

Estimate of effects of new 2016 measures on the labour cost

Since the first quarter of 2016

Extending the scope of company complementary health insurance

Since 1st January 2016, private sector employers have an obligation to offer complementary health insurance to their employees, and are required to contribute to the cost. The effect of this measure on the LCI -total labour cost in Q1 2016 is estimated at +0.5 index points across the whole of the non-agricultural market sector, excluding services to households (*Table 1, Column (1)*). This effect is estimated by applying the share of this complementary health insurance that the employers' contributions represent, on average, taken from the survey on *Profit-sharing, incentive and company savings schemes*, to the wage bill of the companies that do not offer it yet. The labour cost for companies that already offer complementary health cover remains unchanged.

"New hiring" premium for SMEs

Companies with less than 250 employees that hired an employee under an open-ended contract or under a fixed-term contract for 6 months or more between 18 January 2016 and 31 December 2016 at a wage lower than 1.3 times the minimum wage are entitled to a quarterly premium of 500 euros for two years at the most. The effect of this measure can be quantified by assigning the amount of the bonus to an estimate of the quarterly number of beneficiaries per section of the French Classification of Activities NAF rev 2 which uses data from pre-hiring declarations (ACOSS) and the annual declarations of social data (INSEE). This measure should have very slight effect on the labour cost in Q1 2016. The LCI – total labour cost for the whole non-agricultural market sector excluding services to households will probably be about 0.03 index points lower than what it would have been without this measure (*Table 1, Column (2)*). The effect will cumulate as new people are hired and it will increase in magnitude each quarter in 2016 before decreasing in 2017, as the measure expires.

1. Estimated effects on LCI – total labour cost levels in Q1 2016 level, by section of the French classification of activities

			Obligation to offer complementary company health insurance (1)	Hiring bonus for SMEs (2)	Estimated effect in Q1 (1)+(2)
Divisions	Sections of NAF rev.2, 2008		2016Q1	2016Q1	
05-09	B	Mining and quarrying	0,69	0,00	0,68
10-33	C	Manufacturing	0,35	-0,01	0,34
35	D	Electricity, gas, steam and air conditioning supply	0,17	0,00	0,17
36-39	E	Water supply; sewerage, waste management and remediation activities	0,23	-0,02	0,21
41-43	F	Construction	0,89	-0,01	0,88
45-47	G	Wholesale and retail trade; repair of motor vehicles and mot	0,70	-0,07	0,63
49-53	H	Transportation and storage	0,19	-0,02	0,17
55-56	I	Accommodation and food service activities	0,55	-0,09	0,47
58-63	J	Information and communication	0,31	-0,01	0,30
64-66	K	Financial and insurance activities	0,18	-0,01	0,18
68	L	Real estate activities	0,41	-0,01	0,39
69-75	M	Professional, scientific and technical activities	0,38	-0,02	0,36
77-82	N	Administrative and support service activities	0,88	-0,11	0,78
05-82	BN	Non-agricultural market sector excluding services to households	0,48	-0,03	0,45
05-39	BE	Industry	0,33	-0,01	0,33
45-82	GN	Services	0,48	-0,04	0,44

Source: INSEE

Since the second quarter of 2016

Raising of the eligibility threshold for the reduced employers' contribution rate for family allowance

On 1st April 2016, the eligibility threshold for the reduced employers' contribution rate for family allowance was raised to 3.5 times the minimum wage, after being at 1.6 times the minimum wage between 1st January 2015 and 30 March 2016. For the employees of eligible companies, who are paid less than 3.5 times the minimum wage, the employer contribution rate for family allowances is now 3.45% compared with 5.25% for the others.

The effect of extending the reduced rate to wages between 1.6 and 3.5 times the minimum wage is assessed by applying this reduction in rate to the share of the wage bill represented by wages of between 1.6 and 3.5 times of the minimum wage (estimated from the Annual declarations of social data - DADS). The estimated effect is an average of -0.5 points on the Labour Cost Index – total labour cost in Q2 2016 (*Table 2*). This effect differs slightly according to the economic activity. It is greater in those industries where wages between 1.6 and 3.5 times the minimum wage represent a large proportion of the total wage bill in the industry.

2. Estimated effects on LCI – total labour cost level in Q2 2016, by section of the French classification of activities

			Effect of extending family allowance reduction
Divisions	Sections of NAF rev. 2, 2008		2016 Q2
05-09	B	Mining and quarrying	-0,6
10-33	C	Manufacturing	-0,7
35	D	Electricity, gas, steam and air conditioning supply	-0,5
36-39	E	Water supply; sewerage, waste management and remediation activities	-0,6
41-43	F	Construction	-0,5
45-47	G	Wholesale and retail trade; repair of motor vehicles and motorcycles	-0,5
49-53	H	Transportation and storage	-0,4
55-56	I	Accommodation and food service activities	-0,3
58-63	J	Information and communication	-0,6
64-66	K	Financial and insurance activities	-0,6
68	L	Real estate activities	-0,6
69-75	M	Professional, scientific and technical activities	-0,7
77-82	N	Administrative and support service activities	-0,4
05-82	BN	Non-agricultural market sector excluding services to households	-0,5
05-39	BE	Industry	-0,7
45-82	GN	Services	-0,5

Source: INSEE