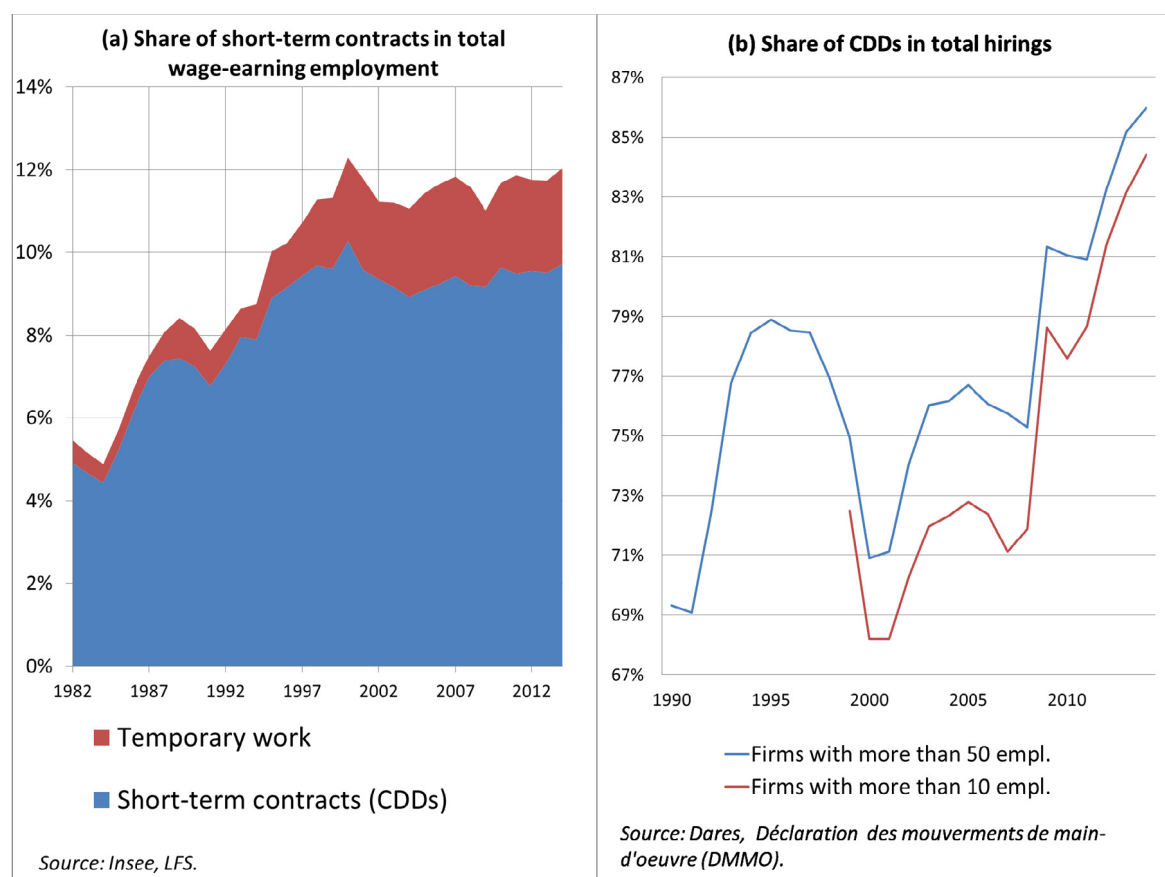


The duality of the French labour market

By [Clémence Berson](#)

In France, flexibility in the labour market relies mainly on fixed-term and temporary workers. These workers are less well paid, receive less training and find it difficult to obtain permanent employment. This two-tier labour market creates social and economic problems. Public policies can be envisaged to favour transition to permanent contracts.

Chart 1: Fixed-term and temporary jobs (a) and hires (b)

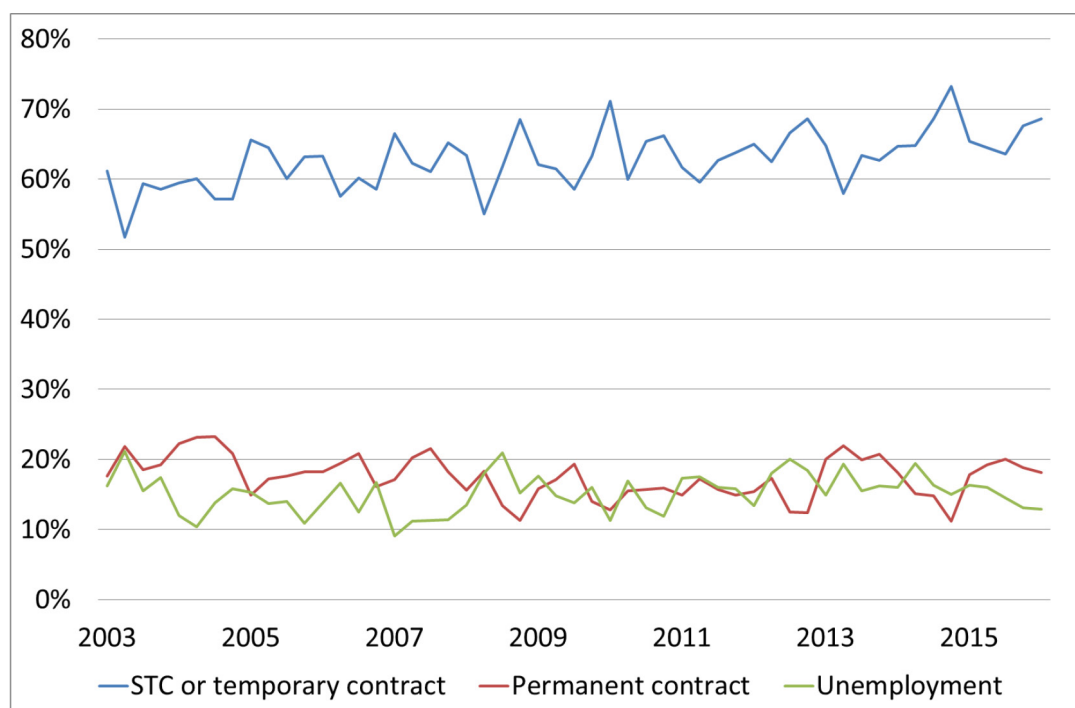


The main employment contract in France is the permanent contract (*Contrat à durée indéterminée* or CDI). In recent years, these account for the majority of existing contracts but for only a limited proportion of hires. In contrast, fixed-term contracts (CDD) and temporary contracts account for a small proportion of existing contracts but represent the majority of hires (see charts 1a and b). The turnover rate for these contracts is rising steadily, the average length of a fixed-term contract being of 14 days in 2014. Labour market flexibility is therefore concentrated mainly on fixed-term and temporary workers.

A low rate of transition to permanent employment

Fixed-term and temporary jobs are sometimes presented as a stepping stone to permanent employment. In particular, young people represent a large percentage of workers under these contracts. However, [Blasco and Givord \(2010\)](#) have demonstrated that such contracts lead more often to unemployment than to a permanent job for this population. Based on the data for all fixed-term and temporary workers, the rate of transition to a permanent contract is relatively low (between 10% and 20% one year out, see chart, Berson 2017¹). A large majority are still on fixed-term or temporary contracts one year after the first measurement (between 50% and 70%).

Chart 2: Transition from a fixed-term or temporary contract to another fixed-term or temporary contract, to permanent employment or to unemployment



Source: Enquête Emploi, author's calculations.

The probability of being in permanent employment one and a half years later is slightly higher, between 20% and 30%, but 50% to 60% are still on fixed-term or temporary contracts. The probability of transition to a permanent job is therefore low, reinforcing the strong increase in worker turnover observed since the 1990s ([Picart, 2014](#)). This shows that the French labour market is segmented: workers on fixed-term and temporary contracts tend to continue on these types of contracts for several years and find it difficult to obtain permanent employment.

¹ C. Berson 2017 "Atypical contracts in France", miméo.

Fixed-term and temporary workers: younger and less qualified than workers in permanent jobs

Fixed-term and temporary jobs are filled by specific categories of workers. Most often, these concern women and people from an immigrant background. The average age of these workers is relatively young: 34 years versus 42 years for CDI contracts. Blue-collar workers represent 34% of fixed-term and temporary contracts compared with 23% of permanent contracts, low-skilled white-collar workers represent 36% versus 32% in CDI while the proportion of intermediate and managerial occupations is 7 points higher in CDI than in fixed-term or temporary contracts.

Atypical working hours concern mainly fixed-term and temporary contracts and 24% of fixed-term and temporary contracts are part-time compared with 16% of permanent contracts. Most often, the companies that use this type of contract are companies with more than 50 employees (20% versus 10% for CDIs) and the sectors most frequently concerned are the farming sector, technical and scientific activities, public administrations and other services.

More vulnerable workers

Workers employed under fixed-term and temporary contracts are also more vulnerable to the economic conditions than other workers. Using the French data from the wages survey carried out by Eurosystem's Wage Dynamics Network, we show that the likelihood of a drop in fixed-term and temporary contracts increases by more than 20% after a negative shock in demand (see Berson, 2017).¹ In general, when a company reduces its permanent work force it also reduces its fixed-term and temporary workers. INSEE's labour force survey data show that the weight of fixed-term and temporary contracts in overall employment decreases during economic crises, such as in 2009, for example. The greater part of the fluctuations in entries into employment are due to entries under fixed-term and temporary contracts, confirming that labour adjustments in France rely on these types of workers (cf. [Le Barbanchon and Malherbet 2013](#)).

Moreover, people employed under fixed-term or temporary contracts are less likely to be trained during their employment. According to the OECD's PIACC survey of adult skills, the likelihood that they will receive at least some training related to their job is, in France, 7% lower than for other employees (author's calculation). The number of training actions received is also lower than for other employees. In contrast, the type of contract has no impact on work satisfaction or on demand for training.

Lastly, the INSEE's Continuous Employment Survey from 2003 to 2016 enables a comparison of workers with the same demographic and sociological characteristics employed by similar companies. The fact of being employed under a fixed-term or temporary contract reduces wages earned by 5%, all other characteristics being equal. A closer look at the wages gap between fixed-term and temporary workers and those in permanent jobs shows that more

than 20% of the difference cannot be explained by individual characteristics and that it is probably due to different treatment by employers.

Duality has a significant economic and social cost

This analysis of fixed-term and temporary contracts in France underscores the segmentation that exists between these contracts and permanent employment contracts (CDI or civil service contracts). People employed under fixed-term and temporary contracts tend to remain under these types of contracts and find it difficult to get a stable job. They also receive less professional training and are paid less. This labour market duality also has major social consequences. Firstly, the people who obtain only fixed-term or temporary employment experience frequent periods of unemployment. Secondly, the consequences can be felt in other markets due, for example, to difficulties in obtaining housing or credit.

Some public policies can be envisaged to reduce this segmentation. The difference in job protection between short-term and long-term employment may contribute to this duality. Companies ensure the flexibility of their labour force through those contracts that are easiest to terminate, i.e. fixed-term and temporary contracts. According to some economists (such as [Tirole and Blanchard, 2003](#)), reducing the protection gap between the two types of contract would be one way of reducing labour market segmentation as there would be fewer advantages attached to using fixed-term contracts. Incentive schemes have also been examined to increase hires under permanent contracts and encourage the transformation of fixed-term and temporary contracts into permanent ones. These types of measures include the introduction of a bonus/penalty system for unemployment insurance contributions similar to that in place in the United States ([Cahuc and Malherbet, 2001](#) and [Cahuc and Prost, 2015](#) in particular) or taxation of short-term contracts in exchange for subsidies for hires under permanent contracts ([Berson and Ferrari, 2015](#)).