

## Crisis adjustment strategies in France: The contribution of establishment-level data

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### Key question

In terms of employment, the response of French companies to the 2008 economic crisis has often been presented as focused on workforce adjustments –mainly the temporary workforce– rather than on internal flexibility involving changes to hours worked and pay. Wage and employment regulations are believed to be the main explanation for this adjustment strategy. But at establishment level, are the crisis adjustment strategies so homogeneous? Based on micro-economic data, the paper provides a fresh perspective by studying the diversity of adjustments made and their links with the specific context of each establishment.

### Method

Drawing on the Dares *REPONSE* survey 2010-2011, the paper identifies typical combinations of establishments' response to the crisis, based on a statistical classification of establishments taking into account the employment, wage and output adjustments they made between 2008 and 2010. A multinomial logit model is then estimated to determine the link between these typical combinations and a set of variables describing the establishments' internal organisation and environment.

### Main Findings

- Crisis responses appear heterogeneous at establishment level: Of the five classes of establishment identified, two made no or few adjustments, and their workforce remained the same or increased; three combined several adjustments (workforce reduction, short-time working, wage moderation or reduction in wages, business reorganisation), illustrating the complementary rather than substitutable nature of these adjustments.
- The typical combinations of adjustments are significantly linked with the specific context of each establishment.
- In terms of internal organisation, the existence of flexible pay components (individual pay rises and performance bonuses) and recourse to worker versatility seem to be significant, unlike recourse to fixed-term contracts, temporary workers and subcontractors.
- With regard to economic and financial dependency relationships, being majority foreign owned, being a subsidiary of a group (whether listed or not), or being part of a subcontracting chain affects the adjustments made by establishments.

#### Main adjustments per class of establishments reporting no change or a decline in activity between 2008 and 2010

	"All adjustment mechanisms"	"Restructuring with wage moderation"	"Primarily wage-oriented adjustments"	"Stability in workforce"	"Increase in workforce"
Trend in salaries	Freeze or reduction	Moderation	Freeze or reduction	No	No or moderate
Trend in workforce	Decrease	Decrease	No change or decrease	No change	Increase
Recourse to short-time working	Yes	No	Yes	No	No
Business reorganisation	Yes	Yes	No	No	No
% of establishments	8	15	11	50	16

Coverage: Establishments with 11 employees or more in the non-farm business sector, reporting no change or a decline in activity from 2008 to 2010. Sources: Dares *REPONSE* survey 2010-2011, "management representative" section, and *Sinapse*

### Key conclusions

These findings challenge the idea that, within establishments, "core" workers would be protected from the effects of the crisis by a "peripheral" group of vulnerable workers absorbing most of the adjustments. They suggest that the effects of the crisis differ within the core workforce itself, depending on skill levels. The impact of financial and economic dependency relationships on the adjustments made tends to support the view that organisational boundaries are "blurred", an invitation to better take these relationships into account for the analysis of labour management practices.