. These agreements have been signed at least by one trade union. Each agreement can in fact concern a plant, an establishment, a company or even a group of firms.

institutionalization of collective bargaining in numerous firms, due to the Auroux Laws. This increase partly reveals a real change in the French system of wage regulation, that progressively recognized the enterprise level as a major place of the conventional activity and wage regulation. Nevertheless, looking only at the number of agreements is very restrictive and give a partial view on the real situation.

In spite of this growth, collective bargaining is far from being a generalized phenomenon in the French economy. According to the results of an annual survey directed by the DARES, only 14% of the French company with 10 employees or more⁷ opened collective bargaining in 2005, whatever the subject (Carlier and Naboulet, 2007). This small part of the firms nonetheless employs 58% of the workers in the area of the study. It shows that collective bargaining is essentially something that happens in large companies, where industrial relations are quite important because trade unions have delegates.⁸ Concerning company level agreements on wages, only 41% of the workers (employed in companies with 10 employees or more) are potentially covered by a wage agreement signed in 2005. For the others, there were no collective bargaining at the firm level (probably because there is not any union delegate) or collective bargaining were unfruitful (the employer then imposed its decisions on wage revaluation). Industry level regulation is then very important for this large part of the employees.

The obligation to organize collective bargaining at the firm level, linked the presence of trade unions, created a dual system that can be broadly defined as follow: one part of the firms and employees have local unions and collective bargaining one wages, and another have none of them (essentially the smallest one, up to 50 employees). Between the two groups, there are companies where some kinds of informal wage bargaining exist, between employers and some employee representatives that are elected but do not represent any trade unions.

Another aspect leads to moderate the place of company level collective bargaining. Up to now, it is very difficult to identify statistically the effect of firms' collective bargaining on the wage growth. According to Brahami and Daniel (2001), that analysed a panel of firms between 1999 and 2001, there is no correlation between the actual wage growth and the content of wage agreements. The evolution of wages in firms were collective agreement have been signed is not significantly different from the evolution of wage in firms that did not negotiate. This lack of result essentially shows how much it is difficult, even with econometric tools, to separate different aspects of the overall wage regulation on the real wage growth: firm level bargaining, industry level bargaining, individual versus collective revaluation and, at last, the yearly revaluation of legal minimum wage.

This legal minimum wage is an element of first importance in the French system, notably due to its quite high level (compared to other countries). It is in fact just one aspect of the French state compensation policies. Such policies are not independent from collective bargaining aspects: on the contrary it seems essential to analyze how much, in France, state level policies concerning wages really shape the autonomy and the content of each level of collective bargaining.

1.3. Two dimensions to highlight: the coordinating role of the state and the effective autonomization of the firms

The following sections shed light on two important characteristics of the French wage regulation during the last 25 years. First, we emphasize on different government compensation policies carried out over the period, considering that they are interfering with wage collective bargaining at the industry and firm levels and then indirectly coordinating them in broad sense. Second, we try to show that a smooth but real "autonomization" of firms' collective bargaining from the industry-level took place since the 80's, though it is difficultly quantifiable with centralization indicators.

1.3.a: The central place of the state as the coordinator of the wage regulation

In the section 1.1 we mentioned that the government wage policies were frequently dissociated from collective bargaining in the studies about wage setting. There are some few cases of indicators related to collective bargaining that incorporate government intervention. Golden Lange and Wallerstein for

⁷ Companies with 10 employees or more of the market sector, farming not included.

⁸ 75% of the firms that have at least one trade union delegate have opened collective bargaining in 2005.

example created an index of government intervention⁹, which is mixed with a pure index of bargaining centralization. The result is then a measure of centralization concerning “wage setting” and not only “wage collective bargaining”.

Visser (2004) also presents an interesting measure of government intervention in wage bargaining that summed up multiples policies: minimum legal wage, diminution of tax and social duties on wages, etc). France is ranked with a high level of state involvement (but not maximum), quite stable over time excepted in 1998 and 2000, periods associated with policies of working time reduction. Nevertheless such an indicator is only a third measure that is not compiled with the other ones, keeping then a clear dichotomy between coordination of wage bargaining in one hand and government intervention in these bargaining in the other hand.

Table 3 : Government intervention in wage bargaining

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	Average 1990–2004
BE	3.0	3.0	3.0	3.0	5.0	5.0	5.0	5.0	5.0	4.0	4.0	4.0	4.0	4.0	4.0	4.1
1E	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
PT	4.0	4.0	4.0	3.0	3.0	3.0	4.0	4.0	4.0	4.0	3.0	4.0	4.0	4.0	4.0	3.7
FI	3.0	3.0	4.0	3.0	3.0	4.0	4.0	4.0	3.0	3.0	3.0	4.0	4.0	4.0	4.0	3.5
EL	3.0	3.0	3.0	3.0	3.0	3.0	3.0	5.0	3.0	3.0	5.0	3.0	3.0	5.0	3.0	3.4
IT	3.0	4.0	4.0	4.0	3.0	3.0	3.0	3.0	4.0	3.0	3.0	3.0	4.0	3.0	3.0	3.3
FR	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	4.0	3.0	4.0	3.0	3.0	3.0	3.0	3.1
LU	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	4.0	3.1
NL	2.0	2.0	3.0	3.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	3.0	4.0	2.3
DK	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	5.0	2.0	2.0	2.0	2.0	2.0	2.0	2.2
SE	2.0	3.0	3.0	3.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.2
ES	3.0	3.0	3.0	3.0	1.0	1.0	1.0	3.0	1.0	1.0	1.0	1.0	2.0	2.0	2.0	1.9
DE	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	2.0	2.0	2.0	1.5	1.5	1.5	1.6
AT	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
UK	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.5	1.5	1.5	1.5	1.5	1.2
EU-15	2.6	2.7	2.9	2.7	2.5	2.6	2.7	2.9	2.9	2.6	2.7	2.7	2.8	3.0	3.0	2.8
HU												2.0	2.0	4.0	4.0	3.0
SI												2.0	2.0	4.0	4.0	3.0
PL												2.0	4.0	2.0	2.0	2.5
SK												4.0	2.0	2.0	2.0	2.5
CZ												2.0	2.0	2.0	2.0	2.0
EE												2.0	2.0	2.0	2.0	2.0
LV												2.0	2.0	2.0	2.0	2.0
LT												2.0	2.0	2.0	2.0	2.0
MT												2.0	2.0	2.0	2.0	2.0
CY												1.5	1.5	1.5	1.5	1.5
EU-10												2.2	2.2	2.4	2.4	2.3

Source: Adapted from A. Hassel, *Negotiating wage restraint*, Habilitationsschrift Ruhr-Universität Bochum, 2003; updates for Greece and Luxembourg, and for 2001–04 all EU-10 and EU-15 Member States.

- NB:1 = No role of government in wage-setting; 1.5 = government only involved in minimum wage-setting;
 2 = Government tries to influence wage-bargaining by providing institutional framework for consultation or dialogue;
 3 = Government determines wage-bargaining outcomes indirectly through minimum wage-setting, tax-based incomes policies, or threats of sanction (positive or negative);
 4 = Government participates directly in wage-bargaining, by providing norms or ceilings (social pacts);
 5 = Government imposes private sector wage settlements or suspends bargaining (involuntary wage freeze).

Source : J.Visser, Industrial relations in Europe 2004, European commission report.

Logically, the very first way by which government influences the overall wage setting should be its civil service wage policy. If it's true from a quantitative viewpoint (civil service still represents about 20-25% of the total employment), it's not so clear how much public collective bargaining on wages plays a direct role on wages in the private sector today. There are certainly direct relationships in the industries where public services compete with private firms (hospital for example). We won't insist on this point because it is in fact quite frequently taken into account in the international comparisons on collective bargaining systems.

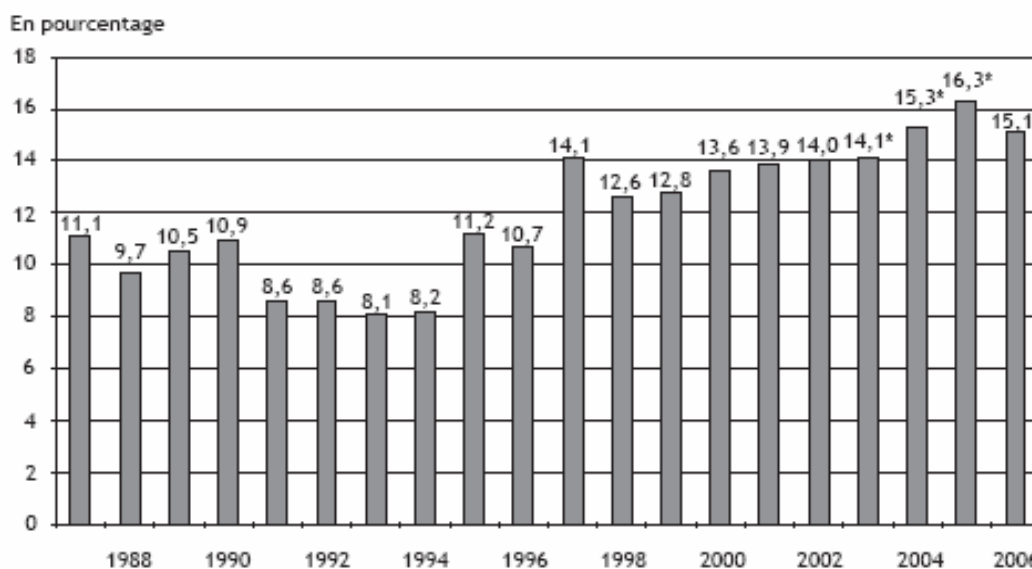
The second way by which government intervention influences collective bargaining on wages is the yearly raising of the legal inter-industry minimum wage for growth (Salaire Minimum Interprofessionnel de Croissance, SMIC henceforth). Since 1970, the minimum wage policy consists in compensating for the loss of purchasing power due to the inflation, particularly for low-paid worker. Another goal is to redistribute part of the productivity profits.

⁹ Nevertheless, their indicator ranks the existence legal minimum wage is the weakest form of state intervention. This view is very questionable in the French case.

Each year, the government defines the SMIC growth, after taking an advisory opinion from the National Commission of the collective bargaining, where national trade unions and employers associations are represented. This is not a real central collective bargaining, but such a consultation may have a coordinating effect.

This revaluation potentially concerns a large part of the workers in France. In 2006, we estimate that more than 3.3 million workers were paid at the SMIC level. These people are obviously concerned by the government's decisions to raise the SMIC. Moreover, people who are paid just above the SMIC can be mechanically concerned by the revaluation if their wage become suddenly lower than the new minimum wage. Their employer must raise their wage up to this minimum level. Due to this mechanism, a growing part of the employed population in France has progressively been concerned by each SMIC rising that happens each year in July. About 15% of the employees in the private sectors¹⁰ were then mechanically impacted by the raise decided in July 2006 (see figure 5).

Figure 2 : Proportion of workers impacted by the annual raising of legal minimum wage, 1987-2006



Note : The evolutions must be analyzed carefully because of changes that affected the measures during the period.

*During the period 2003-2005, a specific system of measure has been set up.

Figures concern all employees of the private sector, excepted farming workers and temporary workers.

Source : J.B.Berry (2007), DARES, French ministry of labour.

At last, the increase in the SMIC impacts wages beyond the only employees paid by the level of the minimum wage. Indeed, when a company revises its wage grid, it re-examines simultaneously several levels of the grid so as to respect a certain hierarchy of the wages. Koubi and Lhommeau (2006) estimate that this effect of diffusion of the rises of the SMIC is quite important up to wages corresponding to 1.4 SMIC¹¹. Such a diffusion effect is then partially mechanical but also can go through collective bargaining about the overall wage grid.

Previous results show that the influence of the minimum wage policy concerns a large part of the employees in France: for those people, collective bargaining on wages, at the industry level and firm level can't be considered as completely autonomous and uncoordinated. The coordinating function of the SMIC is strong, notably if we consider with more details how much industry-level minimum wages are closely related to government wage policy.

¹⁰ Excepted farming workers and temporary workers.

¹¹ Such a conclusion is based on survey data that make it possible to measure wage growth between the second and third quarter, the legal raising of the SMIC being enforceable the 1st of July.

As we said in the section I.2.a, in numerous industries, collective bargaining on wages has in fact been weak since the 80's, in spite of the legal duty to bargain each year. Due to this lack of dynamism and the yearly growth of the SMIC, minimum wages defined at the industry level for the less skilled occupations frequently became lower than the SMIC¹². The government then proceeded to two main interventions, in 1990 and 2005, in order to revive the industry level wage bargaining. Due to the last incentive, the situation of the conventional minimum wages improved: in January 2007, approximately only one third of the industry collective agreements (covering each one more than 5000 employees) have at least one level of minimum wage below the SMIC. Nevertheless, this process however did not have enough impetus to disconnect wage bargaining from the level of SMIC. The SMIC has in fact become a reference point for low wages. Because increases in conventional minimum wages defined at the industry level are too low, by comparison of the SMIC, the latter is applied and not the former that does not function any more as the guaranteed minimum wage for the whole of an industry.

The direct intervention of the state on the organization of the collective bargaining not only happens by the way of periodical impulses, like in 1990 and 2005. More regularly, the Government also intervenes like a "facilitator" of the collective bargaining. The ministry of labour constantly observes collective bargaining at the industry level and when the discussion seems to be deadlocked, its intervention is frequently required to support the dialogue between the employers' organizations and the trade-unions (within special joint committee)¹³. This kind of intervention, where the state administration is involved in local collective bargaining, is then far from being rare. It constitutes one essential support with the collective bargaining system in France and may contribute to the horizontal coordination within and between industries.

The SMIC is not the only component of French government compensation policies. In order to reduce labour cost of unskilled workers, at least compensate SMIC increases, employment taxes and notably employers' social security contribution have been reduced on low wages. Today, these reductions apply (digressively) to wages up to 1.6 SMIC. Such a policy may have an impact on employers' strategies when they set wage or bargain with unions, because of threshold effects on the wage cost.

At last, the influence of the government on wage setting and collective bargaining passes through the promotion of certain compensation tools, in particular the mechanisms of profit sharing. The French characteristic on the matter lies in the collective aspect of multiple of performance-related or profit-related devices (profit sharing arrangements, company saving plans). Such devices exist for a long time, but during the last decade, the French government gave large financial incentives to develop them at the firm level, and created duties to bargain on this subject. These financial incentives certainly contributed to the "success" of collective bargaining on this subject.

As a conclusion, if we consider the overall wage regulation, the role of the state is still central today. It is deeply ingrained in the French system.

The 1982 Auroux laws that promoted the collective bargaining at the firm and industry levels, far from reducing the influence of the state, may have increase it, because collective bargaining in France always had to be stimulate. We can then consider that there is a **real national level of coordination of collective bargaining**, even if this coordination doesn't fit exactly with what the classical literature mean by this term. Considering it when analysing French system of collective bargaining is essential. In the French case, pure analytical schemes that focus on collective bargaining are of limited interest (Turquet, 1996). From our point of view, any discussion about the centralisation or coordination should at least be completed with a synthetic indicator concerning the state influence on collective bargaining.

¹² In 1985 for example, in 80% of the industry collective agreements (covering each one more than 10 000 employees), at least one level in the wage grid was lower than the SMIC.

¹³ When a joint committee is created, a representative of the State takes the chair and is charged to help the social partners to reach an agreement. In 2007, nearly one hundred industry level bargaining are taking place within the framework of an equal Joint Committee.

1.3.b: Decentralization: more autonomy of the firms from the industry level

The indicators described in the first section do not show any major evolution in the structure of French collective bargaining on wages. If it's true that France did not experienced any radical revolution in its system since the 70's, it does not mean that there was not any progressive change during the period. A real kind of decentralization effectively happened, smoothly and progressively, because companies gained autonomy in wage setting from the industry level. This also means that the later lost part of its influence on wage setting, but not all. The indicators did not quantify this trend of "autonomization" probably because it takes the form of qualitative changes that did not affect, apparently, the bargaining activity at the industry level.

A first element that can help to analyze this smooth and « invisible » decentralization can be found in what Traxler (1995, 2001) calls « organized decentralization ». This kind of decentralization, that Traxler identifies in most European countries means that: *"higher-level agreement deliberately delegates certain bargaining issues to the lower level, such regulations can flexibly tailored to the specific needs of the distinct lower-level bargaining units. In the case of local industrial relations this means that the multi-employers agreement set a framework for negotiations between management and employee workplace representation."* (Traxler, Arrowsmith, Negaard, Molins, 2007).

The important fact is that such a mechanism does not imply the disappearing of higher level of collective bargaining because they still have important functions in defining benchmark agreements concerning a growing number of domains (training ...). In the facts, a larger autonomy is conventionally given to the firm in order to set its own arrangement, eventually with lower standards than those defined at the higher level. This kind of decentralization is very difficult to measure because it doesn't necessarily reduce collective bargaining at the higher level, or at the level on which traditional indicators focus on.

Traxler mentioned that trend began in the 80's about working time and extended to wages during the 90's. Such an organized decentralization partially took place in France. If we consider the overall collective bargaining, some legal changes in the collective bargaining framework, like the law about social dialogue voted in May 2004, give clear examples of such a process. For example, the possibility for lower levels to derogate (i.e to define lower standards) from norms defined at higher levels (included to legal ones) has been extended in 2004, provided that the higher level doesn't exclude it. If we only consider collective bargaining on wages, the trend is less easy to confirm. In one hand, conventional minimum wages are still excluded from the possibility of derogation¹⁴. In the other hand, some secondary elements of the workers compensation (for example precariousness bonus for temporary workers) can be defined at the firm level whereas they could only be bargained at the industry level before.

Overall, it is difficult to give an exhaustive evaluation of such an organized decentralization concerning wage setting. The trend globally exists, and concerns elements like working time for a long time. Work compensation have been indirectly influenced by the "organized decentralization" concerning working time reduction since 1998, because wage restriction was frequently the counterpart of working time diminution.

It is difficult to measure the decentralization of wage regulation as soon as it concerns firms' real practices and not only the institutional framework. We then need to study compensation practices at the firm level, and particularly how much they used standards collectively bargained at different level. By using the REPONSE surveys in 1998 and 2004, we can identify some significant changes in the firms' behaviour. The descriptive statistics presented below, that will be refined in future works, are not evidences but only clues of the real "autonomization" of the firm level from the industry level.

In these surveys, directions are questioned about the influence of industry level agreements (job classifications system notably) on the wage setting at the workplace level. In table 5, we can see that

¹⁴ As we said before, some of these industry level minimum wages are frequently lower than legal minimum wage or by real wages observed in the firms.

globally, in 2004, industry level references are still used by more than 50% of the workplaces employing 20 workers or more¹⁵. This result shows the remaining influence of such an intermediate level of collective bargaining. Nevertheless, the most interesting result is that the uses of such references tend to decrease significantly between 1998 and 2004. Workplace wage setting tends to be more independent from the industry level regulation, even from the systems of job classification, which are traditionally the main devices by which industry level agreements influence standard wages and wage hierarchy in the firms.

Such a systematic decrease certainly reflects two phenomena. First, changes in the French productive structure certainly contribute to this fall. Old manufacturing sectors, that historically have large and influential industry level arrangements, are each year less important in the overall economy, in terms of plants and employment. This de-industrialization is balanced by the growth of new activities in services where industrial relations are traditionally much less developed, more notably because of the larger part of small firms. The SMIC is certainly a most frequent reference in sectors like trade for example. This structural explanation must be completed by a second that concerns the “autonomization” *per se*. Multiple case studies¹⁶ show that some firms set their own system of classification, based on skills rather than job, occupation. The increasing place of skills in the modern human resources management contrasts with traditional wage structures set up at the industry level, that essentially concern jobs or occupations. Whereas the classification should define the wage for hired workers, the real process is backward in some industries like chemistry or banking. The initial wage is determined according to the labour market situation and individual skills and, in the second time, the employee is ranked in the industry level grid according to its wage. The industry level classification system then only serves to keep a consistent structure of wages and qualification within the firm, but not to define hiring wage.

As we said in the section I.2.b, there are very different practices between industries. The obsolescence of certain industry-level system of classification tends to reduce their use by firms.

Table 4: Use of Industry level agreements in workplace wage setting

	1998	2004
% of workplaces using industry level systems of job classification to set blue and white collar workers' standard wages	65,9%	59,4%
% of workplaces using the industry collective agreement to set their wage hierarchy	71,7%	67,7%
% of workplaces using the industry agreement to set bonuses (not performance-related or profit-related bonus; seniority bonus for example)	67,8%	56,3%
% of workplaces using an industry agreement to set profit or performance related bonus and “save-as-you-earn” plans	ND	30%

Source : REPNONSE survey 2004, DARES, French Ministry of Labour.

If we consider another question in the REPNONSE survey, that concerns the main factors influencing wage increases, we can see a quite ambiguous result (table 6). Industry level guidelines were considered of primary or secondary importance in 55,5% of the workplaces on the period 1996-1998. The rate grows up to 58% on the period 2002-2004. This result seems to contest previous conclusions concerning the “autonomization” of the firms. A closer look reveals that in fact the percentage of workplace managers considering that industry level guidelines are of **first importance** decreases, whereas the percentage of those thinking that these guideline are secondary increases.

¹⁵ It only means to industry level reference are used for at least one category of workers (management, blue or white collars...).

¹⁶ see references mentioned in I.2.b.

Table 5: Judgements about main factors influencing wage increases at the plant level

	1996-1998		2002-2004	
	Primary	Secondary	Primary	Secondary
Inflation	30,5%	31,7%	37,9%	28,9%
Firm's financial results	65,5%	13,1%	64,4%	15,2%
Comparison with other firms	13,9%	29,7%	13,3%	30,9%
Keeping social peace	59,4%	21,6%	53,8%	29,5%
Industry level guidelines	32,1%	23,4%	30,4%	27,8%
Head company guidelines	57,4%	12,3%	62,9%	11,5%
Minimum wage increase	not available	not available	47,4%	20,9%

Source : REPONSE survey 2004 and 1998, DARES, French Ministry of Labour.

Such a change is then more ambiguous, but certainly reflects quite correctly the reality: industry level institutions still have an influence over companies, but their old supremacy is progressively contested by others sources of influence, at the firm level. Workplace managers consider more and more that head offices or head companies guidelines are of first importance. This evolution probably reflects another structural evolution of the French productive structure: the growing place of (multinational and small) groups of firms.

At last, the legal minimum wage is stated as of primary influence on wage increases in nearly half of the workplaces. This result is quite important and would probably be higher if we were taking into account very small firms (less than 20 employees), where low-paid workers are more numerous. This particular result tends to illustrate how much company level wage setting in general and wage bargaining in particular is dependent on the state compensation policies.

The last results enrich the idea that a progressive and smooth decentralization has happened since the 80's, due to structural changes in French economy and because of changes in the "behaviour" of firms vis-à-vis their industry level organisations. Such a conclusion, combined with the previous idea concerning the important place of the government wage regulation, implies that industry level collective bargaining have certainly lost part of their influence on wage setting, but not all.

The arguments described in this section would not be complete without a last, but not least element. The decentralization of wage setting and collective bargaining also depends strongly on the diversification of wage devices that firms can, in practice, use to compose the overall labour compensation (general or individual wage increases, bonus, profit sharing, company saving plans..). Such a diversity is not new, but certainly developed in the recent decades. Each component of the global compensation can be regulated at different levels, by way of collective bargaining or not. Most of the more flexible components are essentially defined at the enterprise level.

Due to the importance of this aspect, it seems necessary to present more extensively workplace compensation practices, as they are since the 90's in France. The REPONSE survey will be much more intensively used in the next part of the paper to draw such an overview on wage practices.

II. French establishments seeking employee performance: does collective bargaining weigh on compensation policies?

Simultaneously to the development of collective bargaining in France, the last decades experienced a fast development of new components for individual and/or collective pay. These new pay devices contributed to the multiplication of the themes negotiated, either at the collective or at the firm level (sometimes both). The development of such devices plays a significant role in the re-setting of the multi-level organisation of the French system and deserves to be examined in the perspective of wage setting and collective bargaining description.

We then begin by identifying the main choices made by the establishments in terms of pay mix, and their development in the last fifteen years. Regarding the various pay policies identified, the respective roles played by collective bargaining, HR managers' opinions and firm characteristics in explaining such choices will be examined.

Indeed, many economists agree to claim that monetary incentives – in a way or another – are a key level for human resources policies, but few studies take the whole pay components available into account, even fewer question the accuracy of the hypothesis of pay policies determined by incentive strategies. This part proposes to challenge this issue.

II.1. The various individual and collective pay components

In the 50's, during the "Trente Glorieuses" period, collective and fixed-term wages were the norm in France. The diversification of pay practices started in the 70's: the economic slowdown at that time and the necessity to regain competitiveness led to new organisational structures and a need for qualified, autonomous, self-motivated employees. Collective wages were partially supplanted by merit-based pay. Such an individualisation of wages took several forms: rather than general pay increase, the firms began to propose individualised increase, and individual or collective bonuses were progressively offered in complement of wages. The economic rigor of the mid-1980's limited severely the breathing space of firms in terms of pay policies. The economic context raised the question of the control of wage costs (Desplatz et alii, 2004). This general framework reinforced a widespread departure from 'rate for the job' pay systems.

The REPONSE survey opens the possibility to examine how these pay systems have been developing since 1992. We'll only be dealing here with the monetary forms of work compensation, letting aside its other dimensions (symbolic, non monetary benefits, advantages,...).

Box2 : the survey REPONSE, a linked employer–employee dataset on employment relations

In order to bring some empirical evidence on these issues, we use the French REPONSE survey. REPONSE consists of a repeated survey of employment relations in French workplaces of more than twenty employees belonging to the market sector (i.e. excluding agriculture and public administrations). This survey has been conducted on three occasions: 1992, 1998 and 2004. Three questionnaires have been filled for each workplace surveyed: first of all, a face-to-face interview was conducted with a senior manager responsible for the workplace employment relations; then, providing the information given by this first protagonist and the existence of an employee representation in the workplace, one of the representatives – either elected or designated – was randomly contacted for another face-to-face interview; in parallel, a set of postal questionnaires was sent to a pool of employees – randomly selected amongst all the employees of the workplace.

Our analysis is focused on the workplaces with 50 workers or more (the only field where comparisons are possible throughout the three editions of the survey) and where executives as well as non executives are present (as both executives and non executives pay devices are simultaneously studied).

II.1.a – Description of the various pay components

Almost all pay practices are widely used by establishments and the diffusion of new pay systems has been important between 1992 and 2004: 78.6 % of establishments are using generalised pay increase in 2004, instead of 52.8 % in the early 90's. It's the same for individualised pay increase or performance bonuses (collective or individual). And every kinds of workers are concerned, executives as much as non executives. Stock-options are the only pay component which still seems to be specific to executives. However, in 2004, there are fewer establishments depriving their employees of any kind of pay-rise than in 1992: only 2.5 % of establishments without any pay increase or bonus for their executives (12.1 % for the non executives) instead of 6.5 % in 1998 (13.8 % in 1998).

Non executives are generally more concerned by pay-rises than other workers, but two practices – individual performance bonus and stock-options - appear to be more specifically designed for executives even if their use are growing among non executives.

**Table 6 – Distribution of establishments according to compensation practices
(% of workplaces)**

	Non executives			Executives		
	1992	1998	2004	1992	1998	2004
Generalised pay increase	52,8%	71,3%	78,6%	35,5%	48,8%	50,5%
Individualised pay increase	65,3%	74,1%	78,1%	63,5%	64,7%	70,4%
Collective performance bonus *	36,7%	40,6%	62,0%	38,2%	34,9%	58,2%
Individual performance bonus	36,4%	49,6%	53,4%	44,8%	53,7%	64,7%
Stock-options	-	1,7%	1,7%	-	3,8%	5,9%
No pay-rise	10,5%	6,5%	2,5%	13,8%	15,0%	12,1%

* including profit sharing

Source : 1992-93, 1998-99 and 2004-05 REPOSE surveys, Dares.

II.1.b- Different levels of regulation or collective bargaining

Individual and collective pay components described above are regulated at different level, partly with collective bargaining. Table 7 illustrates how intricate the various levels of the French bargaining system are, and how much they depend more on firm level bargaining, and state regulation. This is an important aspect of the growing autonomy of the firms in their wage policies from the industry level.

Table 7 – Influence of each regulation's level on each kind of pay practice

Type of compensation practice \ Regulation level	State regulation	Industry level	Firm level
Generalised pay increase	Minimum wage influence	yes	yes
Individualised pay increase	-	-	yes
Collective performance bonus	Government support (tax incentives)	yes	yes
Individual performance bonus	-	-	yes
Stock options	Government support (tax incentives)	-	yes

Individual pay increase and individual performance bonus are decided at the enterprise level but are not much concerned by collective bargaining. Cases studies (Cottureau et Frinault, 2007) show that firms rarely negotiate collectively about the overall amount dedicated to such individual rewards, even

more les about the criteria used to distribute such rewards. Stock options, that concern very few workers (management), are quite never a subject of collective bargaining.

Even if generalised pay increases are decided at the firm level, they are influenced by state regulation through minimum wage and by industry level through collective industrial bargaining.

Profit sharing agreements, but also company saving plans, are essentially signed at the firm level. This kind of pay practices have been strongly supported by the government by the mean of tax incentive. This is an example of the state influence on collective bargaining structure: collective bargaining was effectively promoted by the existence of financial gains for those firms that bargain on the subject.

II.1.c- Reversibility and individualization of pay practices: a first typology

Concerning pay practices, the choices made by establishments reveal their strategy in terms of labour costs control. For example, establishments which are practicing generalised or individualised pay increase are engaged for the long run and they can't turn back: those practices are irreversible. It's the opposite in the case of establishments which give collective or individual bonuses: they are looking for more flexibility and willing to control their staff costs. With such practices, workers have no guaranty whatever to get the same bonus from one year to the other.

Table 8 – Description of pay practices

	Reversible practices	Irreversible practices
Collective practices	Collective performance bonus (including profit sharing)	Generalised pay increase
Individual practices	Individual performance bonus Stock-options	Individualised pay increase

Establishments can also choose to use collective incentives like generalised pay increase or collective performance bonus, in order to reinforce collaboration among workers and to strengthen collective dynamics or a sense of belonging to the workplace. Individual incentives such as individual performance bonus or individualised pay increase can be preferred if establishments need to increase employees' commitment or productivity.

Between 1992 and 2004, irreversible practices which are more traditional, remain the most frequent: more than 95 % of establishments use them for the non executives and 85 % for the executives. But during this period we can notice a great development of reversible practices, which are used by the three quarters of establishments, whoever the type of employees may be. At least one part of this expansion can be linked with the democratisation of profit sharing disposals.

The great change during this period concerns collective practices which are more and more used: more than 90 % of establishments are using them for their non executives in 2004 instead of 71 % in 1992 (62 % for the executives in 1992 and 78 % in 2004). The level of use of individual practices remains the same for the executives, but increase for the non executives.

What is now interesting is to deal with the mix of different pay practices: how do establishments combine different practices? How do establishments build their pay policy?

II.2- Pay practices and management policy

II.2.a- Four distinct pay policies identified

How do the establishments combine the various pay components for their employees, either executives or non executives? Does the increasing use of all kinds of pay devices mean that those practises are being generalised within the same establishments ? Or do certain kind of establishment specialise in certain kind of pay components?

A cluster analysis has been implemented in order to identify four classes of establishments summing up a great deal of information concerning the use of pay devices. This analysis confirms some associations that a multi-factorial analysis of these variables would reveal: the whole sample of establishments surveyed in 1992, 1998 and 2004 split into four distinct groups – applying respectively an extensive, generalised, individualised or intensive pay policy.

The **extensive pay policies** concern the establishments that prove a very low use of the pay devices available, either collective or individual, reversible or irreversible, executives specific or non executives specific (though non executives occasionally benefit from reversible pay complements).

Establishments applying the **generalised pay policies** only favour collective devices (most of the time irreversible, but also possibly reversible), for all their employees, either executives or non executives. This type of pay policy is to be compared with the dominant model in the French “Trente Glorieuses” (50’s).

On the contrary, the establishments with **individualised pay policies** put the stress on individualised devices, often combined with their reversible forms. This type of establishments is characterised by a specifically low level of use of collective practices (even lower than in the case of extensive pay policies).

The fourth class, **intensive pay policies**, gathers establishments making a great use of all the pay devices available in France: individual and collective, reversible and irreversible. This being said, these establishments show a secondary tendency to segment their manpower according to these devices, with pay components a little more often reversible for executives than for non executives.

Table 9 – Characterisation of the four pay policies classes, according to the pay devices

		Pay policy							
		extensive		generalised		individualised		intensive	
		%	o.r.	%	o.r.	%	o.r.	%	o.r.
Executives	Collective devices	12,7	<0,1	95	12,4	17,1	0,1	98,4	69,1
	Individual devices	18	<0,1	66	0,5	98,2	21	99	60,7
	Reversible devices	18,7	0,1	42,8	0,2	77,6	1,8	100	+∞
	Irreversible devices	9,6	<0,1	98,1	17,4	95,1	5,8	93,3	5,7
Non executives	Collective devices	48,2	0,1	100	+∞	43,9	0,1	100	+∞
	Individual devices	47,4	0,1	56,8	0,2	100	+∞	100	+∞
	Reversible devices	46,8	0,3	33,4	0,1	69,5	1	99,2	135,2
	Irreversible devices	41,7	<0,1	100	+∞	100	+∞	100	+∞

Source : 1992-93, 1998-99 and 2004-05 REPONSE surveys, Dares.

Field : Establishments of 50 employees or more

II.2.b- Main trends in the development of these classes from 1992 to 2004

Since 1992, the relative importance of these four major pay policies has experienced great changes. An increasing number of the French establishments of 50 employees or more is identified as applying an intensive pay policy. From only a quarter of the establishments in 1992, they represent almost six establishments out of ten in 2004. Such dramatic an increase is explained by a strong decreasing trend within the other three classes: extensive, generalised and individualised. Note that the decrease of individualised pay policies occurs mainly recently (between 1998-2004), when the decrease of generalised pay policies is constant from the very beginning.

Table 10 - Distribution of establishments according to their pay policy

Pay policy	% of establishments			Significance (probability differences)	
	1992	1998	2004	1998 / 1992	2004 / 1998
extensive	19,8%	19,1%	13,7%	-4,7 (*)	-2 (ns)
generalised	28,7%	24,0%	19,7%	-6,6 (*)	-6,5 (*)
individualised	25,7%	17,2%	9,3%	-7,1 (*)	-10,6 (*)
intensive	25,8%	39,7%	57,3%	18,4 (*)	19 (*)
Total	100%	100%	100%	-	-

Source : 1992-93, 1998-99 and 2004-05 REPONSE surveys, Dares.

Field : Establishments of 50 employees or more

Note : Tendencities are estimated as probability differences within a non ordinal polytomic regression for discrete dependent (i.e. the four establishment classes), where several characteristics of the establishments (size, sector and manpower structure) are controlled. When the mention (*) is given, the difference has to be interpreted as significant (1% threshold) – (ns) being for the only non significant difference.

The analysis of both 1992-1998 and 1998-2004 panels of establishments confirms the great attraction exerted by the intensive pay policy. Witnessing the pragmatic approach of establishments concerning pay policies, the growing importance of intensive policies reveals the propensity of French establishments to mix most of the pay components available. This propensity may find its origin in the recent development of statutory incentives for the implementing of specific devices (namely cash-based and profit-based profit-sharing). Being most of the time conditioned by the existence of a bargaining activity within the workplace, the implementation of such devices may also be in favour of the development of employee representatives and firm-level agreements. Some authors also claim that the great use of such pay components in France would be a way for establishments to circle wage rigidities (for an Anglo-French comparison, see Marsden [forthcoming]).

II.2.c- Some determinants of pay policy choices in 2004

In the REPOSE survey, both employees and employer representatives are interviewed (as well as employee representatives). These interviews give a very precious insight into the workplaces, from various points of view. Taking advantage of the original design of the survey, we carry two analyses aiming to characterise our four pay policy classes according to both employer and employee perceptions. The conclusions show a very pragmatic framework underlying pay strategies. Strongly depending on the characteristics of the establishment and its manpower, the opinions of employer representatives on monetary incentives are divided.

Box3- Method: micro-statistical models based on employers and employees declarations

The outcomes of two non ordinal polytomic regressions for discrete dependent (i.e. the four establishment classes) are commented. The first regression (model 1) is based on the employer representatives questionnaires: controlling for several establishment, firm and manpower characteristics (see below), we measure the impacts of employers' choices on the propensity of their establishments to belong to one of the four pay policies classes, rather than another. Matching this "establishments" dataset to the "employees" datasets, using the same control variables than previously, plus a set of individual control variables (age, sex, position, qualification and wage level of the respondent), the second regression (model 2) is another non ordinal polytomic regression, measuring the link between employee perception and pay policies choices.

As expected, employers from establishments applying an intensive pay policy claim that incentives are effective in motivating employees for work (either for executives and non executives). But this opinion is not shared by the other three classes of establishments: apart from extensive pay policy establishments (believing in incentives for non executives exclusively), the other employer representatives undermine the effectiveness of such managerial devices. Moreover, extensive and generalised pay policy establishments are less inclined to claim the existence of a link between employee appraisals and wages. Those two kinds of establishments give a lesser role for employee evaluation and incentives strategies.

Extensive pay policy (14% of all establishments)

Applied in smaller establishments of industry, this type of pay policy is associated with lower wage levels, settled without any further constraint than the increase of the guaranteed minimum wage (SMIC). Neither inflation nor employee performances are taken into account, and these establishments are characterised by the rarity of collective bargaining processes on wage matters (either for individual increase or profit-sharing devices). The employees mainly claim to work for their colleagues' esteem and witness some tension in the climate at work. Their intermediate managers are their main source of information in case of wage increase.

This class of establishments refers to little workplaces with authoritative management, giving no credit to the recent development of human resources management theories, and notably to monetary incentives as part of a motivating pay policy.

Generalised pay policy (20%)

As well as the previous one, this class counts a great number of small establishments. Distinctively, these establishments belong to the service sector, mainly to the B-to-B and the associative sectors, their existence totalising a greater number of years. Their directions make the choice of wage levels uncorrelated to any individual criteria: distrusting incentive devices as an effective mainspring for employee motivation and even suspecting them to be a potential source for rivalry, they don't make any use of individual appraisal for wage revaluation. The employees themselves confirm the smaller role played by wage incentives in the way they commit. Very logically, the collective bargaining on these matters are rarer in this context.

This pay policy model refers to oldest establishments, without any clear labour costs constraint, perpetuating the former pay policy model in France, exclusively based on collective devices (either through general pay increases or collective performance bonus). It certainly concerns establishments close to the public sector.

Individualised pay policy (9%)

The establishments carrying out such a policy are often bigger than the previous ones. They are characterised by a more masculine and unqualified manpower, working in outsourced activities and struggling with some economic constraints. To their employer representatives mind, the need to maintain a good social climate is a very secondary criterion when reevaluating wages. Individualising compensations through employee appraisals, no collective information on wages is organised at the workplace level. This being said, employees are not particularly inclined to recognise that incentives constitute a valuable way to make them commit.

Drastically declining, this class of establishments show all the limits of an individualised-only pay system. Obviously engaged in a process of labour cost control, these establishments have a hard time convincing their own employees of the legitimacy of their choices.

Intensive pay policy (57%)

Great attraction point of the last fifteen years, this polyvalent kind of policy is to be found in larger establishments, in good economic health, gathering a more qualified and feminine manpower. Allocating greater resources for their HR department, they are also users of manpower from nterim. The employer representatives in these establishments use wage revaluation to maintain a good social climate within the workplace, think of incentives as a good mainspring for employee commitment, implement a strong relation between wage levels and appraisal and carry negotiation, or discussion on some monetary matters, such as profit-sharing.

The employees in these workplaces don't particularly report that incentives are a key reason for commitment. They only prove a better knowledge of the existence of wage bargaining or discussions in the workplace.

Nowadays a dominant model, among the French establishments of 50 employees or more, the intensive pay policy mixes different approaches of incentive strategies: collective as well as individual, reversible as well as irreversible, concerning all their employees (either executives or non executives), they try to take advantage of all the benefits from the devices available.

Table 11 – Probability differences: « Establishments' model » (Model 1)

	Pay policies							
	extensives		generalised		individualised		intensives	
	Diff	s.d.	Diff	s.d.	Diff	s.d.	Diff	s.d.
Pay policy								
Setting goals as regards wage costs	2,4	1,6	-4,8	2,4	0,4	2,0	2,0	2,7
Existence of a link between evaluation and wage	-3,9	1,3	-6,4	1,8	3,0	1,3	7,2	2,2
Criteria of wage upgrading								
Inflation	-4,6	1,6	3,8	1,8	-1,4	1,9	2,2	2,4
Financial results of the firm	0,5	1,7	-1,4	2,3	2,2	2,1	-1,2	3,0
Comparison with wages practised by other firms	-0,1	1,3	-0,6	1,7	-1,5	1,4	2,2	1,9
Necessity of maintaining a good social climate	-5,0	2,6	2,3	2,3	-5,2	2,6	8,0	3,5
Industry recommendations	0,2	1,2	2,1	1,6	-1,0	1,3	-1,3	1,8
Instructions of headquarters	-1,1	1,5	-2,5	2,1	0,9	1,7	2,7	2,6
Influence of the guaranteed minimum wage	2,6	1,1	-0,3	1,9	1,8	1,4	-4,1	2,2
Basic pay is fixed according to a formalised system of classification								
For the non executives	1,6	2,0	-3,1	3,6	-0,7	2,6	2,2	4,1
For the executives	-13,0	1,6	4,2	2,0	0,3	2,0	8,6	2,7
Opinion of the management's representative								
Pay incentives are increasing employees' commitment and motivation								
For the non executives	3,0	1,4	-6,6	1,9	-3,1	1,7	6,7	2,3
For the executives	-13,6	2,0	-0,6	2,2	1,4	1,7	12,8	2,4
Opinion on individualisation								
it increases workers' motivation	-2,7	1,5	-0,4	2,2	-1,0	2,0	4,1	2,5
it creates rivalries	0,1	1,2	4,6	1,6	-2,3	1,2	-2,5	1,9
it's a more fair pay practice	-0,2	1,7	-2,3	2,3	-1,3	2,3	3,8	2,8
it's impossible to base it on objective criteria	0,0	1,2	0,5	1,7	-3,0	1,4	2,5	2,2
Occupational relations								
The management is involved in other structures	-3,2	1,6	-0,1	1,9	2,2	1,7	1,2	2,6
Employees' representatives have an influence on management's decisions	2,1	1,1	-0,7	1,5	-0,6	1,3	-0,8	2,0
Employees are informed of wages' evolution	-0,3	1,3	0,8	1,9	-4,7	1,6	4,2	2,3
Presence of an union representative								
CFDT	0,9	1,2	0,2	1,8	-1,2	1,5	0,1	2,0
CFE-CGC	1,6	1,7	1,7	2,0	-3,6	1,7	0,3	2,3
CFTC	-0,9	1,6	-1,6	1,9	-1,9	1,6	4,4	2,1
CGT	0,6	1,4	2,7	1,7	0,3	1,7	-3,6	2,3
FO	0,7	1,4	2,4	1,8	0,0	1,4	-3,2	2,2
other union	-3,9	1,4	2,1	2,4	-1,8	1,9	3,6	2,8
Elected employees' representatives :								
none	Réf.	-	Réf.	-	Réf.	-	Réf.	-
the representative doesn't belong to an union	-2,3	2,7	4,4	3,2	-5,3	4,6	3,2	4,9
the representative is an union member	-2,6	2,7	4,5	3,1	-3,8	4,6	2,0	5,0
Bargaining themes								
Evolution of the wage costs	-2,0	1,3	-0,7	1,6	0,5	1,1	2,2	2,0
Bonuses	-0,6	1,5	1,3	2,0	1,5	1,9	-2,2	2,4
Individual pay increases	1,9	1,7	-4,1	2,0	1,6	1,9	0,6	2,5
Criteria of attribution of individual pay increase	-5,3	1,5	4,1	2,1	1,5	1,8	-0,2	2,4
Profit sharing	-2,8	1,0	-2,8	1,6	-1,8	1,4	7,5	1,9
Social climate								
Tense social climate in the firm	2,6	1,7	-4,9	1,7	1,3	2,0	1,0	2,6
At least one conflict in the past three years	1,6	1,6	2,3	2,3	1,1	2,0	-5,0	2,9

Source : 2004-05 REPONSE survey, Dares.

Note : Model 1 with controls (see annex 2).

Table 12 – Probability differences : « Employees' model » (Model 2)

	Pay policies							
	extensives		generalised		individualised		intensives	
	Diff	s.d.	Diff	s.d.	Diff	s.d.	Diff	s.d.
Reasons for employees' commitment in work								
fear of loosing their job	-0,2	0,8	1,2	1,1	-1,0	0,8	-0,1	1,2
hope of internal promotion	0,1	0,8	0,0	0,9	0,7	0,8	-0,8	1,3
satisfaction of well done job	1,9	1,6	-2,3	2,8	3,4	2,0	-2,9	3,4
identification with firm's objectives'	-0,7	0,8	0,2	0,9	1,3	0,9	-0,7	1,4
pay incentives	0,1	0,7	-4,5	1,0	-1,3	0,9	5,7	1,4
wish to be hold in high regard by the management	-0,9	0,9	1,2	1,1	-1,4	0,9	1,1	1,3
wish to be hold in high regard by colleagues	1,5	0,7	-1,6	1,0	1,5	1,0	-1,4	1,3
low wages are linked with non-commitment	0,3	0,8	-1,7	0,9	-0,5	1,0	1,9	1,2
the employee thinks he's fairly paid	-0,2	0,9	0,3	0,9	-1,0	1,0	0,9	1,4
According to the employee, was there pay bargaining in 2004?								
No	Réf.	-	Réf.	-	Réf.	-	Réf.	-
Yes	-1,9	1,1	0,4	1,5	-2,7	1,2	4,3	1,8
He doesn't know	-0,6	1,3	-3,2	1,6	0,0	1,5	3,9	2,2
Who does inform the employee of pay-rise in the establishment?								
he's not informed	Réf.	-	Réf.	-	Réf.	-	Réf.	-
by the direction	0,9	1,0	-2,2	1,4	-1,7	1,1	3,0	1,7
by the middle-management	3,2	1,6	-4,1	1,8	-1,2	1,3	2,3	2,2
by the employees' representatives	-0,8	0,9	0,6	1,3	-1,3	1,2	1,6	1,7
by word of mouth	1,4	1,5	-0,9	1,7	-1,9	1,5	1,4	2,2
The employee thinks that the social climate in the establishment is tense	2,3	0,6	0,4	0,9	-1,4	0,8	-1,3	1,1

Source : 2004-05 REPOSE survey, Dares.

Note : Model 2 with controls (see annex 1).

Overall conclusions

This paper aimed at drawing a global overview on wage setting in France through two main aspects:

- the organisation of the wage regulation at different levels, notably the actual situation of collective bargaining on wage;
- the practices of labour compensation at the workplace level, and notably how wages policies pragmatically combine different types of reversible and/or collective rewards.

Methodologically, these two parts are essentially descriptive and concerned by the behaviour of the institutions that influence wages: state, industry level organisation, companies and workplace. We don't pretend to quantify at the macroeconomic level the impact of each behaviour, but we shed light on the importance of each behaviour within the population. Statistics described essentially come from the REPONSE surveys, made in 1992, 1998, and 2004, that described qualitatively and quite exhaustively multiple aspects of workplace industrial relations, productive organisation and human resources management.

The first part on global wage regulation starts from a discussion of traditional indicators used in international comparisons to classify national system of collective bargaining. This analysis is just a point of departure, to shed light on the difficulty to synthesize the multiple specific aspect of the French system.

The second part analyzes pay policies at the workplace level with a two-dimension classification of the compensation devices: their individual or collective aspects and their reversible dimension.

This two level analysis is complementary. We analyze both sides of the French wage setting system: the general conclusions about the evolution of the collective bargaining system in France, that tend to give more autonomy to the enterprise, is reflected by the evolution of companies' effective pay policies. Studying only the relative place of each level of collective bargaining or wage regulation would be quite meaningless if we don't take into account how much each concrete component of the wages paid at the firm level are important or not, substitutive or not, growing or not, because they are not all influenced by the same levels.

The main conclusions, or at least propositions, that arise from the paper can be summarized as follow:

- The French system of wage setting can not be precisely appraised by restrictive view of collective bargaining.
- Structurally, the French system of wage setting rests upon two main pillars: the state regulation and the enterprise level of collective bargaining and wage setting. The industry level is also influential through collective bargaining, but probably less than before
- State intervention strongly influences collective bargaining, particularly at the industry level
- There exists a real trend of "decentralization" of wage regulation, partly through collective bargaining, from the industry level to the enterprise level
- At the workplace level, employers have multiple compensation tools to influence the overall wage growth
- Since the 90's, all these tools have been more extensively used in practice, independently of their reversible or individual aspects.
- Employers combine pragmatically the different components, in different ways
- Intensive pay policy, that combines all the different tools, is the most used and concerns large workplaces, where human resource management is favoured and where social climate is a significant goal of the wage policy.

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Annex 1: Variables in the models

Model 1 (« establishments » model)

Explicative variables

Elements for pay policy

Setting goals as regards wage costs

Existence of a link between evaluation and wage

Criteria of wage upgrading: inflation, financial results of the firm, comparison with wages practised by other firms, necessity of maintaining a good social climate, industry recommendations, instructions of headquarters, influence of the guaranteed minimum wage.

Basic pay is fixed according to a formalised system of classification (executives and non executives)

Opinion of the management's representative

Pay incentives are increasing employees' commitment and motivation (executives and non executives)

Opinion on individualisation : « it increases workers' motivation », « it creates rivalries », « it's a more fair pay practice », « it's impossible to base it on objective criteria ».

Occupational relations

The management is involved in other structures

Employees' representatives have an influence on management's decisions

Employees are informed of wages' evolution

Presence of an union representative : CFDT, CFE-CGC, CFTC, CGT, FO, other union

Elected employees' representatives : none, the representative doesn't belong to an union, the representative is an union member

Bargaining's themes : evolution of the wage costs, bonuses, individual pay increases, criteria of attribution of an individual pay increase, profit sharing.

Social climate

Tense social climate in the firm

At least one conflict in the past three years

Control variables

Firm variables

Two establishments at least in the firm

Firm's status : independant, franchisee, subsidiary company, head of the group

The firm's activity is an activity of subcontracting

Quoted firm

Origin of the fouds : family, employees or other people, financial organism(s), non financial organism(s), state

Establishment variable

Number of employees : 50-99 employees, 100-199, 200-499, 500 employees or more

Activity (NES16)

Age of the establishment : 9 years old or less, 10-19, 20-49, 50 years old or more

Wages' structure

Median wage

Wage dispersion

Manpower variables

The most numerous "Socio-Occupational Category" : workers, employees, technicians, salespeople, engineer or executive.

Part of women in the establishment : less than 25 %, 25 %- 50 %, 50 %-75 %, more than 75 %

Part of young employees (less than 30 years old) in the establishment : less than 25 %, 25 %- 50 %, 50 %-75 %, more than 75 %

Part of old employees (more than 50 years old) in the establishment : less than 25 %, 25 %- 50 %, 50 %-75 %, more than 75 %

Number of people dealing wtih HR

Turnover : less than 25 %, 25 %- 50 %, 50 %-75 %, more than 75 %

Use of manpower with fixed- term contract
Use of temporary workers
Use of subcontracting
Economic indicators
Volume of production : increasing, stable, decreasing
Rentability level : increasing, stable, decreasing

Model 2 (« employees » model)

Explicative variables

Reasons for employees' commiment in work : fear of loosing their job, satisfaction of well done job, identification with firm's objectives', pay incentives, wish to be hold in high regard by the management or by colleagues

Reasons for employees' non-commiment in work : low wages

The employee thinks he's fairly paid

The employee knows if there is pay-bargaining or not : yes, no, he doesn't know

Who does inform the employee of pay-rise in the establishment: the direction, the middle-management, employees' representatives, by word of mouth, he's not informed.

The employee thinks that the social climate in the establishment is tense

Control variables

Establishment's and firm's variables (cf. model 1)

Control variables of model 1

Employee variable

Gender

Qualifications : none, « certificat d'études », BEPC, CAP-BEP, A-level, A-level + 2 years, A-level + 3 years or more

Status : unskilled worker, skilled worker, employee, technician, engineer / executive

Age

Hourly wage