

### Special bonus for purchasing power: over 2 million employees had already received a bonus by January 2019

The emergency economic and social measures introduced in December 2018 in response to the gilets jaunes movement included an opportunity for companies to pay a special, one-off bonus to boost the purchasing power of employees whose annual salary for 2018 was no more than three times the minimum wage. Up to a threshold of €1000 this bonus is exempt from income tax and all forms of social security contributions and charges. It must be paid between 11th December 2018 and 31st March 2019.

Employers are under no obligation to award such bonuses; however, 12% of employers<sup>1</sup> indicated in their déclaration sociale nominative (DSN<sup>2</sup>) for January 2019 that they had already paid special bonuses to at least some of their employees. This means that in early 2019 more than 2 million employees in the private sector (10%) had already received a special bonus, with an average value of €449. 200,000 of these employees received the full 1000 Euros. In total, almost a billion Euros had already been paid out in bonuses in January of this year, a total which is likely to increase by the end of March.

Although this bonus is in no way a substitution for pay rises or bonuses stipulated in collective agreements or employment contracts, businesses could probably have paid all or part of the value of these bonuses, in one form or another, even if this measure had not been announced. The «net» effect of the special bonus on the increase in average wages per capita is therefore likely to be smaller than the total sum paid out by businesses

in the form of special bonuses. Since previous initiatives of this nature have not been subjected to detailed ex-post evaluation, the scale of any substitution effect nevertheless remains uncertain at this stage. If, by way of an exploratory hypothesis, a substitution effect of around 50% was envisaged, the amount paid out in January in bonuses would still represent a "net" boost to the average wage per capita in the region of +0.4 points for Q1 2019.

One third of establishments in the «large enterprises» category had already issued a bonus by the end of January 2019. Smaller organisations had also done so, with 11% of micro-enterprises and 13% of SMEs paying out bonuses. Since only wages equivalent to less than three times the minimum wage are eligible for the tax break, workers, intermediate-level professionals and salaried employees are more likely to receive a bonus (11%) than executives (6%). 18% of employees in the construction sector and 10% in the industrial sector have already received a special bonus, a higher rate than that observed in the service sector (Table). ■

1. The statistics included in this Focus are given at "establishment" level: an establishment is a production facility that is geographically distinct, while remaining legally attached to a company.

2. The DSN (individual social declaration) replaced a number of existing administrative declarations in 2013. Extended to all private companies in 2017, the DSN provides monthly, consolidated information on wages and employment based on the declarations made by employers.

#### Distribution of special bonus payments by sector of activity

	Employers (number of establishments)			number of employees			average sum paid en €
	Total	of which paying out bonuses	%	Total	of which receiving bonuses	%	
Agriculture	82 600	7 500	9.1	277 500	24 500	8.8	<b>515</b>
Industry	140 300	17 100	12.2	3 194 100	327 200	10.2	452
Construction	202 800	30 200	14.9	1 473 400	264 900	18.0	479
Market services	1 271 400	152 100	12.0	13 367 100	1 255 400	9.4	463
Non-market services	154 000	14 800	9.6	2 658 400	177 600	6.7	295
<b>Total</b>	<b>1 851 100</b>	<b>221 800</b>	<b>12.0</b>	<b>20 970 500</b>	<b>2 049 600</b>	<b>9.8</b>	<b>449</b>

Source: DSN January 2019, Traitment: INSEE