

Comments on
“Le dualisme du marché du travail”
by F. Fontaine and F. Malherbet

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Paris, 8 June 2015



My views

- Very interesting and well-written study
- I support many of the conclusions but...
- ... interpret differently some of the evidence presented

Summary of paper (1/2)

- Fixed term contracts (CDD) have increased significantly in France (and other EU countries) since the 1980s
 - Average duration has fallen too
- ‘Segmentation has *disastrous* consequences’
 - CDD play a large role in business cycle adjustment
 - Working conditions of CDD worse than CDI (also training, health and social cohesion)
 - CDD rarely a stepping stone towards CDI

Summary of paper (2/2)

- CDI dismissals involve large costs (incl uncertainty)
- CDD indirectly subsidised by social security contributions of CDI
- Labour market reforms and social partners representativeness can have big impact:
 - Less uncertainty in CDI dismissals
 - Changes to social security contributions

CDDs have positive aspects too

- Job characteristics/quality vary widely
 - Specific job needs of temporary nature
 - Even more variation likely in the future
- There are gains to multiple contract types
 - Working conditions (incl contract type) offer additional dimensions of reward on top of salaries that facilitate exchanges
 - Important gains in periods of high unemployment

What is the actual impact of CDDs?

- ‘Bad’ jobs (pay, training, etc) may tend to be CDD: how important is reverse causality?
 - CDD low duration and conversion rate
- Would most CDD jobs exist if there weren’t CDDs? Counterfactual analysis...
 - What’s the percentage of CDDs that could be CDIs (and last longer/become more productive) if CDI EPL lower?

CDDs involve big trade-offs

- CDDs may:
 1. make some jobs more precarious (when CDIs too rigid)...
 2. ... but also promote the creation/formalisation of many jobs (even for reasonable CDIs)
- Which effect dominates?
 - What's % of CDDs that could be CDIs (and last longer/*become more productive*) if CDI EPL was lower?
- In times of high (youth) unemployment, the second mechanism should be valued

Policy proposals

- Labour reform should focus on CDI rigidity *per se*:
 - Can (Latin) Europe move faster towards flexicurity?
 - Procedural aspects offer great potential
 - Other policies better suited to address left tail of job quality distribution (education, innovation, etc)
 - Would more flexible CDDs last longer?
- Design of social security: better to increase CDD contributions *or make UBs more proportional to contributions?*
 - CDD demand more price sensitive