

Wages

In 2017 the basic monthly wage in the market branches increased by 1.3% as an annual average, a similar pace to that of 2016 (+1.2%). The average wage per capita would appear to have accelerated sharply (+2.0% after +1.2%). However, in real terms, it seems to have slowed very slightly (+1.1% after +1.3%) due to the acceleration of prices in 2017.

In H1 2018, the upturn in inflation is likely to stimulate a further acceleration of the nominal average wage per capita compared with H2 2017. However, this is only likely to be a partial adjustment and the average wage per capita should slow in real terms with a growth overhang of +0.5% by mid-2018. Net wages should be more dynamic, however, as the decrease in contributions is greater than the rise in the Generalised Social Contribution (CSG) for private sector employees.

In general government, the nominal average wage per capita would appear to have picked up substantially in 2017 (+2.2% as an average over the year after +0.8% in 2016) as a result of a rise in the index point and statutory measures. In real terms, this acceleration would appear to be more moderate (+1.3% in 2017 after +0.9%).

In H1 2018, the modalities for offsetting the increase in the general social security contribution for general government are different from those in the private sector and come partly in the form of an allowance which should contribute to maintaining sustained growth in the nominal average wage per capita,

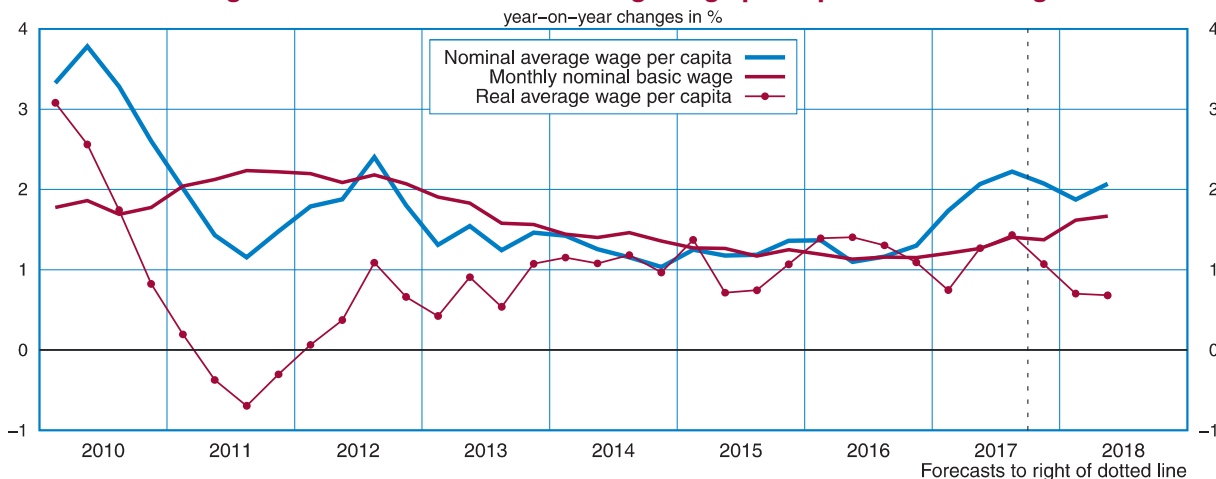
despite no increase in the index point this year and despite a one-year deferral of certain modalities of the protocol for career paths and wages (PPCR). The annual growth overhang is likely to reach +1.6% by mid-2018 (after +2.0% in 2017). In real terms, the average wage per capita in general government should slow, with a growth overhang of +0.4% by mid-2018.

As an annual average, the average wage per capita would appear to have picked up sharply in 2017

In 2017, the minimum wage was increased by a little more than the previous year (+0.9% after +0.6%), unemployment fell significantly and inflation picked up again. In the non-farm market branches, the basic monthly wage increased by 1.3% as an annual average, almost the same as in 2016 (Graph and Table). The average wage per capita, which covers a wider range of remunerations (bonuses, profit-sharing, overtime payments) would appear to have accelerated more significantly (+2.0% in 2017 after +1.2%), mainly as a result of a dynamic first quarter. In H2 2017, the rise in the average wage per capita would seem to have been slightly less marked than in H1 (+0.9% half-year on half-year after +1.3%).

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

Across 2017, prices² picked up pace more sharply than the nominal average wage per capita, so the real average wage per capita would seem to have slowed at the end of the year (+0.4% in H2 after +0.8%). Growth in the real basic monthly wage remained moderate: +0.2% in H2, as in H1.

In early 2018, nominal wages should remain buoyant but real wages are likely to slow down considerably

The minimum wage was raised by +1.2% on 1st January 2018, a greater increase than in the previous two years. In H1 2018, this acceleration in the minimum wage, combined with the expected upturn in inflation and growing hiring difficulties, should help to boost wages. The nominal average wage per capita in the market branches is expected to rise by 1.2%, after +0.9% half-year on half-year. In real terms, the average wage per capita should pick up slightly (+0.4% after +0.3%).

By mid-2018, the annual growth overhang of the nominal average wage per capita should reach +1.7%. In real terms, however, the growth overhang is likely to be only +0.5% after +1.1% in 2017 due to the expected ramp-up of prices. Since the rise in the general social security contribution is more than offset by the drop in other social contributions (health and unemployment), net wages should be a little more dynamic.

In the civil service, gross nominal wages accelerated in 2017 and are unlikely to weaken at the beginning of 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 boosted during 2017 with measures for revising the wage grids, in addition to bonus/points transfer operations. Across the year, the average wage per capita in general government would therefore appear to have accelerated substantially in nominal terms: +2.2% in 2017 after +0.8% in 2016. Given the rise in prices, the real average wage per capita seems to have accelerated less than the nominal average: +1.3% after +0.9% in 2016.

For 2018, the index point is frozen and the application of certain modalities of the PPCR protocol have been deferred by a year. However, the terms of compensation for the rise in the Generalised Social Contribution are different from the private sector and come partly in the form of an allowance, contributing approximately +0.8 points to the rise in the average wage per capita in 2018. For these reasons, gross wages should remain buoyant: the annual growth overhang is likely to be +1.6% by mid-2018 after 2.2% in 2017. In real terms, it is expected to decline significantly to +0.4% mid-2018 after +1.3% the previous year. ■

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	0.3	0.5	0.4	0.6	0.8	0.9	1.2	1.3	1.4
Average wage per capita in the non-farm market branches	0.8	0.4	0.5	0.4	0.6	0.6	1.2	0.9	1.2	1.2	2.0	1.7
Average wage per capita in general government (GG)										0.8	2.2	1.6
Household consumer price index (quarterly national accounts)	0.5	-0.1	0.1	0.5	0.7	0.2	0.4	0.6	0.8	-0.1	0.9	1.2
Real basic monthly wage	-0.2	0.4	0.3	-0.1	-0.2	0.2	0.2	0.2	0.1	1.2	0.4	0.2
Real average wage per capita (non-farm market branches)	0.3	0.4	0.4	0.0	-0.1	0.4	0.8	0.3	0.4	1.3	1.1	0.5
Real average wage per capita (GG)										0.9	1.3	0.4

Forecast

Sources: INSEE, Dares