

Wages

In 2017, nominal wages accelerated in the market sectors: hardly at all for the basic monthly wage, with +1.3% as an annual average, after +1.2% in 2016; more significantly for the average wage per capita, with +2.1% after +1.2%. Prices accelerated more sharply, resulting in real wages slowing down slightly in 2017: +1.2% after +1.3% for the average wage per capita.

In H1 2018, the average nominal wage per capita should progress slightly faster than in H2 2017. Yet with the expected rise in inflation, the purchasing power of market-sector wages is expected to slow down, with a +0.5% growth overhang in mid-2018. However, net wages are likely to be more dynamic, since the decrease in contributions is greater than the rise in the general social security contribution (CSG) for employees in these sectors.

In general government, the average gross nominal wage per capita sharply accelerated in 2017 (+2.2% as an annual average in 2017, after +0.8% in 2016) with the effect of statutory measures (protocol for career paths and wages – PPCR) and increases in the index point in February 2017. It also accelerated in real terms (+1.3% after +0.9%). In 2018, the compensation for the increase in the general social security contribution for public officials is likely to be different from that of private employees: this should be partially due to a rise in gross wages through a compensatory allowance. Consequently, although the index

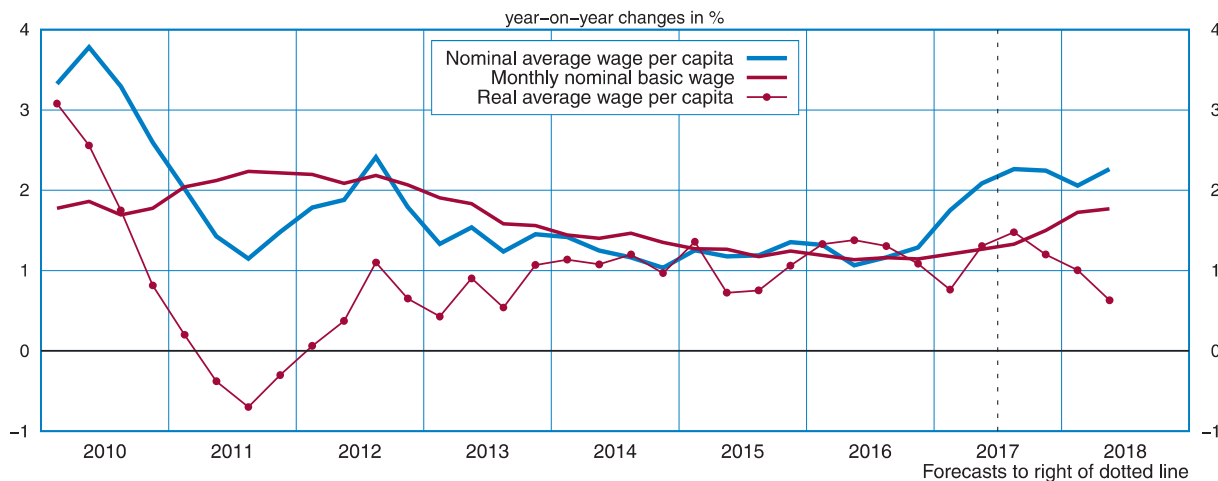
point will not be increased, and despite the one-year deferral of certain terms of the PPCR protocol, the average gross nominal wage per capita should remain buoyant: its annual growth rate carried over should reach +1.6% in mid-2018. However, net wages are likely to slow down significantly, since the increases in gross wages should only compensate for the rise in the general social security contribution.

In 2017, wages in market sectors accelerated in nominal terms, but slowed down in real terms

In 2017, the minimum wage was raised a little more (+0.9%) than the previous year (+0.6%), unemployment should decrease, and inflation should rise a little. In the non-farm market sectors, the basic monthly wage¹ should increase 1.3% as an annual average, almost as in 2016 (+1.2%, *Graph* and *Table*). The average wage per capita, which covers a wider range of remunerations (bonuses, profit-sharing and overtime payments), is expected to accelerate more significantly (+2.1% on average in 2017 after +1.2% in 2016), due in particular to a dynamic first quarter (+0.8%). In H2 2017, the average wage per capita should be slightly less marked than in the first half (+1.0% half-year on half-year after 1.2% in H1 2017).

1. For a definition of basic monthly wage and nominal average wage per capita, see the “Definitions” section on the website www.insee.fr

Change in the nominal and real average wage per capita and basic wage



Scope: non-agricultural market sector
Sources: INSEE, Dares, Acoss

Over the year in 2017, prices² are expected to increase regularly: +0.4% in H1 and +0.6% in H2. As a result, the real average wage per capita should slow down at the end of the year (+0.4% in H2 after +0.8%). The real basic monthly wage should stabilise at +0.2% in H2 as in H1.

At the beginning of 2018, nominal wages are likely to remain dynamic, but real wages should slow down significantly

Assuming there is no added boost, the minimum wage should be increased on 1st January 2018 by +1.2%, which is higher than the increases of the two previous years. In H1 2018, this acceleration, combined with the expected upturn in inflation and growing difficulty in recruiting (*Production sheet Focus*) is expected to help boost wages. The nominal average wage per capita in the market sectors is likely to increase by +1.2%, after +1.0% half-year on half-year. In real terms, wages are still likely to decelerate slightly (+0.2% after +0.4%).

In mid-2018, the annual growth overhang for the average wage per capita in nominal terms should be 1.8%, a little more than the previous year (+1.7% in mid-2017). However, in real terms, the growth overhang is likely to only be +0.5% against +1.0% the previous year, due to the expected acceleration in prices. Net wages are likely to be more dynamic, since the reduction in social

contributions (health and unemployment) should be more significant than the rise in general social security contributions for employees in these sectors (see *Household income sheet*).

In the civil service, gross nominal wages accelerated in 2017 and are unlikely to weaken in early 2018

In general government, the index point was increased by 0.6% in February 2017. In addition, the protocol for “career paths and wages” (PPCR) was further boosted in 2017 with measures for increasing the wage grids, in addition to bonus/point transfer operations. As an annual average, the average wage per capita in general government therefore should accelerate more markedly in nominal terms: +2.2% in 2017 after +0.8% in 2016. Given the expected rise in prices, the real average wage per capita should accelerate less than in nominal terms: +1.3% after +0.9% in 2016.

For 2018, the index point will be frozen and certain terms of the PPCR protocol will be deferred by one year. However, the modalities of the rise in the general social security contribution will differ from the private sector and will include an allowance, which will contribute approximately +0.8 points to the rise in the average wage per capita in 2018. Therefore, gross wages should remain dynamic: the annual growth overhang should stand at +1.6% in mid-2018, only slightly less than the previous year (+1.9%); in real terms, it should decline by +0.3% against +1.2% in mid-2017. Net nominal wages should be much less dynamic and should decline in real terms. ■

2. Inflation is measured here by the variation in household consumer prices, provided by the quarterly national accounts.

Variation in the basic monthly wage and the average wage per capita in the non-farm market branches and in general government

in %

	Quarterly growth rates						Half-yearly rates			Annual averages		
	2017				2018		2017 H1	2017 H2	2018 H1	2016	2017	2018 ovhg
	Q1	Q2	Q3	Q4	Q1	Q2						
Basic monthly wage	0.3	0.4	0.4	0.5	0.5	0.4	0.6	0.9	0.9	1.2	1.3	1.4
Average wage per capita in the non-farm market branches	0.8	0.4	0.5	0.5	0.6	0.6	1.2	1.0	1.2	1.2	2.1	1.8
Average wage per capita in general government (GG)										0.8	2.2	1.6
Household consumer price index (quarterly national accounts)	0.6	-0.1	0.1	0.5	0.6	0.4	0.4	0.6	1.0	-0.1	0.9	1.3
Real basic monthly wage	-0.3	0.5	0.2	0.0	-0.1	0.0	0.2	0.2	-0.1	1.2	0.4	0.2
Real average wage per capita (non-farm market branches)	0.2	0.5	0.4	0.0	0.0	0.2	0.8	0.4	0.2	1.3	1.2	0.5

Forecast

Sources: INSEE, Dares