

Wages

In 2019, nominal wages picked up slightly in the market branches: +1.8% after +1.5% in 2018 for the basic monthly wage and +1.9% after +1.7% for the average wage per capita. At the start of 2019, the profile of the quarterly changes in the average wage per capita was marked by the payment, in certain enterprises, of the one-off bonus to boost purchasing power, which was one of the economic and social emergency measures adopted in December 2018. The sharp acceleration in the average wage per capita in Q1 (+1.0%) is likely to be followed by a backlash effect in Q2 (-0.4%). The average wage per capita should return to consistent growth in H2.

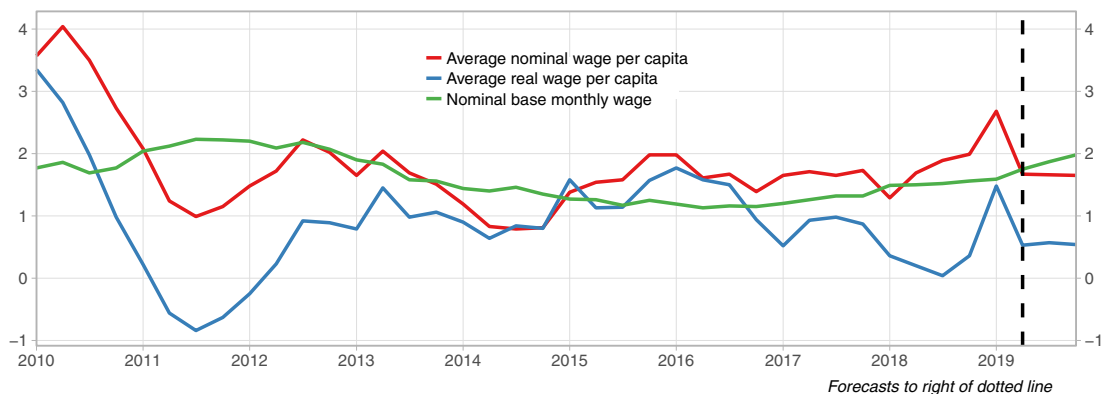
Due to an anticipated slowdown in prices over the year, the purchasing power of wages should perk up: in 2019, the average wage per capita is expected to grow by 0.8% in real terms (after +0.2% in 2018). It is likely to rise in H2 (+0.5%) after remaining virtually stable in H1 (+0.1%) In general government, the index point continues to be frozen in 2019, but the application of the “Professional Career Paths, Careers and Remunerations” protocol has resumed. The nominal wage per capita in this sector should rise by 1.1% in 2019, after a nominal increase of +1.9% in 2018. The purchasing power of the average wage per capita in general government is expected to come to a standstill in 2019 (0.0 % after +0.4%).

In the market sectors, nominal wages are set to pick up slightly in 2019

The minimum wage was increased by 1.5% on 1st January 2019, in the biggest single increase since July 2012. In 2019, inflation is expected to edge down somewhat while unemployment should continue to fall back and is set to stand at 8.3% of the labour force at the end of the year. Recruitment difficulties remain substantial in all sectors but have stopped increasing (*Focus*). In this context, nominal wages are likely to accelerate in 2019, but to a limited extent. The basic monthly wage looks set to rise by 0.5% per quarter throughout 2019, corresponding to a slight acceleration on an annual average basis: +1.8% in 2019 after +1.5% in 2018 (*Graph and Table*).

The average wage per capita covers a broader range of remunerations (bonuses, profit-sharing and overtime). Its profile at the start of 2019 was marked by the emergency economic and social measures adopted by Parliament in December 2018. These measures 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. This bonus, which had to be paid before 31 March 2019, was exempt from income tax and all forms of social security contributions and charges, up to a threshold of

Change in the nominal and real average wage per capita and basic wage
year-on-year variation in %



Source: INSEE

French developments

€1,000. In Q1 2019, employers paid out around €2.2 billion on these bonuses, to some 4.8 million employees. 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. This substitution effect would appear to have been around 50%. The emergency economic and social measures adopted at the end of 2018 also included the exemption of overtime from tax and social security contributions. This measure should have significantly less effect on the average wage per capita but it is expected to have an appreciable impact on household purchasing power (Household income sheet). All in all, the average wage per capita grew by 1.0% in Q1, making this the highest increase over one quarter since the start of 2010. It is then likely to fall due to a backlash effect in Q2 (-0.4%). The average wage per capita should return to more consistent growth throughout H2 2019 (+0.5% per quarter). As an annual average, it is set to accelerate slightly: +1.9% over the year as a whole, after +1.7% in 2018.

In 2019, real wages are expected to accelerate sharply, benefiting from the expected slowdown in inflation

In 2019, despite a rebound anticipated in Q2, prices¹ are likely to slow on an annual average

basis: +1.1% after +1.5% in 2018. In real terms, wages should therefore accelerate sharply, under the combined effects of the slowdown in prices and the buoyancy of nominal wages: the real average wage per capita is expected to grow by 0.8% after +0.2% in 2018. After remaining virtually stable in H1 (+0.1%), the real average wage per capita is set to increase by 0.5% in H2.

In the civil service, wages are expected to slow down in 2019, in both nominal and real terms

In 2019, the application of the "Professional Career Paths, Careers and Remunerations" protocol in general government has resumed after being frozen in 2018. However, the value of the index point remains unchanged and the superficial effect of the allowance introduced in 2018 to offset the rise in the general social security contribution no longer applies. All in all, the nominal average wage per capita in general government is likely to slow: +1.1% in 2019 after +1.9% in 2018. Prices should decelerate less quickly, with the result that the purchasing power of the average wage per capita in general government is expected to come to a standstill in 2019 (0.0% in 2019 after +0.4% in 2018). ■

1. Inflation is measured here by the variation in household consumer prices in 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

	Quarterly growth rates								Half-yearly rates				Annual average		
	2018				2019				2018	2018	2019	2019	2017	2018	2019
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	H1	H2	H1	H2			
Basic monthly wage	0.4	0.3	0.4	0.4	0.5	0.5	0.5	0.5	0.8	0.8	1.0	1.0	1.3	1.5	1.8
Average wage per capita in the non-farm market branches	0.4	0.6	0.5	0.5	1.0	-0.4	0.5	0.5	1.0	1.0	0.6	1.0	1.7	1.7	1.9
Average wage per capita in general government (GG)													2.4	1.9	1.1
Household consumer price index (quarterly national accounts)	0.6	0.5	0.3	0.2	0.2	0.4	0.3	0.2	1.1	0.6	0.6	0.5	0.9	1.5	1.1
Real basic monthly wage	-0.2	-0.1	0.0	0.2	0.3	0.1	0.2	0.3	-0.3	0.2	0.4	0.5	0.4	0.0	0.7
Real average wage per capita (non-farm market branches)	-0.2	0.1	0.2	0.3	0.9	-0.8	0.2	0.3	-0.1	0.5	0.1	0.5	0.8	0.2	0.8
Real average wage per capita (GC)													1.5	0.4	0.0

■ Forecast

Source: INSEE, Dares