

The individual dynamics of wage income in France during the crisis

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Key question

Wage income inequalities (measured by the yearly amount of all wages earned by a wage earner) slightly increased over the course of the crisis of 2008 in France. However, they may have increased because the already-different wage incomes of individuals diverged, but also because individuals experienced temporary variations of their wage incomes that were more difficult to foresee, in other words the uncertainty on their future wage income grew. How did these dynamics combine?

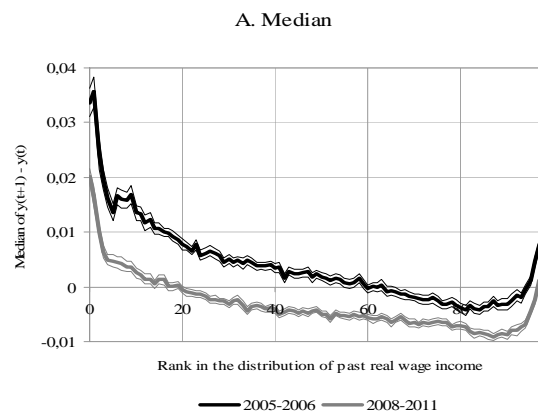
Methodology

We study the variations in the uncertainty on wage income in France before the years of the crisis (2005-2007) and over the course of the crisis of 2008 (2008-2012), by applying, for the first time in France, a non-parametric method to the longitudinal administrative data set of the “all wage earners” *DADS* [annual declarations of social data] panel produced by Insee.

Main results

- Over the course of the crisis, the individual dynamics of wage income are less favourable than over the course of the years before, particularly for the lowest-paid wage earners and to a lesser extent for the highest-paid.;
- The magnitude of the uncertainty on future wage income increases slightly over the course of the crisis. These two factors contribute to the slight increase of wage income inequalities over the course of the crisis.
- For the lowest-paid wage earners and for the highest-paid in the past, the relative frequency of very unfavourable evolutions of wage income increases to the detriment of that of very favourable evolutions.
- In all, it is the lowest-paid wage earners and the highest-paid in the past whose individual dynamics of wage income are the most affected by the crisis.
- These variations of the dynamics of wage income are linked to the amount of hours worked for the lowest-paid wage earners, and to hourly wages for the highest-paid

Individual yearly variations in real wage income before and during the crisis



Metropolitan France between 2005 and 2011, all wage earners except agricultural workers and apprentices and trainees, except wages directly paid by households. Real wage income (in logarithm) after controlling for the age effect. Sources: Insee, “all wage earners” *DADS* Panel.

Main message

In France, a slight increase in the uncertainty on the individual evolutions of wage income over the course of the crisis is highlighted here, likewise in the US. For the lowest-paid wage earners and for the highest-paid, very unfavourable evolutions of wage income are more frequent over the course of the crisis than over the preceding years. This is not the case for the wage earners of intermediary remunerations, in contrast with the case of the US where this phenomenon concerns all wage earners. For the lowest-paid wage earners, these variations of the individual dynamics of wage income over the course of the crisis reflect mainly the effects linked to working time, and may therefore result from an increased risk of job loss. These results could be made to be more detailed by taking into account unemployment benefits.