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Working hours and economic performance

What are the lessons of the Coe-Rexecode report?

Éric Heyer and Mathieu Plane

Do people work less in France than in the rest of Europe? Is France the only country to have reduced working time in the last decade? Is the 35-hour work week really dragging down the French economy?

The report published on 11 January by the [Coe-Rexecode](#) Institute provides fresh material for answering these questions.

Do people in France work fewer hours than in the rest of Europe?

- There are several reasons why it is difficult to compare working time internationally:
- Differing definitions of the concept (normal hours, usual collective or usual individual, paid, effective),
- The different methodologies used to measure it (surveys may be conducted of households or of businesses),
- Which workers are covered (total, salaried employees only, full-time or part-time).

The Coe-Rexecode report covers these issues in breadth and in depth and concludes that the most accurate definition uses average annual effective working time, taking into account holidays and sick leave. The authors of this report then use the methodology based on the *Enquête emploi* labour force survey, namely, a declarative survey conducted among households. Finally, they exclude non-salaried employees and distinguish between full-time and part-time employees.

Having made these decisions, the authors asked Eurostat to calculate working time during the period 1999-2010 for all the countries in the European Union.

Before going into detail on the study results, it is worth briefly reviewing these methodological choices: while there is no doubt that average annual effective working time is the best definition for measuring working time, the decision to use a survey of employees rather than of employers may well affect the results. Indeed, regardless of the country studied, working time is higher when it is individuals who are questioned, rather than employers. This difference is due to the fact that in calculating their working time, some employees include breaks and travel time and particularly unpaid hours worked, which employers tend to exclude from their analysis. This systematic bias is unfortunately not uniform either in time or between countries, so controlling for it is impossible.

The choice of the survey therefore has a significant influence on the measurement itself and thus on international comparisons: despite this bias, if one focuses on the comparison between France and Germany, the two sources agree on the fact that a full-time French employee works less than their German counterpart. But they also both suggest that France makes less use of part-time work, and that the typical French part-time employee works more than their German counterpart. However, the two sources present contrasting pictures of the situation of total employees: according to the survey of employees, working time is greater in Germany than in France, while according to employers the reverse is true (Table 1).

Table 1. Annual working time of employees in 2008 depending on who is surveyed...

Hours	... the employees (Emploi survey)		... the employers (ECMOSS survey*)	
	Germany	France	Germany	France
Full-time	1945	1672	1650	1583
Part-time	880	985	847	940
Total	1670	1547	1378	1440
Share of part-time employees	25.8%	18.2%	33.9%	22.2%

* The ECMOSS survey has more limited coverage than the Emploi survey (companies with more than 10 employees in the private and semi-public sectors).
Sources: Emploi survey, Ecmoss survey.

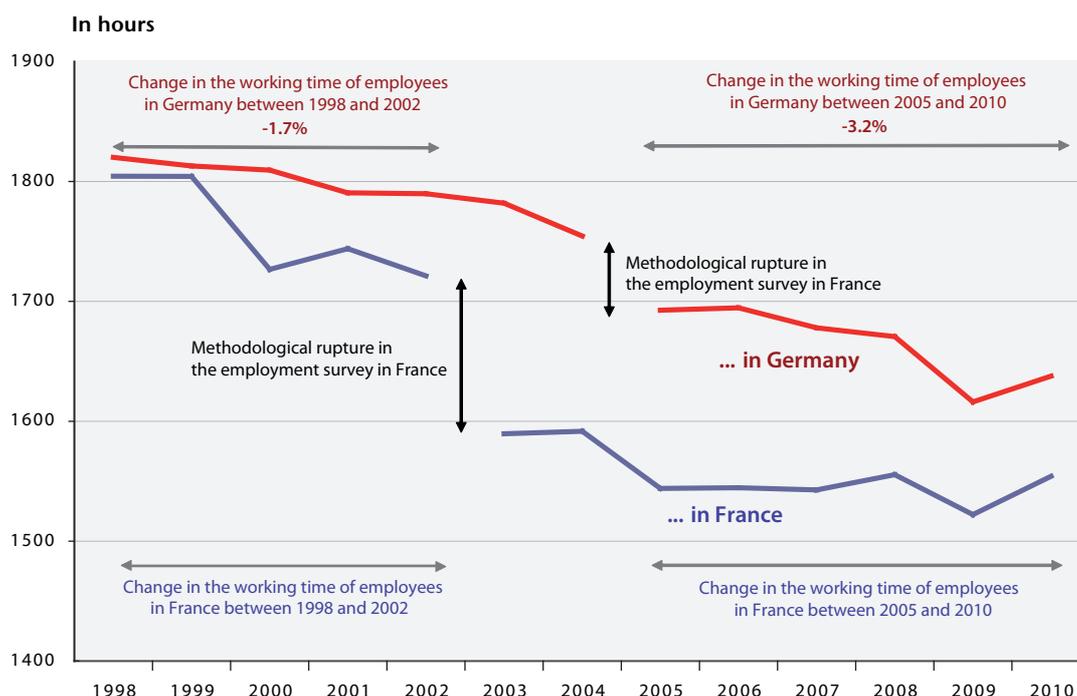
Has working time fallen more in France than in Germany over the last 10 years?

The report attempts to answer this question by calculating the average annual effective time in all European countries from 1998 to 2010. The results indicate a greater decline in this period in France than elsewhere in Europe, and more than in Germany in particular. For full-time employees, this reduction came to 13.9% in France but only 6% in Germany. A more detailed analysis of the figures provided by Coe-Rexecode emphasizes that this difference is due almost entirely to the sharp decline in 2003 in France (-7.1% for full-time employees). This fall, the highest recorded during the period, largely exceeds that observed in 2000 when the 35-hour statutory work week

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took effect (-4.4%, Figure 1). But it is precisely in 2003 that there was a major change in the methodology of the INSEE Emploi survey, which is the basis of the authors' calculations: it changed from an annual survey to a continuous survey (for more details please see [Askenazy](#)). In Germany, the switch to a continuous survey took place in 2005. These changes led to a break in the series on annual working time for full-time and part-time employees, in 2003 for France and in 2005 for Germany, rendering any dynamic analysis of the decade misleading.

Figure 1. Changes in the annual working time of employees



Source: Coe-Rexecode.

Taking into account the breaks in the statistical data in 2003 and 2005 leads to a different diagnosis from that of Coe-Rexecode: during the period 1998-2002, with the introduction of the 35-hour work week in France, working time decreased more in France (-4.2%) than in Germany (-1.7%). However, between 2005 and 2010, German employees, both full-time and part-time, greatly reduced their annual working hours (-3.2%) while their French counterparts slightly increased theirs during that same period (0.7%).

Furthermore, [Askenazy](#), [Chagny](#) and Minni point out various biases in the German employment survey, which Odile Chagny summarizes as follows:

- "the method of collecting data tends to overestimate the effective working time of full-time employees in Germany due to the underestimation of workers who are completely absent during a reference week while on vacation";
- "the survey does not adequately cover jobs of 'little importance' in Germany (these jobs were not recorded in administrative records until the procedure was reformed in 1999). The result is a sharp overestimation of the working time of full-time employees, and a strong underestimation of the rate of part-time work

in the EFT data for Germany that is published by Eurostat (26.7% in 2010, versus 34.7% according to the IAB data, which is based on administrative sources and used for the national accounts), which distorts comparisons. It was decided to overhaul the questionnaire in Germany as of 2011 in order to improve the measurement of jobs of 'little importance'. On the other hand, the bias related to vacation absences is likely to persist."

What macroeconomic conclusions can be drawn from the results of the Coe-Rexecode study?

The table published in the appendix (p. 38), which summarizes macroeconomic developments in the major European countries from 1999 to 2010, provides valuable information about labour market dynamics and adjustments over the last decade. While the figures on working time from the *Emploi* survey are questionable (see previous section), those concerning employment are not.

Job creation has been more dynamic in France than in Germany over the last 10 years ...

First, according to the findings of the Coe-Rexecode study, the dynamics of employment over the last decade have differed between countries, with France enjoying particularly good results. Indeed, among the big European countries, apart from Spain, which was going through a phase of economic catch-up in the last decade, France recorded the highest rate of job growth. Employment in the French economy rose by 14% between 1999 and 2010, while the comparable figures were 10% to 11% in Italy and the Netherlands and 7% to 8% in the United Kingdom and Germany (Table 2). The labour market during the last decade was thus twice as dynamic in France as in Germany. Contrary to the report's findings, the reduction of the work week in France did not fail to meet its goal of job creation.

Table 2. Major changes in the labour market, by country, between 1999 and 2010

In %

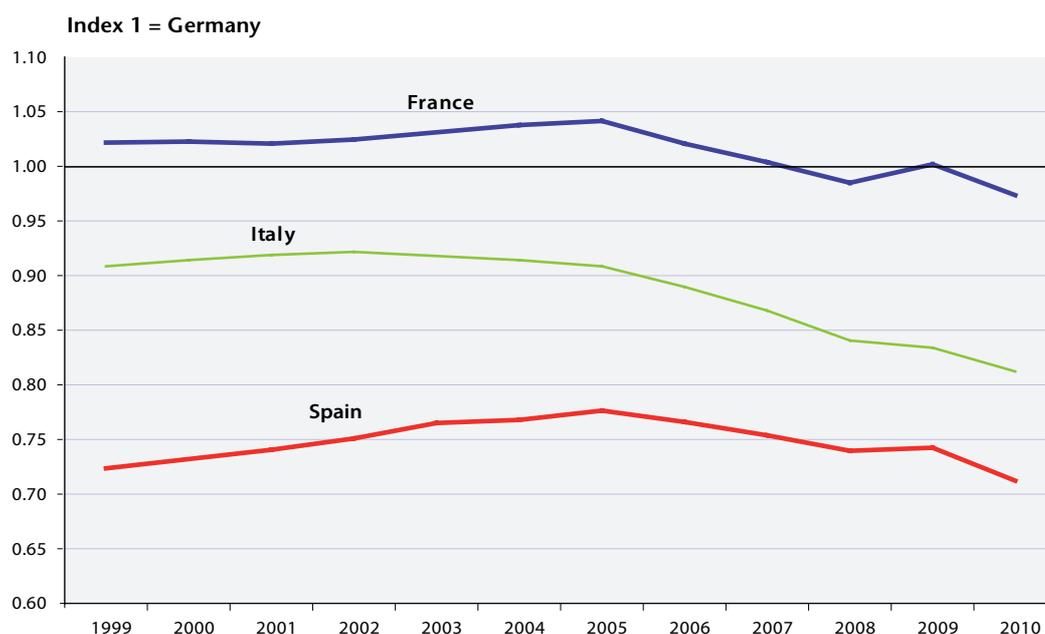
	Change in total employment	Contribution of part-time employees to the growth in total employment	Contribution of involuntary part-time employees to the growth in total employment
Germany	7.3	111	46
France	14.2	17	13
United Kingdom	7.7	32	25
Italy	10.9	66	40
Spain	26.2	29	21
Netherlands	10.1	117	16

Sources: Coe Rexecode, Eurostat, OFCE calculations.

... with fewer precarious jobs due to better job-sharing

Second, the results of the study clearly show that the various countries adjusted in different ways to the reduction in working time. In all the countries, the rate of part-time employment (as a percentage of employees) increased, to varying degrees, between 1999 and 2010: from 0.3 percentage point in France to 10.3 points in the Netherlands (7.1 points in Germany). And it was the countries that made the biggest reduction in the working time of their full-time employees between 1999 and 2010 that experienced the smallest increase in the share of part-time jobs. In France, the reduction in the statutory work week saw the adjustment in the reduction of working time focused mainly on full-time employees, whereas in other countries, including the Netherlands and Germany, it led to a significant increase in part-time workers. The only force driving job creation in the Netherlands and Germany was a policy aimed at enhancing the external flexibility of businesses by increasing the use of part-time jobs. In the latter two countries, the creation of part-time employment accounted for more than 100% of total job creation (Table 2), with a decline in full-time employees over the period 1999 to 2010 (-11.3% in the Netherlands and -2.4% in Germany). The creation of part-time jobs mainly involved women, who tend to work part-time more than men do. This has exacerbated gender inequalities on the labour market in Germany. In contrast, in France, the creation of part-time jobs between 1999 and 2010 contributed only 17% of all jobs created, with full-time jobs accounting for over two-thirds (16% was non-salaried employment). By limiting the rise in part-time work through the reduced statutory work week, France avoided a drift into underemployment and job insecurity. The rise in involuntary part-time work accounted for only 13% of the jobs created over the period 1999-2010, while in Germany it contributed 46% to job creation over the last ten years (Table 2). Contrary to the report's conclusion, France did not fail in its effort at job-sharing.

Figure 2. GDP per capita (in volume, euros PPP, 2005) and average working time in France relative to Germany



Sources: Coe Rexecode, Eurostat, OFCE calculations.

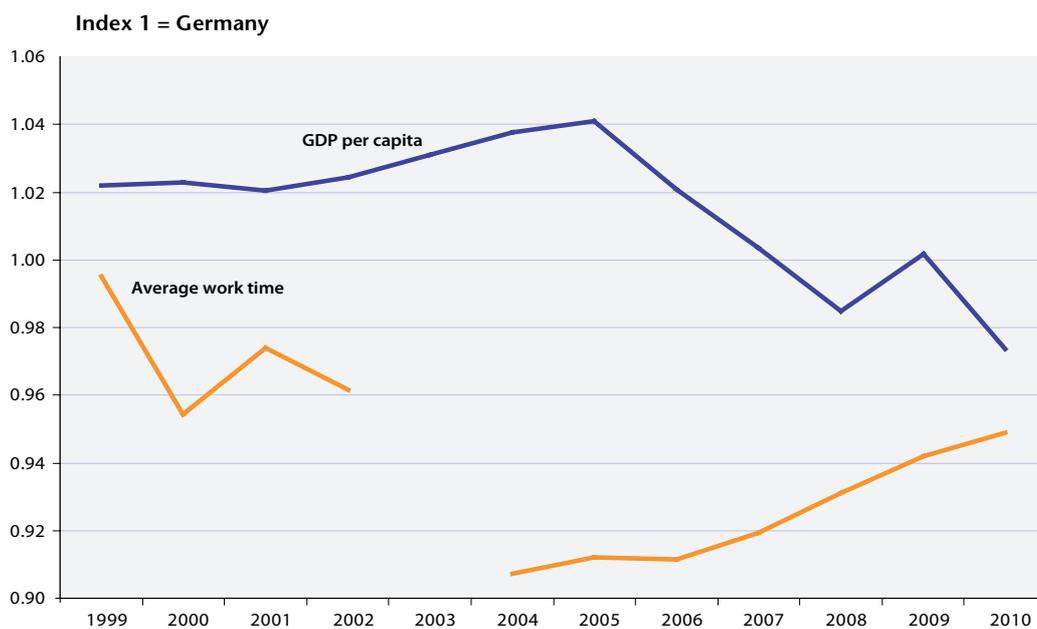
A decade marked by two distinct sub-periods

Finally, according to the Coe-Rexecode study, the French policy of a reduced work week was a failure because between 1999 and 2010 it led to a smaller volume of growth in GDP per capita in France (7.3%) than in Germany (13.5%). This discrepancy is actually explained by the difference in population dynamics, as the population in France grew by 7.3% between 1999 and 2010 while in Germany it declined by 0.4% over the same period. Indeed, between 1999 and 2010, GDP grew more rapidly in France (16.1%) than in Germany (13.1%).

As for changes in GDP per capita, two sub-periods need to be distinguished (Figure 2): the first, from 1999 to 2005, saw the implementation of the 35-hour work week in France, which experienced greater growth in GDP per capita than did Germany (7.7% in France against 5.7% in Germany). The second, between 2005 and 2010, was marked by a relaxation of the 35-hour week; this was accompanied by a relative decline in France as compared with Germany (0.4% increase in GDP per capita in France, versus 7.4% in Germany). The period 2006-2010 was marked chiefly by the maturing of the competitive disinflation policies put in place in Germany (Hartz reforms, social VAT, etc.), which took full effect in the years 2006 to 2008. Germany's policies resulted in lower market shares for the other major euro zone countries, and a greater share for Germany. This "uncooperative" policy resulted in a relative decline in the GDP per capita of France, Spain and Italy. This effect is therefore not specific to France, making it difficult to attribute this to the rigidity of the French labour market and the 35-hour work week.

Finally, contrary to what is said in the report, the shorter work week has not curbed growth in GDP per capita. In light of developments over the past decade, GDP per capita in France relative to Germany improved during the period when France made greater reductions in working time than Germany (1999-2004). In contrast, between 2005 and 2010, GDP per capita in Germany improved significantly compared to France, even though working time declined more in Germany than in France during that period (Figure 3).

Figure 3. GDP per capita (in volume, euros PPP, 2005) relative to Germany



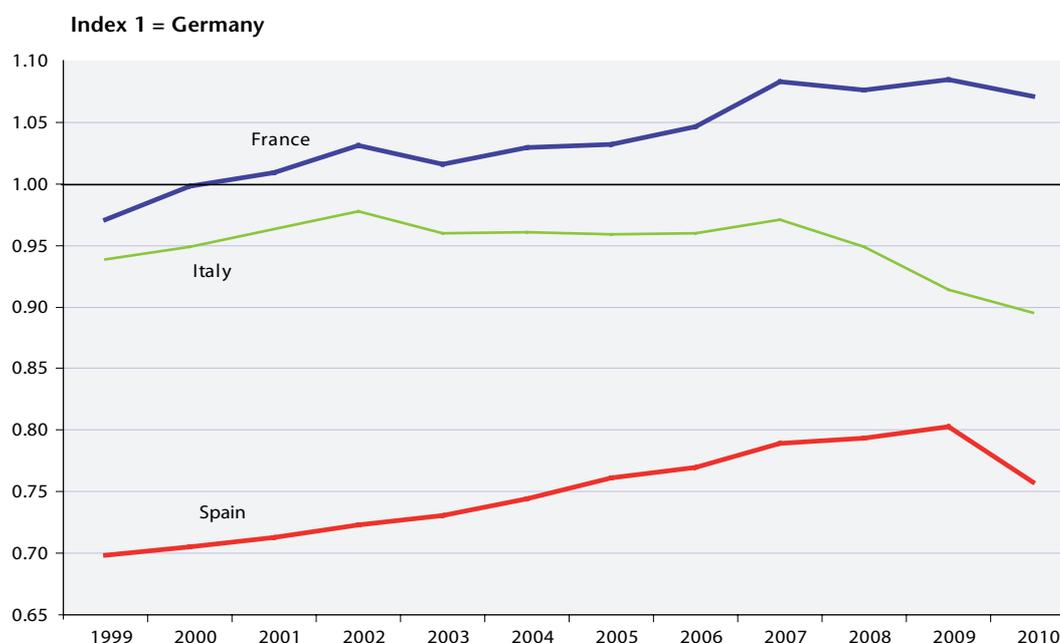
Sources: Eurostat, OFCE calculations.

GDP per capita is not the same as purchasing power per capita

Finally, the Coe-Rexecode study emphasizes the success of the German model which, unlike France, led to a significant increase in purchasing power per capita, equivalent to the rise in GDP per capita. This reasoning ignores changes in the distribution of value added. German policy, by compressing wage costs, greatly increased the margins of the country's companies, but their improved competitiveness came at the expense of growth in the wages and purchasing power of households. This contrasts with the situation in France, where the share of value added has remained relatively stable over the last decade. In the end, over the period 1999-2010, purchasing power per capita (which corresponds to gross disposable income, GDI, per capita, deflated by the consumer price index) grew 13.6% in France between 1999 and 2010, while it increased by only 3% in Germany over the same period (Figure 4).

Contrary to the findings of the report, the reduction of working time in France did not fail to meet the goal of job creation and job-sharing. On the contrary, over the period 1999-2010, the pace of job creation in France was double that of Germany, and, unlike in Germany, these jobs have mostly been full-time in France, which has avoided increasing the casualization of labour. This took place by sharing work on a collective basis, as the result of negotiations by the social partners within a legislative framework that is opposed to a strategy of intensifying the duality of the labour market. In addition, due to the better distribution of value added, per capita purchasing power in France rose 10 points more than it did in Germany during the last decade.

Figure 4. GDI per capita (in volume, deflated by the CPI base 100 in 2005) relative to Germany



Sources: Eurostat, national accounts, OFCE calculations.