

# Working time regulations: lessons from France

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"They think 'Well, let's have a 35-hour working week for everybody and then we share out the jobs that are available', what we find happens then is that your businesses become more expensive to run than anybody else's, you lose out to the competition and you have less jobs in the economy."

*David Cameron on French 35-hour week. January 2012*

1. Main steps since 1982
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4. Magnitude of the reduction of working time
5. Impacts on employment, working conditions etc.
6. The end of the 35-hour?

References in Askenazy, "Working time regulation in France",  
*Cambridge Journal of Economics*, vol. 37, 2013.

# Changes in regulation were the results of the lack of social dialogue on working time

- 1982: Mitterrand “35-hour” promise = A 39-hour week (from 40) and one additional paid vacation weeks. Up to 130 overtime hours per year. Limited possibility of “flexible” work schedules.
- 1996: Robien law. Huge subsidies for significant reductions in working time associated with proportional job creations.
- 1998: Aubry I: 35-hour work week for large firms in 2000 and for small firms (<20 workers) in 2002. Financial incentives for first movers. Simplified implementation of time schedule flexibility according to agreements.
- 2000: Aubry II: Permanent social tax cuts. Reductions can be achieved through a partial redefinition of hours worked (e.g., breaks). “Annualization” of work time. Maximal contingent of 130 overtime hours. Transition period for small firms.

# The progressive dismantlement of the Aubry's laws. 35-hour is still the reference but

2003-2004: Fillon adjustments: permanent social tax cuts for all firms... proportional to the number of worked hour. Contingent of overtime hours is expanded to 220.

2007: Sarkozy's "working more for earning more" (TEPA law). Exemption of income tax and workers' social contributions on overtime pay and cuts in employer's social contributions.

2008: Branch or firm agreements fix the maximal number of overtimes

# The 1982 experience

Mitterrand's pledge: **35-hour** workweek in 5 steps + 5 weeks of vacations

In fine just one step in 1982: 39-hour + 5 weeks

Why one step ? No visible effect on employment

Evaluations of the 39-hour: very scarce and only on employment

Confidential "evaluations" by the French ministry of economy in 1983: no effect because total productivity compensation

# The 1982 experience

One evaluation using micro data: Crépon and Kramarz (2002)

- Based on the labour force survey
- Compare workers claiming in 1981 working 40 or more hours per week *versus* workers at or below 39-hour
- Result: the probability to be employed after the reform of working more than 39 hours is reduced.

Published in the *Journal of Political Economy*, but very fragile

- Worked hours is a very noisy variable
- No real control group since the reform was macro and simultaneously one additional week of vacations
- No information on firms (except sector, size). Firms which anticipated the 39-hour may be more efficient with fewer risks of redundancies.

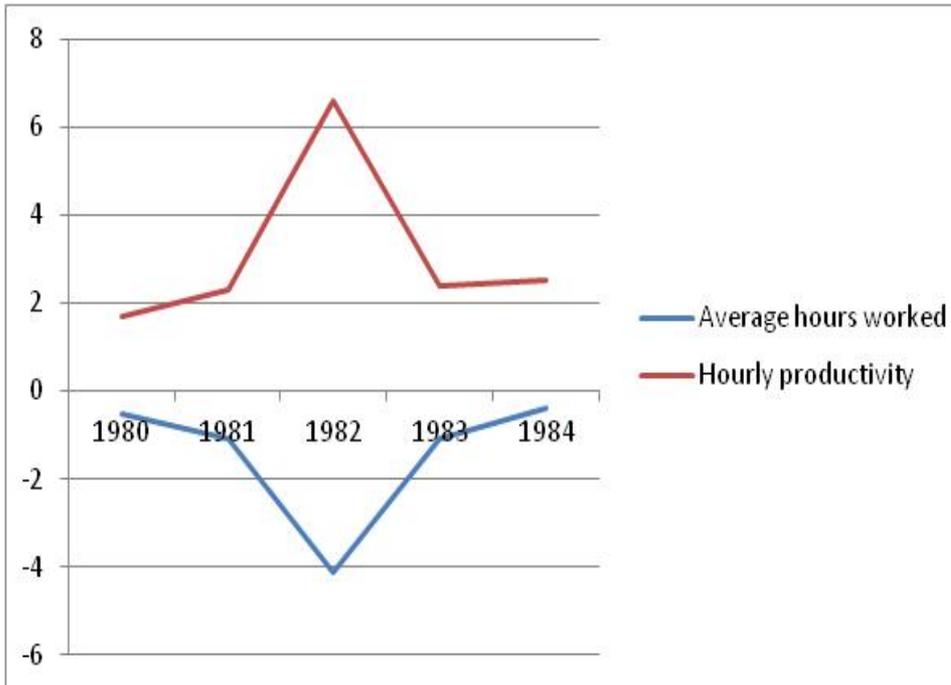
# The 1982 experience

Personal view: the initial analysis is consistent

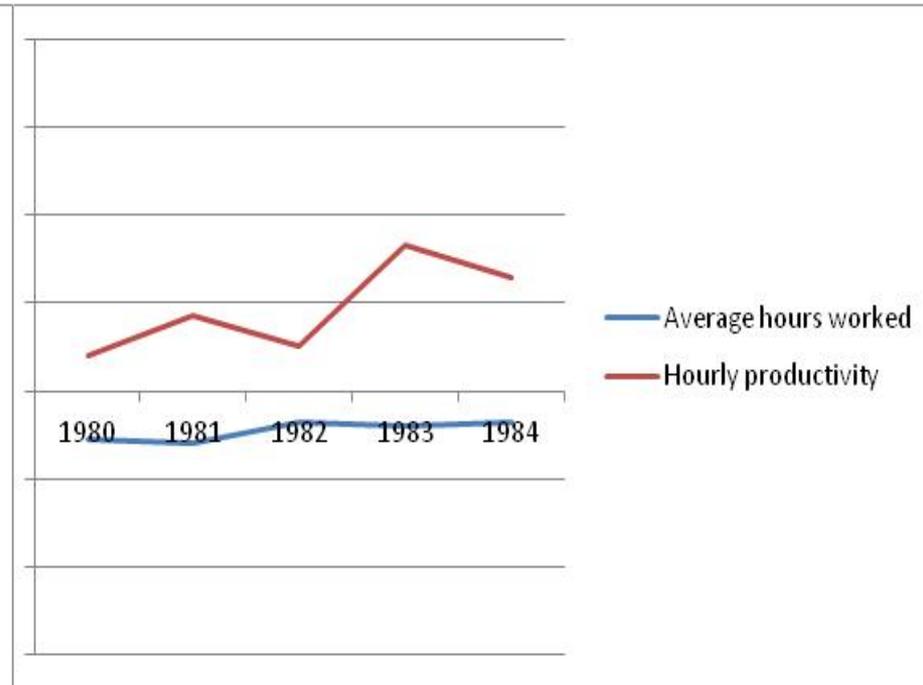
Average hours worked and productivity 1980-1984.

Annual change %. Source OECD

## France



## West Germany



# 35-hour workweek: political roots

- 1997: pessimistic economic forecast => conservative government would have to increase taxes to meet Maastricht criteria.
- ⇒ Anticipated dissolution of the National Assembly
  - ⇒ Socialists tried to win the election with a progressive but pragmatic program, including the 35-hour, an idea of Dominique Strauss-Kahn supported by the union CFDT.
  - ⇒ Right was able to explain why it was against the 35-hour and promoted the reduction of working time through Robien's Law
  - ⇒ Socialist victory

# 35-hour workweek: a neoclassical design

1997: pessimistic economic forecasts, high-unemployment rate (12% compared to currently 10%)

⇒ Reduction of working time cannot drive labour shortages

⇒ It can create jobs if unitary costs are not increasing

⇒ The law should promote new working time arrangements to improve productivity BUT large reduction of working time to avoid pure productivity compensation

⇒ The hourly gross minimum wage should be partially de-indexed

⇒ Incentives then social tax cuts

At the minimum wage: 11% reduction of working time = +4% productivity gains + 3% real wage decline + 4% cuts

# 35-hour workweek: a neoclassical design

First Aubry's Law (private sector)

Incentives for first movers following a constant definition of working time

Commitment of the government to take into account in the second law the innovations in the firm and branch agreements

⇒ Employers organizations which were against the 35-hour massively participate to the bargaining process

⇒ Can curb the process

# 1998-2000: a surprising economic recovery

Steady economic growth, rapid decline of unemployment

Tiny signs of skilled shortages

Demographic transition in the 2000's

2000: the perspective of full employment in 2005!

# A rigid 35-hour week: no, a revamped working time in the private sector

The primacy of firm and branch agreements

Large variety of arrangements

A new definition of working time: The employee is available to the employer; she complies with employer's guidelines; without being able to go freely about her personal affairs.

⇒ The shift from 39-hour to 35-hour was not with a same definition of working time. Eg. in textile branch, a real reduction of 2 hours.

BUT incentives given to first movers following a constant definition

# A rigid 35-hour week: no, a revamped working time in the private sector

Annualization of working time. The reference is not the week but the year.

“35-hour week” =

- For managers and professionals: no hourly reference, 218 days per year but a maximum of 48 hours per week
- For non-managers: 1607 hours

**These are not maxima of worked days or hours but thresholds for the definition of full-time work and overtimes**

The “35-hour” are binding iff the contingent of overtimes is low

“Saving time” accounts: vacations or cash

# The 35-hour in the public sector: some examples

Teachers from primary schools to university: no change!

Researchers: agreement in each lab. E.g. 38.5 hours per week (absurd!) + 13 days of additional vacations or saved in time accounts

Public employees in hospitals: idem

Judges: no hourly reference + 20 days of additional vacations or saved in time accounts

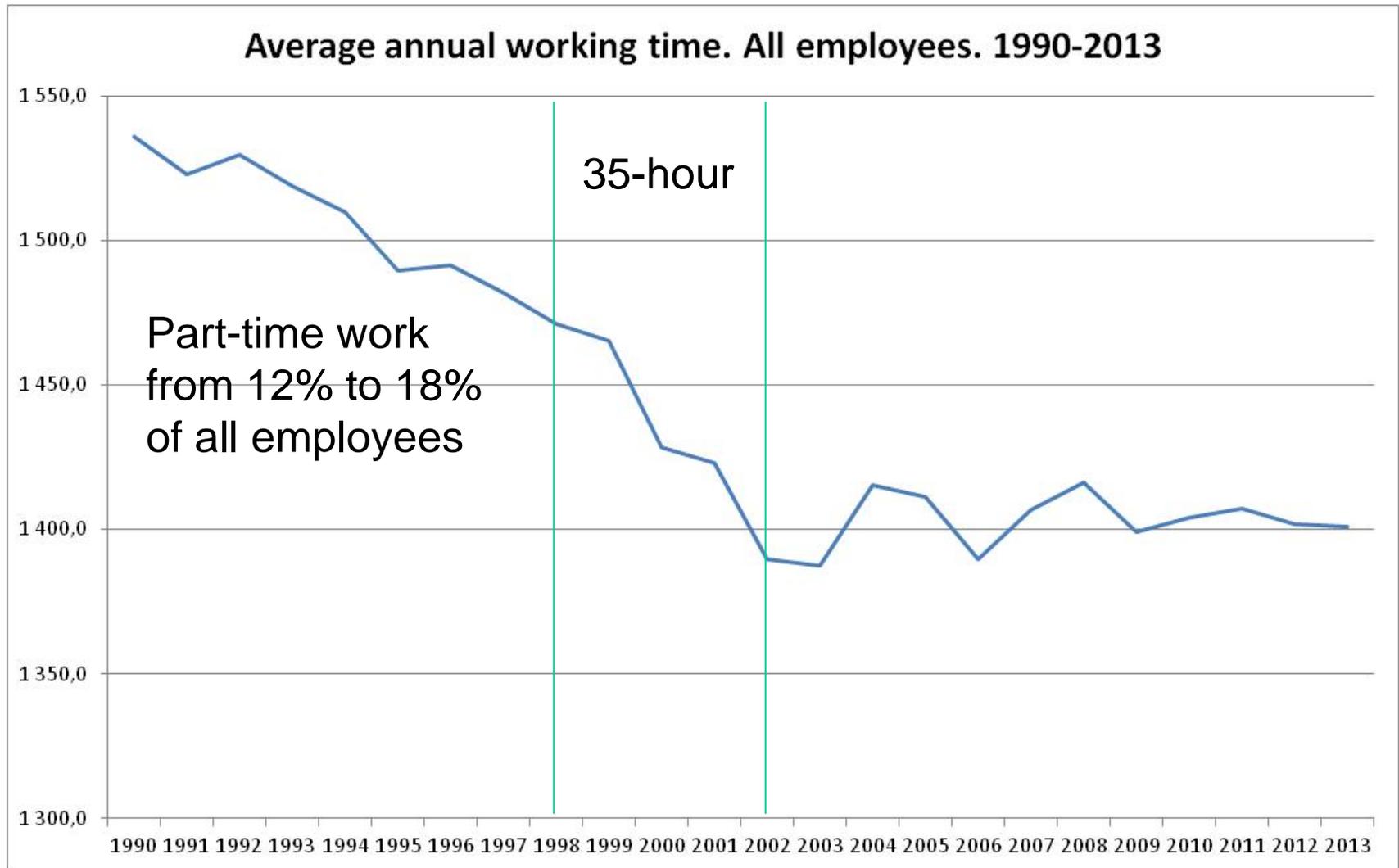
# The magnitude of the reduction of working time

Huge heterogeneity between and within firms/administrations/branches

Employers' logs are very bad sources. E.g. for a manager working 218 days in a year, the logs give 1607 hours! (NB: employer survey on labour costs are unreliable, as well)

For an aggregated view, National Accounts are probably the best source

# The magnitude of the reduction of working time



# Impact on employment in the public sector

Few job creations in the hospitals but large ones in local public services

⇒ Especially in hospital or magistrate courts, impossibility to take additional vacations or to significantly improve productivity

⇒ Millions days in time saving accounts...

⇒ Governments since 2003: massive repurchases of days, by default shift in a public pension fund

# Impact on employment in the private sector

Evaluations on the first movers following a constant definition *versus* control groups

Based on firm data (except hours worked) and not the LFS, except Chemin and Wasmer (2009) *Journal of Labor Economics* on Alsace-Moselle...

+ Administrative list of first movers

**Diff in diff** estimations

Most sophisticated paper: Crépon, Leclair and Roux (2005) published in *Economie et Statistique*

Impact on productivity and employment. **Diff in Diff + instrumental variables**

# Impact on employment in the private sector

Results: +150.000 job creations in the first movers

Extrapolations, diff in diff for others categories...

⇒ Consensus 300.000 to 350.000 additional jobs

Debate on the sources of job creations: shorter working time *versus* social contribution cuts

300.000 = +2%...significant?

Limited compared to 1.5 million salaried job creations in the market economy between 1998 and 2002.

Important for a 2-hour reduction!

# Impact on working conditions

Again, huge heterogeneity!

Fundamentally, the satisfaction is correlated with the job creations.

Public sector, unchanged for teachers or judges but increasing workload for nurses *versus* additional vacations for low-skilled employees in local administrations

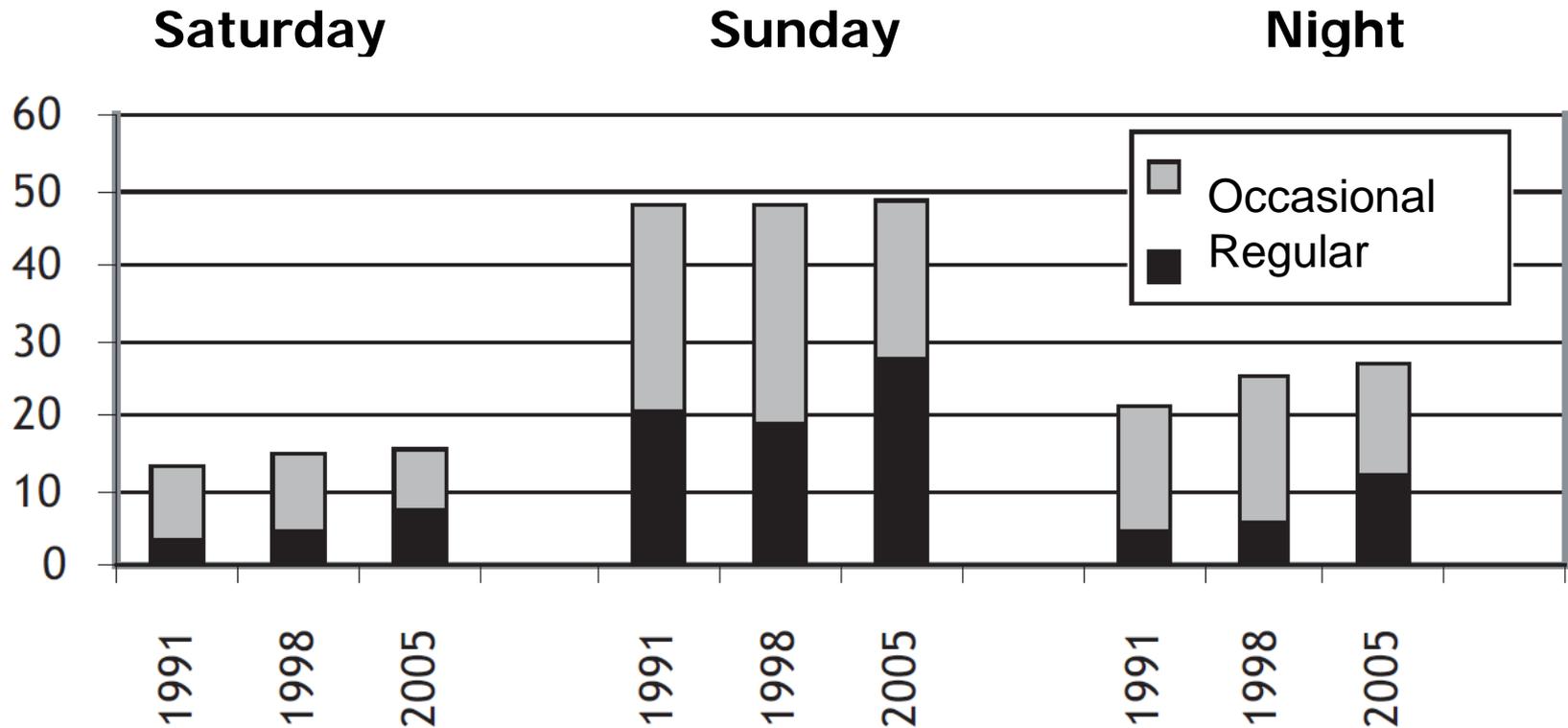
Private sector: the tradeoff between shorter working time and revamped work organization

E.g. The 35-hour accelerated in the first movers the implementation of high-performance work practices (Askenazy, 2003)

# Impact on working conditions

The 35-hour did not stop (or even spread) atypical work schedules

French working conditions surveys. 1991-2005. Salaried workers in %



# Impact on working conditions

But some signs of improvement

**Do not enjoy a 48-hour rest in a week. 1998-2013. In %**

(Salaried workers, French working conditions surveys)

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	Managers and professional	Intermediate occupations	Clerks	Other white collars	Skilled blue collars	Unskilled blue collars	<b>Total</b>	Men	Women
<b>1998</b>	14,4	19,3	13,2	38,5	16,2	18,3	<b>20,8</b>	19,1	22,8
<b>2005</b>	9,1	14,6	13,0	28,4	12,9	11,2	<b>15,8</b>	13,1	18,9
<b>2013</b>	11,0	13,5	10,8	28,0	14,2	16,0	<b>16,3</b>	15,3	17,3

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# Impact on time use

Time use surveys + specific surveys on the 35-hour

Since the middle of the 1990's,

Working time: minus 20 min per day

Commuting : plus 10 min per day

Partial time coordination within couple

More leisure travel for managers and professionals

More DIY, gardening and child care

# The “softening” of the Aubry’s laws

2003-2004: Fillon adjustments: permanent social tax cuts for all firms... proportional to the number of worked hour. Contingent of overtime hours is expanded to 220.

2007: Sarkozy’s “working more for earning more” (TEPA law). Exemption of income tax and workers’ social contributions on overtime pay and cuts in employer’s social contributions.

2008: Branch or firm agreements fix the maximal number of overtimes

2012: Abrogation of “working more for earning more”

2013: firm facing huge temporary difficulties can negotiate an increase of working time associated with no wage compensation but labor hoarding

## In practice:

Very few firms did renegotiate the working time agreements, despite the economic downturn and stagnation

New created firms tend to apply common practices of similar firms (according to size and industry)

Working time is flat since 2002

## Some lessons

The State can stimulate a general process of decentralized bargaining over working time

The outcome depends on the parameters of shorter working time

Workers' representatives should be able to anticipate the adverse effects of some arrangements

Job creations associated with shorter working time are a condition for workers' satisfaction and improvement in working conditions

Non-reversibility?