

THE FRENCH MIDDLE CLASS AND THE LABOUR MARKET

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France is one of the European countries where the middle class defined according to an income-based approach has been relatively numerous and stable since 1990. Our analysis confirms the hypothesis that the French labour market features a significant dualism: compared to lower-income groups, the middle class is relatively protected from unemployment and from the worsening of working conditions. Several reasons may explain this relative stability: occupational dynamics, the labour force participation trend, and social regulations.

La Francia è uno dei Paesi europei nei quali la classe media, definita secondo un approccio basato sul reddito, si è mantenuta relativamente numerosa e stabile sin dall'inizio degli anni Novanta. La nostra analisi corrobora l'ipotesi secondo la quale il mercato del lavoro francese sarebbe caratterizzato da un forte dualismo: rispetto alle classi a più basso reddito, la classe media risulta essere abbastanza immune alla disoccupazione e al peggioramento delle condizioni di lavoro. Svariate ragioni possono spiegare questa relativa stabilità: le dinamiche occupazionali, la tendenza riguardante la partecipazione alla forza lavoro e la normativa di natura sociale.

1. INTRODUCTION

In an international perspective, previous research such as, for instance, Bigot *et al.* (2011), has shown that France appears to be an exception (together with a few other countries) in a general context of decreasing middle class. This might seem surprising in a country that has been characterised by persistent high levels of unemployment since the 1980s. In this article, we analyse the links between the middle class and the labour market, as well as the labour market changes over the last three decades.

Like in previous articles on the French case, we retain an income-based approach; however, we link the income position of the household to the position of the head of the household and of his/her partner on the labour market. This link is made possible by the data we use, i.e. the standard French Labour Force Survey matched with fiscal data on annual income for various years (ERF, 1996, 2001, 2007 and 2011). Like in a set of national case studies of a research project coordinated by the International Labour Organization

(ILO) (see Vaughan-Whitehead, 2016), we consider that households that have an income ranging between 60% and 200% of the median of incomes are middle-class households¹. In 2011, according to our estimations, an individual who earns between 11,659 € and 38,864 € annually belongs to the middle class; pursuant to our definition, a lone parent with a child under 14 belongs to the middle class if his/her income is comprised between 15,157 € and 50,523 €; a couple with two children older than 14 belong to the middle class if their annual income is comprised between 29,148 € and 97,160 €. We also consider a more stringent definition of middle class: the *core* middle class, defined as households having an annual income between 80% and 120% of the median income. Based on this definition, a household made of a single individual earning between 15,546 € and 23,318 € a year belongs to the core middle class.

The next section describes the size of the French middle class and the changing links with the labour market over the past three decades. The third section presents the main drivers of middle-class dynamics. The fourth section discusses the results and provides some conclusions.

2. IS THE FRENCH MIDDLE CLASS PROTECTED FROM THE LABOUR MARKET?

France is one of the European countries where the middle class defined according to an income-based approach has been relatively numerous and stable since 1990. According to Courtioux and Erhel (2016), the middle class corresponds to 76% of the whole population, whereas the core middle class is estimated to account for 34%. In many aspects, the situation of the middle class in France is similar to the situation in Belgium and in the Netherlands, whereas in other European countries, such as the United Kingdom or Germany, the middle class, measured in terms of population and/or income, has shrunk (see Vaughan-Whitehead, 2016).

In a long-term perspective, the transformations of the labour market have impacted the French middle class. Like all labour force participants, the middle class has experienced an increase in the share of short-term or part-time contracts, and a general trend of decreasing working time. However, compared with the bottom-income class, the middle class is less affected by the increase in atypical work. Between 1996 and 2011, for middle-class individuals in employment the share of fixed-term contracts increased from 4.3% to 8.9%; for bottom-income class individuals this share increased from 11.4% to 24.2%.

Moreover, the unemployment rate for people belonging to the middle class has increased during the crisis, but in a lower proportion than for the average. In 2011, the middle-class unemployment rate was 5.7%, whereas it reached 8% for the whole population².

Since the beginning of the 2007 crisis, there has been an increase in income inequality. According to our estimation, the Gini coefficient for equivalised income was 0.28 in 1996, 0.29 in 2007, and 0.31 in 2011. However, within the middle class, the inequality level stayed relatively unchanged; the Gini coefficient remained at 0.17. The increase in wage

¹ The income used here is the income per consumption unit (CU). This index takes into account the size of the household and the economies of scale within the household. The scale applied for the estimations is the one developed by the Organisation for Economic Co-operation and Development (OECD): the first adult accounts for 1 CU, each additional person aged 14 or over accounts for 0.5 CU, and each additional person aged less than 14 accounts for 0.3 CU.

² The employment rates provided by Courtioux and Erhel (2016) are lower than the official rates because they focus on the head of the household and on his/her partner.

inequality seems to be more contained: the Gini coefficient for annual wage inequality was 0.37 in 1996, 0.27 in 2007, and 0.38 in 2011, whereas within the middle class, wage inequality was 0.30, 0.29, and 0.30 for the same years.

3. THE MIDDLE CLASS BENEFITTED FROM A COMBINATION OF DIFFERENT FACTORS

The results of this analysis show a middle class relatively protected from unemployment and from the worsening of working conditions. Several reasons may explain this relative stability: *i*) occupational dynamics; *ii*) the labour force participation trend; and *iii*) social regulations.

First, the individuals who belong to the middle class have occupations that experienced a positive trend since the 1990s. Among them, the so-called ‘middle occupations’ (*professions intermédiaires*), employees, and managers (*cadres*). For instance, in 1996, the share of managers in the working population was 8%, reaching 12% in 2011. It was 6% and 10%, respectively, for working individuals belonging to the middle class. The share of middle occupations increased from 29% in 1996 to 31% in 2011 for the whole working population, the same level and rate of growth experienced within the middle class. On the other hand, the share of blue collars in the whole population declined (from 25% in 1996 to 20% in 2011), and decreased also for working individuals belonging to the middle class (from 27% in 1996 to 21% in 2011).

Second, in a long-term perspective, we have to take into account changes in labour supply for couples. Between 1996 and 2011, the share of households with two wage earners stayed unchanged: the share of middle-class individuals belonging to a household with two full-timers remained at 23-24% during the whole period, whereas the individuals belonging to households with one full-timer and one part-timer accounted for 11-12%. On the other hand, the share of individuals belonging to a household with one full-timer and an individual being out of work decreased from 20% to 13%. The share of households with the two spouses being out of employment (mainly pensioners) remained stable over the period, and it corresponds to the share within the whole population (21-22%)³.

Third, it is important to discuss stability in relation to social regulations and social policies. Most of middle-class income stems, directly or indirectly, from work: in 2011, 76% originated directly from the labour market. This is not the case for the bottom-income class: only 41% of their income stems directly from work. Thus, the absence of changes in income inequality mainly originates from the evolution of wage inequality, which is rather flat. In France, the wage setting process, combines a national minimum wage (*salaire minimum interprofessionnel de croissance*, SMIC) and sectoral collective agreements (*conventions collectives*), which can be extended to the whole industrial sector through a government decision (*arrêté ministériel*), and then become the *common rule* even for those companies that have not signed them. This process has triggered wage inequality (Askenazy, Bozio, García-Peñalosa, 2013). Moreover, in France during the period referred to above, the unemployment benefits remained relatively generous compared to most European countries. This latter source of income continues to be important for the middle-

³ The other classes of households include single-person households and some marginal categories of couples such as the households composed of two part-timers or of one part-timer and one out-of-employment partner (0.4-0.5% and 2-3%, respectively, of the whole population over the period).

income class: the share of the unemployment benefits in total income reached 14% in 2011 and seems to have stayed unchanged since the 1990s.

4. DISCUSSION AND CONCLUSION

In the French case, it seems that a strong social regulation based on the State and social partners (*partenaires sociaux*) has contributed to the stability of the size of the middle class and of their revenues. The importance of industrial relations in such a situation seems to be confirmed by the Belgian and Dutch cases (see Vaughan-Whitehead, 2016). The results for these three countries contrast with the case of the United Kingdom, where wage bargaining and negotiations are decentralised and social policies are less generous, as well as with the case of Germany, which experienced strong labour market deregulation during the 2000s.

The French case also shows that, contrary to the relatively favourable situation of the middle class, the labour market situation for the bottom-income group deteriorated during the period under examination. During the 2000s, this income group experienced worse and worse working conditions, as well as an increase in the unemployment rate and in wage inequality. This analysis confirms the hypothesis that the French labour market features significant dualism. Moreover, the lower income levels within the middle class were more severely affected by the 2007 crisis than the other income segments of the middle class. More generally, the importance of public policies (including social protection and wage-setting policies) in sustaining middle-class income and social position appears quite clearly. In a time of substantial budget constraints, these policies could be curbed, and the rise in inequality experienced between 2007 and 2011 could turn into a permanent trend.

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