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Diversity of Compensation Policies and Wage Collective Bargaining in France

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ABSTRACT

The concomitant transformations of compensation policies and the wage collective bargaining system over the course of recent decades invite comparison between the two: how far are changes in pay practices and patterns of wage collective bargaining connected? How do actors bargain given complex and diverse compensation policies? These issues are examined on the basis of the French REPONSE 2004-2005 survey and two case studies carried out in the automotive sector and four call centres. Six compensation policy profiles are firstly identified, from the simplest to the most complex. Our results then emphasise that the diversity of compensation policies is echoing the variety of collective bargaining. Besides, they underline the impact of collective bargaining depends on compensation policies. Finally, we stress that several factors limit collective bargaining margins, or at least are used as such: individualisation of pay practices, directives from parent companies or contractors, as well as the statutory minimum wage.

Keywords: compensation policies, collective bargaining, automotive sector, call centres

Diversidad de Política de Compensación y Negociación colectiva de Salario en Francia

RESUMEN

Las transformaciones de las políticas retributivas y del sistema de negociación colectiva a lo largo de las últimas décadas invita a una comparación entre estas: ¿hasta qué punto los cambios en las prácticas salariales están vinculados con las tendencias en la negociación colectiva? A partir del estudio francés REPONSE 2004-5, dos estudios de caso llevados a cabo en el sector de automoción y cuatro centros de llamada, se examinan estos aspectos. Se identifican, en primer lugar, seis perfiles de políticas retributivas, del más simple al más complejo. Nuestros resultados ponen de manifiesto que la diversidad de políticas retributivas refleja la variedad en la negociación colectiva. Por otro lado, muestran que el impacto de la

negociación colectiva depende de las políticas retributivas. Finalmente, se destaca que varios factores limitan los márgenes de negociación colectiva, o al menos son usados como tal: individualización de las prácticas salariales, directivas de empresa matriz o contratista y el salario mínimo interprofesional.

Palabras clave: políticas retributivas; negociación colectiva; sector de automoción; centros de llamadas.

REFERENCIA NORMALIZADA

Castel, N., Delahaie, N. and Petit, H. (2014). "Diversity of Compensation Policies and Wage Collective Bargaining in France". *Cuadernos de Relaciones Laborales*, Vol. 32, núm. 2, p. 311-336.

SUMARIO: Introduction. 1. Diverse and complex compensation policies, 2. What connects compensation policies and wage collective bargaining?. 2.1. Particular remuneration policies correspond to specific wage collective bargaining patterns. 2.2. "Mixed" and "reduced" policy: the wage bargaining in call centres and an automotive firm. 3. What is the impact of wage bargaining?. 3.1. From the individualisation of compensation to the blind spot of collective bargaining. 3.2. Bargaining margins limited by the firm's organisational context. 3.3. The statutory minimum wage. 4. Conclusion. 5. Bibliography.

Introduction

The concomitant transformations of compensation policies and the wage collective bargaining system over the course of recent decades invites comparison between the two: how far are changes in pay practices and patterns of wage collective bargaining connected? In any given year, does the wage collective bargaining process in use in a particular firm reflect its use of pay practices? Do employer and employees representatives involved in the bargaining process discuss differently depending on the pay practices in use?

Compensation policies in France have undergone considerable change since the early 1980s: following a trend towards individualisation of compensation in the 1980s and 1990s, the new century saw a move towards greater complexity and diversification, as individualised pay came increasingly to be underpinned by collective and reversible pay practices such as bonuses based on collective performance and financial participation (Barrat, Chaput, Naboulet and Wolff, 2007). These transformations coincided with major changes in the wage collective bargaining system, lending support to the hypothesis of a challenge to the extant hierarchy between the two levels of wage collective bargaining that were strongly present in France: the sector-level and the firm-level¹. While collective bargaining at sector-level, based on minimum wage legislation, has been at the heart of wage

¹ A third level for establishing wages can be added: the interprofessional level that fixes the statutory national minimum wage. Given that the rules governing its review (tied in with changes in purchasing power and inflation) are strictly overseen by the State and are not the result of a collective bargaining process per se, this paper focuses on the collective bargaining process at sector and company levels.

regulation since the Act of 11 February 1950², the Auroux Acts of 1982, which introduced compulsory annual bargaining on wages, working hours, and work organisation, led to an ongoing expansion in bargaining at firm-level. This process developed yet further in the late 1990s with the implementation of the 35-hour working time and the introduction of numerous laws designed to encourage decentralised collective bargaining (Bloch-London, Péliasse, 2008; Naboulet, 2011). Interestingly, these laws simultaneously fuelled bargaining at sector-level, giving the whole bargaining system a fresh vigour. This is the context underpinning this paper's exploration of the relationships between wage collective bargaining processes and diversity in compensation policies. It also sheds new light on the effectiveness of wage collective bargaining at both sector-level and firm-level.

The study draws on two levels of analysis. The first is statistical, based on the REPONSE 2004-2005 survey, while the second is qualitative, looking at two case studies of a firm in the automotive sector and four call centres (see box below). Combining the two sources gives a broad overview of the diversity of pay practices implemented by firms via a representative survey and an analysis of the practical processes of wage collective bargaining in two sectors. This paper is organised as follows. The first part outlines compensation policies within French establishments. Here, compensation policies are taken to mean the more or less complex combinations of pay practices – individualised and / or flexible or otherwise – in use in establishments. The typology thereby outlined foregrounds the diversity of compensation policies by defining six profiles, from the simplest (called “reduced” policy) to the most complex (called “mixed” policy). The second part then goes on to describe the process of wage collective bargaining. We discuss several aspects which support the hypothesis of a connection between the pay practices used within establishments and collective bargaining practices. The diversity of compensation policies is indeed echoing the variety of collective bargaining patterns. The third and final part of the paper raises the issue of the effectiveness of wage collective bargaining by studying its field of influence, underlining the fact that the impact of wage bargaining depends on the compensation policies in use.

² In historical terms, sectors are at the heart of the French wage bargaining system. As it is described by Saglio (1991), the role of sectors is first of all to draw up collective agreements defining wage hierarchy and minima at sector-level, i.e. the wages below which an employer cannot pay an employee, while collective bargaining at firm-level focus rather on determining by how much wages should be increased.

Data and methodology

The *Relations professionnelles et négociations d'entreprise*¹ (REPONSE) survey for 2004-2005 focused on a series of aspects of labour relations in France, including the existence and functioning of bodies representing employees, collective bargaining processes, conflict resolution, and so on. The survey took data from a representative sample of 2,930 establishments in the private sector (excluding agriculture) with at least twenty employees. It compares the points of view of all stakeholders, taking responses from one management representative, one employee representative (where such a role existed) and a sample of employees. This paper focuses on the data provided by management representatives, since its aim is to explore the major themes related to wage collective bargaining (their existence, topics of collective bargaining, and the role given to collective agreements at sector-level) and to provide information on the characteristics of the establishments, such as their sector of activity, size, legal and capital structure, economic situation, human resources management, pay practices, and so on.

Two case studies then flesh out the results of the statistical analysis by focusing closely on the wage collective bargaining process. The case studies were carried out in 2010 in two very different sectors: the automotive industry and call centres. The choice of firms is not intended to be representative, but rather meets a twofold aim: highlighting the specific characteristics of the bargaining process for two compensation policies, the other being more limited in scope insofar as wage review practices remain less widespread. The choice also aimed to establish profiles for firms typical of their sector: a large, long-established firm in the automotive industry and younger, mid-size companies in the business services sector in the case of the four call centres. In addition to interviews with union representatives who took part in the compulsory annual wage collective bargaining process, the article draws on the wage agreements at firm-level as well as profit sharing agreements implemented by the manufacturer since 2000. Not all of the dozen or so union representatives in the call centres were authorised to share such documents with the research team. Only two of the call centres were able to share significant data (on human resources policy reports, wage agreements at firm-level, and bonuses practices). Whatever the sector, senior management and HR directors did not wish to take part in the survey (for a detailed presentation of the firms in the study, see Castel *et al.*, 2011).

1. The survey is comparable to the British Workplace Employment Relations Survey (WERS). For a comparable study, see Marsden and Belfield (2010).

1. Diverse and complex compensation policies

The REPONSE survey is a rich source for researchers aiming to draw up a detailed overview of pay practices in French establishments. It questions management representatives about their practices for reviewing wages (generalised and / or individualised pay increases) and granting bonuses (related to collective / individual performance) and stock options as well as profit-sharing system and company savings plans. The survey indicates if each practice is intended for managerial and / or non-managerial employees³. Table 1 categorises wage practices according to their degree of reversibility and individualisation.

Table 1. Pay practices		
	Collective	Individual
Irreversible	Generalised pay increase	Individualised pay increase
Reversible	Collective performance-related bonuses Profit-sharing, company savings plans and pension funds	Individualised performance-related bonuses Stock options

Note: Each pay practice can be categorised in terms of reversibility and individualisation of the compensation. For example, generalised pay increases are both collective, i. e. applying equally to all employees, and irreversible, in that the establishments undertakes to pay the wages, whether bargained with employee representatives or decided unilaterally by the employer.

Reversible pay practices, which can vary in amount from year to year, include financial participation systems and performance-related bonuses, whether collective or individual. Firms may also promote an individual approach to compensation by using targeted pay increases, individual performance-related bonuses, and stock options. Unlike collective tools that apply to all employees, individualised pay practices allow companies to apply wage increases to selected employees, thereby increasing wage flexibility.

The REPONSE survey for 2004-2005 reported that the full range of pay practices is to be found broadly across the French establishments, with the exception of stock options and pension funds. Only 1% of non-managerial staff and 4.1% of managerial employees were granted stock options in 2004. On average, one

³ However, it does not give in details the proportion of employees concerned, either by company or by professional category.

in ten companies offered pension funds. Cases where no wage increase was defined were rare: the main employees affected were managerial (14.3%) rather than non-managerial (4%). These three types of pay practice were deemed insufficiently representative and were thus excluded from the following analysis.

The results confirm the conclusions of earlier studies (Brochard, 2008): there is a strong tendency to differentiate practices along managerial / non-managerial lines (see the last column of table 2). Non-managerial employees receive irreversible pay increases more often than their managerial colleagues. 74.7% and 77.5% of establishments distribute generalised and individualised pay increases respectively for their non-managerial staff, as opposed to 53.1% and 68.2% for managerial staff. Conversely, reversible pay practices are widespread among managerial employees, especially individual performance-related bonuses: 63.5% of establishments surveyed granted one to this category of employee, as against 55.8% for non-managerial staff. The difference is less obvious when it comes to collective performance-related bonuses (51.8% and 50.9% for managerial and non-managerial employees respectively).

To reflect the diversity of compensation policies, we draw up a typology based on hierarchical ascendant classification (HAC). This typology groups together establishments according to their pay practices to define six establishment profiles, each corresponding to a specific compensation policy (table 2). Two clearly distinct clusters emerge: “mixed” versus “reduced” compensation policies applying to over 17% and nearly 15% of establishments respectively (representing over 31% and 10% of employees respectively). The first cluster is typical of establishments that draw on the full range of pay practices without significant differentiation between managerial and non-managerial employees. The second, the “reduced” policy, is typical of establishments that make little or no use of the practices in question. Here, pay practices are often individualised and reversible. A range of establishment profiles lies between these two groups. The “reversible” policy profile, representing 10% of establishments and 9.5% of employees, makes very little use of generalised pay increases, whether for managerial or non-managerial employees. Here, reversible pay practices are heavily used. The third profile bases compensation policy on increasing base wages (i.e. generalised and individualised pay increases) and represents 22.5% of establishments and nearly 18% of employees. In the “collective” policy profile, the employers make particular use of collective pay practices for both managerial and non-managerial employees by combining bonuses and generalised pay rises (24% of establishments and nearly 23% of employees). The final profile bases policy on generalised pay increase and represents 11% of companies and nearly 9% of employees. A more detailed description of the six profiles drawing on the characteristics of the establishments (size, industry sector,

economic and competitive position⁴, workforce structure, and wage level and dispersion⁵) reveals that each compensation policy corresponds to a specific type of establishments (see table 3 and graphs 1 and 2).

Table 2. Six compensation policy profiles (as %)							
	Mixed	Flexible	Based on irreversible wage increases	Collective	Based on generalised wage increase	Reduced	% of establishments using each practice
% of establishments	17.6	10.0	22.5	24.1	11.2	14.6	
% of employees	31.4	9.5	17.8	22.7	8.6	10.0	
Non-managerial staff							
Generalised pay increase	99.8	0.0	98.9	98.3	100.0	0.1	74.7
Individualised pay increase	99.9	100.0	99.3	70.1	0.0	61.3	77.5
Individual performance-related bonuses	77.5	69.2	59.1	56.7	27.4	49.9	55.8
Collective performance-related bonuses	98.4	96.2	6.4	87.7	3.7	6.9	50.9
Managerial staff							
Generalised pay	70.8	2.3	68.7	69.3	67.9	5.0	53.1

⁴ The REPOSE survey describes economic and competitive position with reference to the evolutions observed by senior management representatives over the course of the three years preceding the survey.

⁵ Information on wages is drawn from annual declarations of social data (DADS) collected by INSEE. It refers to the net hourly wage paid by the company, including bonuses and supplementary top-up payments, net of social security payments. The article studies median and average wage levels and dispersion. Total dispersion (interdecile range of D9/D1) breaks down into dispersion at the top (above the median, D9/D5) and at the bottom of the wages distribution (below the median, D5/D1).

increase							
Individualised pay increase	98.5	93.5	77.6	56.7	24.9	52.0	68.2
Individual performance-related bonuses	100.0	89.6	57.1	69.3	26.0	46.9	63.5
Collective performance-related bonuses	99.9	93.4	7.0	87.2	5.3	12.2	51.9
Managerial and non-managerial staff							
Profit-sharing agreement	86.1	60.3	25.3	50.6	13.2	15.9	42.9
Company savings plan	100.0	58.0	25.4	23.1	11.8	18.3	38.7

Source: Calculations by the authors based on data for senior management representatives in the REPONSE survey for 2004-2005, DARES.

Field: Sample of 2,735 establishments of 20 employees and over in the private sector (excluding agriculture) with managerial and non-managerial staff.

Note: 17.6 % of establishments implement a “mixed” policy, representing 31.4 % of employees. 99.8 % of these establishments state that they granted generalised pay rises to non-managerial staff – a proportion that is higher than average (74.7 %)

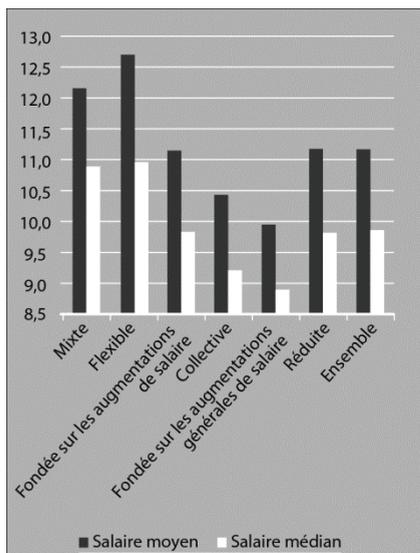
Mixed policy

The “mixed” policy is typical of large establishments that have been in existence for over fifty years in the energy, financial sector and to a lesser extent food processing industries. Such establishments are in most cases prime contractors and subsidiaries belonging to a group listed on the stock market. They enjoy a good financial health and a level of profitability judged to be higher than that of their competitors. While they are growing, mostly on the international market, they do not have a dominant market share (i.e. their share is under 50%). Their efforts to achieve more favourable competitive position are clear from their strategic objectives, which are bargained with the senior management team. These objectives aim for profitability, growth, and respecting budget more than is the case elsewhere.

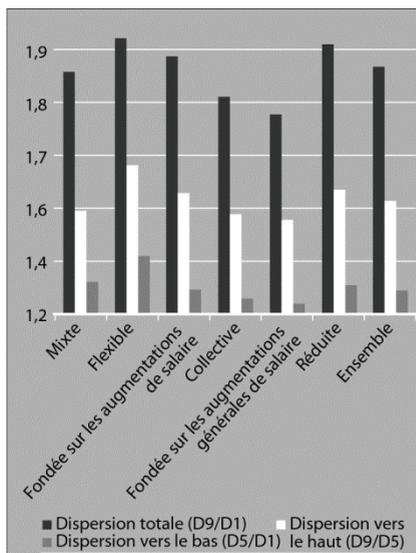
Mixed policy covers more often than average a relatively skilled and stable workforce: the proportion of managerial and intermediate professional occupations is often between 30% and 50% of staff and the proportion of fixed-term contracts under 5%. However, the proportion of temporary workers is higher than elsewhere, often representing over 5% of staff. This profile is related to higher average and

median wages levels than the average. Whatever the indicator, wage dispersion is high, though not considerably different to that of the overall sample. The mixed policy profile clearly corresponds to the compensation policy of the automotive firm. This company makes use of the full range of pay practices and its compensation policy is described as generous. Individualised pays are a major part of its policy. For instance, non-managerial staff sometimes receives individualised wage of over 15% of their total compensation (excluding other bonuses such as profit-sharing). Allowances and bonuses make up between 15% and 30% of the total compensation of production line workers. Senior management does not distribute performance-related bonuses, but rather develops a broad range of financial participation schemes. Moreover, the company's compensation policy includes a broad range of other bonuses, particularly irreversible bonuses such as an additional month's pay, contributions towards transport costs and restoration, and so on. The firm also pays half-yearly bonuses based on absenteeism, with reductions for every day off up to a total of eight days.

Graph 1. Wage levels by compensation policy



Graph 2. Wage dispersion by compensation policy



Source: Calculations by the authors based on figures for senior management representatives in the REPOSE survey for 2004-2005, DARES.

Flexible policy

Flexible policy is characteristic of subsidiaries of business groups listed on the stock market in the wholesale and retail trade sector as well as the business services sectors. Here, the companies are generally of long standing and not being in a dominant position on the international market. They find it difficult to gauge how their business will evolve. Senior management commonly defines specific objectives for profitability, control of payroll increases, and market share. The compensation profile can be compared to the flexible pay strategies described by Brochard (2008): the establishments are indeed operating in a highly competitive market. Like the mixed policy, the flexible policy is more widespread in establishments with a skilled and stable workforce. Managerial and intermediate occupations commonly represent over 50% of staff, with the share of fixed-term contracts and temporary workers at less than 5%. The establishments pay average and median wages that are higher than elsewhere, but wage dispersion is equally high. The result highlights the potential for inequality in flexible and individualised pay practices underlined in previous research (Belfield, Marsden, 2003; Lemieux *et al.*, 2009).

Policy based on irreversible wage increases

The third profile is characteristic of establishments that are typically long established (with often over half a century in business) and small (less than 50 employees). They are often operating in the intermediate goods industry and, to a lesser extent, the construction and the non-profit sectors. A further feature is that these establishments are both subcontractors and prime contractors (for at least 50% of financial turnover). They are generally operating in a difficult economic environment, with a low financial turnover and a slowdown in activity. Their workforce is mainly male, stable, and relatively old. The average and median wages are close to the mean at aggregate level but wage dispersion (particularly the total wage dispersion and the top of the distribution) is higher. This is due in part to the considerable weight of individualised pay rises for both managerial and non-managerial staff.

Collective policy

The fourth policy can be identified in establishments in the wholesale and retail trade sector and to a lesser extent, the food processing and consumer goods sectors. Unlike the previous two profiles, the establishments are commonly stand-alone companies working within a local marketplace. They consider their business to be expanding despite relatively low financial turnover. Increasing profitability is indeed a key strategic objective. These establishments employ a young and low-skilled workforce: the proportion of managerial and intermediate occupations is often under 30% while the proportion of staff aged under 40 is over 70% of the total. Wage levels and dispersion are lower than elsewhere.

Policy based on generalised wage increase

The fifth policy is typical of stand-alone establishments that are small and recent (between 5 and 9 years in business). They work in the education, health, and social action as well as transport sectors. Their financial turnover is also relatively low but they consider the future holds growth for the business and their level of profitability is judged higher than that of their competitors. Their activity is stable and easy to predict. Unlike the other profiles where financial criteria decide strategic orientations, this profile includes establishments that put security in work at the forefront of their objectives. The workforce is mainly female, low-skilled, and less stable than in other cases. Women represent over 60% of the total staff; managerial and intermediate professions are under 15% and the percentage of fixed-term contracts is over 5% of total staff. Wage levels and wage dispersion are both noticeably low.

Reduced policy

The final profile covers a wide range of very different business sectors, particularly services to individuals or to businesses, education, health and social, action sector. Focusing on the services sector, both to individuals and business-to-business, reveals multi-site businesses that are generally small and recent, between 5 and 9 years in business. Their financial turnover, often as part of a subcontracting partnership operating on the national market, remains low. Their level of profitability is judged lower than that of their competitors and keeping payroll costs low is the key strategic priority. On average, “reduced” policy applies to a skilled workforce with a percentage of managerial and intermediate employees that is often over 50% of total staff. Average and median wages are close to those of the sample as a whole. The use of individualised and flexible pay practices – albeit at a lower proportion than average – is concomitant with higher wage dispersion.

The call centres are cases in point. The four companies studied, all prominent in the business services sector, are characterised by their low use of pay practices compared with average practices observed in the sample: pay rises are highly limited in this sector. The low wage levels paid by call centres shed light on a situation that represents a minority case within the reduced policy profile. However, many of their characteristics are shared by establishments within the profile, starting with the fact of working as subcontractors and focusing on keeping payroll costs low. This is reflected by their use of reversible and individualised bonuses. Besides they make no use of fixed bonuses such as those tied to length of service or an additional month's pay (thirteen month payment). Our interviews reveal that the proportion of bonuses is far from insignificant as it can reach 10 to 15% of the monthly wage. Call centres make particular use of two kinds of bonus, dependent on a reduced level of absenteeism and on results. These are paid either to a team, or,

increasingly, to an individual employee⁶. Bonuses based on results can sometimes be high compared to the monthly wage, but the union representatives interviewed pointed out that employees never achieve the maximum bonus on offer because the criteria defined by senior management are intended to keep it out of reach.

Table 3. Main features of establishments by compensation policy

	“Mixed” policy	“Flexible” policy	Policy based on irreversible wages increase	“Collective” policy	Policy based on generalised wage increase	“Reduced” policy
% of establishments	17.6 %	10.0 %	22.4 %	24.0 %	11.2 %	14.7 %
% of employees	31.3 %	9.5 %	17.8 %	22.7 %	8.6 %	9.9 %
Range of pay practices	Full range	Full range with the exception of generalised pay increase	Irreversible pay practices (generalised and individualised pay increases)	Collective pay practices (generalised pay increase, collective bonuses, profit-sharing)	Generalised pay increase	No specific wage practice; where they exist, wage practices are reversible and individualised
size	Over 50 employees		Less than 50 employees		Less than 50 employees	Less 50 employees
Sector	Financial and energy sectors	Retail trade and business services	Intermediate goods industry, construction, non-profit sectors	Retail trade food processing, consumer goods	Education health, and social action transports	Services to businesses and individuals, education, health and social action
Age	More than 50 years	10 to 49 years	Over 50 years	20 to 49 years	Over 50 years	5 to 9 years
Subsidiary links	Belonging to a firm listed on the stock market	Belonging to a firm listed on the stock market	Stand-alone independent	Stand-alone independent	Stand-alone independent	Multi-site businesses
State of the market	Growth	Growth but difficult to predict	Decline and unusual variation in 2004	Growth	Stable	Difficult to predict
Subcontracting	No	No	Yes, less than 50% of financial turnover			Yes, more than 50% of financial turnover

⁶ This includes two categories: incoming calls taken by the employee and the quality of their performance, and sales objectives in terms of outgoing calls.

Strategic objectives	Bargained between the establishment and senior management: profitability, growth, market share, budget control	Bargained between the establishment and senior management: profitability, growth, market share, payroll control		Profitability	Security in work	Payroll control
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Note: Each line details the main establishments’ features for each remuneration policy profile: for example, establishments that make use of “reduced “policy employ a more skilled workforce than the sample taken as a whole. Empty squares reflect a lack of significant characteristics for a given profile.

To sum up, the most widespread policy is characterised by heavy use of a range of pay practices – collective, individualised, reversible and irreversible. In the mid-2000s, this “mixed” policy applied to over 30% of employees. None of the profiles are characterised purely by individualisation as such; rather, all the profiles combine reversibility and individualisation in their own way. Each compensation policy profile corresponds to a given type of establishments, determined by their structural characteristics, competitive context, human resources management, and level of wages, as the case studies reveal.

2. What connects compensation policies and wage collective bargaining?

A cross-comparison between the typology of compensation policies and features of the wage collective bargaining process and the mobilization of our case studies shed light on the hypothesis of a positive correlation between bargaining models and diversity of compensation policies.

2.1. Particular compensation policies correspond to specific wage collective bargaining patterns

The REPOSE survey reveals the levels at which wage policies are bargained, shedding light on the existence or otherwise of a discussion or bargaining process in 2004. It also highlights the significance of wages defined by collective agreement at sector-level by asking senior management representatives about the importance they place on sector-level recommendations and what aspects of compensation (for example the wage hierarchy, bonuses, and profit-sharing) are included.

The statistics reveal a broad uptake of wage bargaining at firm-level and the significant role of recommendations at sector-level in wage review decisions (table 4, final column). In 2004, nearly 43% of establishments had held a wage collective

bargaining process⁷. In over half of all cases, the bargaining process led to an agreement signed by all participants. However, the process ended in a unilateral decision by the employer in over one in four cases. In establishments where no collective bargaining process took place, senior management representatives gave three reasons: a unilateral decision by senior management (30% of cases), application of a collective agreement at sector-level (29%), and no request to do so from the employees (24%).

Moreover, recommendations at sector-level are taken into account by nearly 57% of establishments. In 30% of cases, they are of key importance. Other key criteria affecting wage decisions include directives from parent company in nearly 50% of establishments and financial results in nearly 80% of them (table 5).

In table 4, three forms of complementarity between compensation policies and wage bargaining can be discussed: firstly, the key role of collective bargaining at establishment-level when the policy makes use of individualisation and bonuses; the importance of recommendations of collective agreement at sector-level in the case of generalised pay rises; and the weakness of collective bargaining – at both firm-level and sector-level – in wage review decisions in case of “reduced” compensation policy.

Dynamism of collective bargaining at firm-level when compensation policies are based on individualisation and bonuses

The “mixed” and “flexible” policy profiles stand out in terms of the predominance of collective bargaining at firm-level relative to recommendations at sector-level (table 4). Establishments developing a “mixed” policy are characterised by the presence of union representatives. Here, wage decisions handed down by the parent company override wage recommendations at sector-level in more than two-thirds of establishments⁸ (table 5). The weakness of collective agreements at sector-level is consistent with the low rate of reference to collective agreements at sector – level in determining the wage hierarchy.

Establishments developing the “flexible” policy do not stand out from the sample as a whole in terms of collective bargaining at firm-level. Collective agreements at sector-level are only very rarely used to define the wage hierarchy. Flexible compensation is tied in with the key significance placed on financial results – in over 79% of establishments – when it comes to wage decisions (see table 5). Labour relations are poorly institutionalized, as revealed by Brochard

⁷ The DARES estimate is around 50%. It is adjusted to include establishments for which the collective bargaining process takes place at the company, the business group, or national level.

⁸ As demonstrated, establishments in this profile are often subsidiaries of business groups listed on the stock market and over half of them state that their autonomy in matters of wage reviewing is limited.

(2008): this in turn reflects the low level of unionisation (less than 5% of employees) and the relative scarcity of union representatives.

Table 4. Collective bargaining patterns by compensation policy (in %)							
	“Mixed” policy	“Flexible” policy	Policy based on irre- versible wages increase	“Collecti- ve” policy	Policy based on gener- alised wage increase	“Redu- ced” policy	% of establi- shments
% of esta- blishments	17.6	10	22.5	24.1	11.2	14.6	
% of emplo- yees	31.4	9.5	17.8	22.7	8.6	10	
Presence of wage collective bargaining							
Percentage of establishments having taken part in collec- tive bargaining or discussions on wages in 2004	52.8	44.8	47.6	44.3	26.4	31.6	42.7
Importance of recommendations at sector-level in wage review decisions							
High impor- tance	20.8	14.4	33	35.4	49.1	14.7	28.7
Secondary importance	36.6	28.6	27.4	30.8	14.6	26.8	28.4
Little or no importance	37.7	55.6	37.1	30.7	30	54.8	39.3

Source: Calculations by the authors based on figures for senior management representatives in the REPONSE survey for 2004-2005, DARES.

Field: Sample of 2,735 companies of 20 employees and more in the private sector excluding agriculture with managerial and non- managerial staff.

“Mixed policy” is implemented by 17.6% of establishments and applies to 31.4% of employees. Of these establishments, 52.8% state that they took part in a wage bargaining process in 2004, a proportion that is higher than the average for the sample as a whole (42.7%). Likewise, 36.6% of establishments grant only secondary importance to the collective agreement at sector-level in terms of wage review decisions, a proportion that is again higher than average for the sample as a whole (28.4%).

Table 5. Criteria used in wage review decisions by compensation policy (%)

		Type of policy						% of establishments
		“Mixed” policy	“Flexible” policy	Policy based on irreversible wages increase	“Collective” policy	Policy based on generalised wage increase	“Reduced” policy	
Inflation	Primary	49.6	16.6	40.7	44.2	42.6	15.2	37.2
	Secondary	29.8	37.3	29.5	32.4	11	35.6	29.9
	Insignificant	16.2	44.8	28.1	18.7	36.2	44.9	28.8
Financial results	Primary	66.8	79.2	65.4	66.5	40	71.4	65.3
	Secondary	21.8	10.8	15.2	18	10.6	8.6	15.1
	Insignificant	8.9	8.7	18.1	11.1	44.3	15.6	16.4
Comparison with other businesses in the sector	Primary	14.3	21.2	12.4	12.2	9.3	14.4	13.5
	Secondary	39.6	36.5	30.4	31.7	21	27.8	31.5
	Insignificant	42.5	40.7	55.9	50.4	63.6	54	51.3
Social climate	Primary	58.4	52.8	36.2	56	36.2	40.4	52.1
	Secondary	32.6	36.7	26.5	31	26.5	35.6	30.9
	Insignificant	6.9	9.2	29.6	11.5	29.6	21	14.1
Recommendations of collective agreement at sector-level	Primary	20.8	14.5	33	35.4	49.1	14.7	28.7
	Secondary	36.6	28.6	27.4	30.8	14.6	26.8	28.4
	Insignificant	37.7	55.6	37.1	30.7	30	54.8	39.3
Directives from parent firm	Primary	66.5	52.3	36.4	40.8	21.8	27.9	41.5
	Secondary	9.7	8.1	6.8	8.9	7.3	4.8	7.7
	Insignificant	7.4	18.3	15.8	12.5	18.3	12.6	13.6
Statutory minimum wage	Primary	36.7	31.5	46.6	52.1	54.6	37.3	44.2
	Secondary	26	22.4	24.4	21	11.1	22.2	21.8
	Insignificant	35.1	44.9	27.7	24	29.7	38	31.6

Source: Calculations by the authors based on figures for senior management representatives in the REPONSE survey for 2004-2005, DARES.

Field: Sample of 2,735 establishments of 20 employees and more in the private sector excluding agriculture with managerial and non- managerial staff.

The key significance of collective agreement at sector-level in face of collective and irreversible pay practices

Three groups of establishments are characterised by the key significance they place on recommendations of collective agreements at sector-level, though collective bargaining at firm-level may carry even more weight. The common characteristic of the establishments in question is that their compensation policy is based on the collective dimension of wages, particularly via generalised pay increase. Establishments that develop a policy based on irreversible pay increase (individualised and generalised) place key importance on wages recommendations at sector-level, while also organising a collective bargaining at firm-level relatively regularly. The rate of unionisation is low (less than 5% of employees) and the presence of union representatives or other staff representative bodies within the establishment is relatively rare.

Companies that adopt a collective policy take part in wage bargaining at the same rate as the sample taken as a whole. The importance placed on the collective dimension of compensation can be seen in the criteria selected for wage reviews: recommendations at sector-level play indeed a key role in more than 35% of establishments, as against an overall average of 28%, and collective agreements at sector-level are usually used to establish wage hierarchies. Other criteria external to the establishment are likewise taken into account, particularly inflation and changes in the statutory minimum wage.

Unlike the previous two profiles, establishments adopting a policy based on generalised pay increases part in wage bargaining much less often than average. These establishments have noticeably high levels of unionisation, but the presence of union representatives is lower than elsewhere. When reviewing basic wages, employers take into account of recommendations at sector-level, inflation, and the level of the statutory minimum wage. Collective agreements at sector-level are also a key in determining wage hierarchies and bonuses.

“Reduced compensation” policy corresponds to a weak collective bargaining, whatever the level

The last of the six profiles, “reduced” policy, is characterised by the weakness of collective bargaining both at sector and firm levels. These establishments have low rate of unionisation and union representatives are few and far between. Wage review decisions are based first and foremost on financial results and directives from the parent firm (table 5).

To sum up the six profiles foreground the strong links between compensation policies and wage bargaining patterns. The widespread uptake of collective pay practices (reversible or otherwise) is associated with major significance of collective agreement at sector-level in wage review decisions. Collective bargaining at firm-level is intense in establishments that prefer to make use of individualised and reversible pay practices, as in the “mixed” and “flexible” policy profiles. On the contrary, establishments that have a “reduced” wage policy are characterised by the weakness of collective bargaining, whatever the level. Apart from this last case, the

individualised vs. collective dimension of pay practices thus distinguish patterns of collective bargaining from each other. The link that might have been hypothesised between collective pay practices and collective bargaining in fact only holds true at the sector-level. Collective bargaining at establishment-level is typical of establishments that prefer to use individualised compensation policies.

2.2 “Mixed” and “reduced” policy: the wage collective bargaining in call centres and an automotive firm

The qualitative surveys carried out in the firms under study shed further light on the analysis by providing background context on the wage collective bargaining process.

The case of the automotive firm: widespread uptake of collective bargaining at firm-level, while recommendations at sector-level remain secondary

Collective bargaining at firm-level is the most significant feature of labour relations within the automotive firm. As already seen, this is the typical social dialogue profile for firms making use of mixed policy: regular collective bargaining at firm-level and secondary significance granted to recommendations at sector-level. One of the reasons is related to the existence of firm-guaranteed minima that outstrip those stipulated by collective agreements at sector-level⁹. Since the mid-1970s, the firm has had its own system for jobs classification¹⁰, based on an internal evaluation method inspired by agreements in the metalworking industry. The pay scale for newly employed executive staff starts higher than the statutory minimum wage and the minima laid out in collective agreements at sector-level. The guaranteed minimal annual compensation offered by the automotive firm is likewise higher than the minima laid out in collective agreements and the statutory minimum wage: in 2009, for example, it was 25% higher than the minimum wage. Collective agreements at sector-level thus do not play a major role in the wage collective bargaining process, though they do remain a point of reference, as indicated by the firm wage hierarchy.

The importance of the parent company in wage review decisions in the “mixed” policy profile has already been noted. The automotive firm belongs indeed to a business group, where parent company sets a timetable for the compulsory annual wage bargaining process at the start of each year. The timetable does not depend on events external to the group such as changes in the statutory minimum wage or minima stipulated by collective agreements at sector-level, since the firm pays

⁹ Minima include all components of the gross wage subjected to social taxes, excluding premium by seniority as laid out in collective agreements at sector-level, profit-sharing bonuses, and reimbursement of expenses.

¹⁰ The table was revised for executive employees in the 2000s.

wages that are above both types of minimum wage. For example, from 2001 to 2009, while the value of the point ¹¹ as defined by the collective agreement at sector-level for non-managerial staff rose by slightly over 5%, the generalised pay rise granted by the firm over the course of the same period was over 18%. According to union representatives, the wage increase was essentially based on the group's financial results and inflation. The firm simply takes note of the wage practices used by their main competitors to point out during the bargaining process either that it is inclined to be generous and pay more or that it cannot do better and pay the same or slightly less.

While the compensation policy is “mixed” in that it makes use of a range of pay practices, all union representatives interviewed all drew attention to the fact that their main objective during wage collective bargaining was increasing base wage. Over the past ten years, the average percentage of generalised pay increases granted by the firm has been 1.85%, with a minimum of 1% in 2001 and 2009 and a maximum of 2.4% in 2008. The union representatives are campaigning for a benchmark to be applied to the minimum wage, linking the generalised pay increase in percent to a guaranteed minimum in absolute terms. The union representatives see this measure as a boost for the lowest-paid workers. For example, an agreement was reached in 2008 for raising basic wage by 2.4%, with a minimum of forty euros for executive staff. All employees with a monthly wage under 2,400 euros were thus guaranteed a rise of at least forty euros a month, which in fact worked out at over 2.4%. The use of benchmarking is also found in the second topic of the bargaining process, establishing percentages for increasing the budgets allocated to individual rises and promotions. The budgets differ according to professional category. The percentages are lower than the generalised pay increases and are usually around 0.7% for workers, 0.9% for employees, and 1.2% for technicians over the ten or so years studied. Besides the two previous topics, establishing guaranteed annual minima is the third components of the wage collective bargaining, opening the field of bargaining up to the full range of pay practices, including seniority bonus, profit-sharing bonuses, and so on. Over ten years, the increase was bargained to 37.4%, from 15,245 euros in 2001 to 20,950 euros in 2011, in a period when the consumer price index rose by 18.8%. These are the most significant aspects of the compulsory annual bargaining process, along with other possible issues such as potential percentage or euro increases of bonuses and honorary awards for long service.

Call centres: How to avoid wage collective bargaining?

Call centres providing business services are closer to the “reduced” policy profile outlined earlier: neither collective agreements at sector-level nor collective

¹¹ Multiplied by a coefficient, the value of the point establishes the hierarchical minimum wages for a 35-hour working week.

bargaining at firm-level has much impact on how wages are set. Wage decisions are made first and foremost in line with directives from parent company. Above and beyond the statistical profile, an analysis of collective bargaining practices in the call centres reveals strategies of avoidance and minimisation in issues of collective bargaining at firm-level while actively seeking out the least restrictive collective agreement at sector-level. Business-to-business call centres refused to be part of the same collective agreement as so-called integrated call centres (those that are part of a major firm), which mostly come under the national collective agreement for the telecoms industry of 26 April 2000. As companies were restructured and mergers and acquisitions took place, employees of externalised call centres came under various other collective agreements at sector-level, even though some of them still held exactly the same job. The “Syntec” national collective agreement of 15 December 1987, applying to staff working in engineering, was the reference collective agreement for externalised call centres before the agreement for service providers was signed. The latter offers employees fewer advantages than the Syntec and telecoms agreements. For instance, rights provided by the Syntec agreement, such as holiday bonuses and double time for Sundays and bank holidays¹² are not provided by the service providers agreement. The minimum gross wages laid out in the Syntec collective agreement are higher than in the service providers’ collective agreement. The hypothesis that service provider call centres operate a self-interested selection strategy as regards collective agreements at sector-level thus seems fairly solid. Such a strategy reflects their intent to keep the wages on offer to their telephone operators – a largely female workforce – at the statutory minimum wage, however long they have been working (Castel, 2012).

Unlike the automotive firm, wage collective bargaining in this sector appears also to have little direct impact on wages. When wages are not simply frozen, any rises defined by the collective agreement at firm-level are limited to the minimum wage decided at the sector-level and especially rises in the statutory minimum wage. Any discussions concerning a generalised pay increase often come to nothing. Union representatives then turn their efforts to a serie of small advantages that in this context are far from negligible, such as limiting the number of days off before sick pay kicks in, an extra day off in the case of the death of close family member or after many years of employment, increasing bonuses and revising the terms of their attribution, and so on. These case studies raise the question of what real role of wage collective bargaining at firm-level play and its real influence in setting wage levels.

¹² The law does not stipulate that wages should be increased for working on Sundays; however, sector-level or company agreements may make provision for such an increase.

3. What is the impact of wage collective bargaining?

The REPONSE survey sheds light on the impact of wage collective bargaining at firm-level: more than two-thirds of senior management representatives and almost half of employee representatives consider that the wage decisions taken by senior management would have been the same even without any collective bargaining process. Rather than attempting to evaluate the influence of bargaining on wage levels, this paper now sets out to discuss those aspects likely to limit their sphere of influence and potential impact. The analysis reveals the extent to which the collective bargaining process is shaped by the firm's organisational context, individualisation of pay practices and the statutory minimum wage. These aspects are not, by their very nature, obstacles to the collective bargaining process although they do seem to be used as such by participants.

3.1. From the individualisation of compensation to the blind spot of collective bargaining

The growing significance of individualisation and bonuses, particularly in the “mixed”, “flexible” and “reduced” policies and in the case studies, serves as a reminder that collective bargaining over actual compensation levels cannot be limited to just the base wage. This represents a major challenge for wage collective bargaining insofar as bonuses now represent a non-negligible proportion of overall compensation: in 2006, 12.5% of total compensation was paid as bonuses, of which 27% was in the form of individual bonuses (Bignon, Folques, 2009). In line with earlier research (Meurs, Skalli, 1997; Brahami, Daniel, 2004; André, 2012), our analyses confirm that there is a disconnection between actual wages and the minima laid out in collective agreements at sector-level. This supports the hypothesis developed by Meurs (1996) that the rise of individualisation allows firms to increase their autonomy vis à vis their collective agreements at sector-level: the individualisation of compensation tends to weaken the influence of collective agreement at sector-level as employers take less note of this latter in their wage review decisions. At firm level, even where the bargaining process refers directly to the rules governing individualised pay practices (via criteria or the proportion of individual rises in the overall payroll for instance, as in the case of the automotive firm), the effective increase received by an employee depends on bargaining with his or her superior. According to the REPONSE data, the main focus of collective bargaining at firm-level is on changes in overall payroll (67% of establishments), followed by bonuses (43% of cases) and the proportion of individualised rises (41%). The criteria for granting of individual increases are little discussed, on the other hand, coming up in one in three establishments. The share of total compensation to be individualised is thus frequently determined outside the collective bargaining process.

The case studies further highlight how the spread of individualised pay practices goes along with an extension of the areas lying outside the wage collective bargaining process, most notably via the development of training and skills management within the automotive firm and the spread of performance-related

bonuses at the call centres. At the opposite of the REPOSE survey questionnaire, which does not differentiate between wage bargaining practices according to professional categories (executives and non-executives), case studies reveal the extent to which the compensation of non-executive employees lies outside collective bargaining. In the automotive firm, for instance, only executive employees are concerned by the wage bargaining process, and non-executive employees are excluded. As indicated in the national collective agreement of March 13, 1972, for engineers and managers in the metalworking industry, managers are regularly – generally on a yearly basis – given the opportunity to meet with their superiors to discuss promotion, career development, or a pay rise based on their own individual performance. Such employees have two guarantees as regards their compensation: guaranteed pay rises linked to length of service and guaranteed access to positions that offer better levels of compensation. These latter depend first and foremost on their level of responsibility rather than the time they put in at their desk, let alone on producing given commodities, as their managerial role indicates. Apart from the job classification of managerial staff, which stipulates guaranteed minima higher than those offered in collective agreements at sector-level – as is also the case for non-managerial employees – union representatives have no information on executives wages insofar as they are highly individualised.

Wage collective bargaining theoretically applies to all employees in call centres but is actually relevant only for employees, technicians, and supervisory staff. Information is lacking on wages of management to an even greater extent than at the automotive firm: only a rough average is available. While the generalised pay rises do apply to junior managerial staff who are paid on the basis of a minimum laid down in a collective agreement at sector-level, each managerial employee is periodically invited to discuss his compensation with his own direct manager. Call centres coming under the collective agreement for service providers implement a policy that encourages career development and all managerial employees can sign an individual contract with his or her employer which gives more favourable terms than those stipulated in the collective agreement at sector-level.

Finally one might go so far as to argue that the individualisation of compensation creates a blind spot in the wage collective bargaining process insofar as a significant portion of compensation is determined outside collective bargaining.

3.2. Bargaining margins limited by the firm's organisational context

Case studies and the REPOSE survey shed light on the impact on the wage collective bargaining of the constraints linked to how the firm is organised. In particular, belonging to a business group or being a subcontractor are two key aspects in understanding wage practices and collective bargaining. The REPOSE survey shows the significance of directives from the parent company in wage review decisions, particularly in cases of “mixed” policy. In the case of the automotive firm, the parent company not only sets the timetable for wage collective bargaining, but also unilaterally lays down the overall budget available, i.e. the total rise in payroll. The bargaining process begins with an invitation sent to the union

representatives at a point when the budget in question has already been set. The process then takes place following an agenda set by the parent company in which the budget is initially not available to the employees and not up for debate by them. The data is quasi non-negotiable by definition, as setting the budget requires access to strategic information. As one union representative put it, "We're not backstage [...] we don't know what the budget is for the wage bargaining process". This is not a new state of affairs in France: for employers, wage bargaining should not require confidential business information to be revealed (Mottez, 1966). Consequently, only very general indicators are given and the bargaining margin in terms of the business group's payroll remains unknown. A coordinated group of union representatives taking part in bargaining processes across the business group could perhaps help them to share information, thereby strengthening the weak bargaining position held by employees' representatives. However, there is no long-term, structured link between union representatives of the same union taking part in bargaining across the various entities of the business group.

At the call centres, the wage bargaining process takes place at the group level, either at the parent company or within each regional entity. Again, the key starting point for the bargaining process, the consolidated financial turnover, provides little in the way of visibility for participants. The role of contractors, whose demands in matters of cost competitiveness leave call centres little room for manoeuvre, must also be taken into account (Castel, 2012). Given that the labour costs represent between 70% and 80% of financial turnover, it is easy to understand how important the statutory minimum wage is in establishing wages.

3.3. The statutory minimum wage

Rises in the statutory minimum wage are key for collective bargaining at sector-level. From 2003 to 2009, its upward curve led collective agreements to bring their minima in line with it, particularly for workers and employees (André, Breda, 2011). Collective bargaining at sector-level in call centres in fact reveals that despite attempts by unions to achieve minima laid down in collective agreements that are higher than the statutory minimum wage, employers' organisations use it as a means of reducing the influence of collective bargaining at sector-level (Castel 2012). However, the statutory minimum wage influences not only decisions at sector-level, but also collective bargaining at firm-level: according to the REPONSE survey, nearly two-thirds of senior management representatives take note of changes in the statutory minimum wage in wage review decisions. The case of the call centres reveals that the wage collective bargaining timetable is indeed influenced by reviews of the statutory minimum wage. The bargaining process begins in mid-March to May, thereby generally taking place before the annual revision of the statutory minimum wage on July the 1st (until 2009), which led to a certain sense of frustration, as one union representative put it: "It's hard to put your trust in a boss. Last year and even the years before that, we must have said to him, 'we want a rise, that's why we're here, among other things, but don't forget that the statutory

minimum wage will soon be going up. We want our rise to be de-correlated from the increase in the statutory minimum wage and in the last two or three years', I clearly remember the boss saying yes at the start of the bargaining process and then by the end, he'd forgotten what he'd said. That's a real killer!"

The statutory minimum wage is first and foremost a reference used to limit the spread of low wages in France (Caroli, Gautié, 2008). However, it is open to misuse and rather than a lower limit, it has become a target. In the call centres in the case study, the statutory minimum wage has become a tool used by employers to limit the impact of collective wage bargaining. It has a key role in the low collective bargaining margin open to employees, as one union representative regretted: "The statutory minimum wage is a bit of a crushing weight! Because you then ask yourself what's the point in collective bargaining? And what credibility do we have as regards the employees?" The problem is obviously not the existence of a statutory minimum wage per se, but rather the development of careers limited to the statutory minimum wage for an increasing part of employees, as a union representative points out: "When you hear employees saying 'I've been here for eight years and the statutory minimum wage has just caught up with me', then that's tough and it's a serious problem!" The correlation between collective bargaining practices and compensation policies has an impact on determining the field of what is available to be bargained. The analyses in this paper reveal that the scope of what is available to be bargained depends on the pay practices in use in the firm.

4. Conclusion

The analysis of the 2004-2005 REPONSE survey and the two case studies confirm the correlation between compensation policies and wage collective bargaining patterns in France. The typology identifies six compensation policy profiles, from the simplest to the most complex. A cross-comparison of compensation policies and the wage collective bargaining process reveals the extent to which the impact of collective bargaining depends on the pay practices in use. It demonstrates how the firm's organisational context, the individualisation of compensation, and the statutory minimum wage can all be used strategically by employers to limit the sphere of influence of collective bargaining at firm-level. Individualisation creates a blind spot in collective bargaining whose significance is far from marginal, as the case studies demonstrate. The requirements of contractors or parent companies similarly govern or even limit bargaining margins, while the statutory minimum wage seems to be used as a basis for establishing wages and as a ceiling for careers, especially for female employees, and as a tool for avoiding wage bargaining for firm applying "reduced policy" (particularly in the call centres).

While the advent of the global economic crisis in 2008 certainly played a role in reducing collective bargaining margins in a context where wage moderation was

key, it does not seem to have challenged the assessment that there is a range of compensation policies and associated collective bargaining patterns in France. Unlike what has been observed elsewhere in Europe, particularly in southern Europe where the crisis went hand in hand with a sudden breakdown in collective bargaining systems (Marginson 2012), the institutional framework for wage bargaining remains indeed unchanged in France. The two extremes of the range based on the REPOSE survey for 2004-2005 – the mixed and reduced policies – were both identified in fieldwork in 2010, suggesting a relative stabilisation in the transformation of compensation policies in France and their associated bargaining processes.

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