

Title of the thesis:

**Microeconomic evaluation of the 35 hour employees' and firms' strategies**

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Abstract:

The “Aubry 1” (June 13th, 1998) and “Aubry 2” (January 19th, 2000) laws have introduced the 35 hour week in France. This employment active program is an important change that affects time schedules, hours compensation, staff structure and the organisation of work in general. Due to the law, both employees and employers have to modify their individual strategies of labour demand and supply. They also have to bargain on working time, wages, employment and labour organisation. This work exposes an *ex post* microeconomics evaluation of the effects of the Aubry laws. The first part analyses employees' and firms' individual strategies having to deal with the 35-hour process. First, I study the working time reduction impact on individual and familial labour supply (chapter 1). Secondly, job creation determinants are specified for 35- hour firms (chapter 2). Using “EMPLOI 2000” and “PASSAGES 2001” surveys, the main econometrics results obtained are described hereafter. Concerning labour supply, household member whose spouse works 35 hours, all else equal, seems to work less hours. Concerning labour demand, among 35-hour firms, those which benefit from social tax cuts, granted by Aubry and Robien laws have increased their staff more than the others. However, more than 40% of the non-adjusted job creation gap between these two populations can be explained by the implementation of working time reduction. The second part takes into account the bargaining process between employees and employers and studies the firm's organisational choice impact on wage bargaining. First, I analyse the impact of the implementation of new working time organisation, [called « modulation/ annualisation »], on wages and working conditions (chapter 3). Then, I focused the bargaining rent associated with working time flexibility and tax cut subsidies (chapter 4). Both the theoretical model and the econometric analysis show that the decision of implementing a modulation agreement depends on i) product demand volatility, ii) employees trade-off between wage and working conditions iii) costs associated with the implementation of a new organisation (fixed and bargaining costs), iv) competitors' organisational choice. Finally, the last theoretical model explain the 35-hour insiders' and outsiders' wage gap by the rent bargaining. Three main factors determine the result of such a distribution: insiders' disutility at work in a flexible organisation with and without gross job creations, the outsider's relative bargaining strength and the employees substitution marginal rate between wages and working conditions. Then I show that diffusion of the 35-hour week should generate wage inequalities between full-time insiders and outsiders but could also be better for workers than part-time specialisation.

**Keywords:** *Working Time reduction, active labour program evaluation, Econometrics, switching models, simultaneous equations models, familial labour supply, organisation, bargaining models*

**JEL Classification:** *J20, J21, J22, J23, J29, J38, J58, C10, C34, C35, L13*

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