The way workers and employers interact in the labor market and the way governments regulate labor markets are highly idiosyncratic. The institutions and rules that govern labor reflect the culture and history of a country more than product markets, where multinationals dominate sales worldwide; financial markets, where banks and brokers operate similarly around the world; or international trade, where global agreements set the rules for all countries. In the world of labor, the Nordics are famous for high rates of unionization and collective bargaining, active labor market policies, and low levels of inequality, while the United States is famous for the opposite conditions; Japan is renowned for its lifetime employment practices and seniority and bonus systems; Germany, for its works councils, employees on boards of directors, and apprenticeship systems.

What about labor institutions and policies in France? To analysts outside the Gallic world, the French labor system has long been a riddle wrapped in a mystery inside an enigma. France combines the lowest union density with the highest collective-
bargaining coverage among advanced countries; the highest and most far-reaching minimum wage in the world with a workforce that has only middling educational attainment; legally mandated profit-sharing that links worker pay to an employers’ financial performance; and a publicly funded retirement system based on high social insurance contributions which governments use at times to stimulate employment.

Notwithstanding the occasional rant of foreign executives about French work effort; perennial Economist criticisms of France’s economic failings; labor policies and practices that diverge from the centralized-bargaining, social-partner or flexible-market models that entrance experts as “peak labor systems”; and even a collectively bargained right for staff to disconnect from work calls and emails after working hours, France’s unique labor system is associated with good economic performance. French productivity is among the highest in the world. In 2013 GDP per hour in France exceeded GDP per hour in Germany, the United Kingdom, Canada, and Japan, among other countries. France has the fifth-largest economy in the world.

How, then, does the French labor system operate? What are its strengths and weaknesses? What lessons should persons outside of France draw from French experiences?

Phillipe Askenazy’s The Blind Decades provides an insightful and fascinating picture of the way France’s labor system works from the perspective of an economist steeped in French economic and political events, angered by the country’s mistakes in the labor sphere, and committed to the country’s performing better. Given the importance of the French government in labor and economy, much of the book focuses on national policies and the ideological and factual premises or beliefs that motivated those policy choices. In an era when industrial policy is out of
style, French governments intervene regularly to encourage firms to modernize and reach full employment—the latter which Askenazy calls the “French theme in the concert of industrialized countries” with respect to economic policy.

The book is chock-full of facts and insights about the political economy of labor policies and practices, from which readers of different disciplinary backgrounds, perspectives, and bases of knowledge will learn different things that will illuminate labor issues in their own countries. I was struck by three in particular.

1) The divergence between France’s policy choices and those of other advanced countries facing the same global challenges. The book contrasts policies in the 1970s oil crisis, when France chose restrictive deficit-reducing financial and monetary policy while Germany and other European economies ran deficits to recover employment; in the late 1970s, when the Barre government sought full employment through “revalorization of manual labor” by encouraging “industrial jobs while European deindustrialization was proceeding inexorably” instead of preparing youth for new white-collar and service-sector jobs or investing in science and technology; in the early 1980s, when the Mitterand government’s expansionary economic policies of increasing social benefits and minimum wage was based on misreading the U.S. Federal Reserve’s commitment to restrictive monetary policy; and in the late 2000s, when the Sarkozy government decided to lower taxes on extra hours worked while Germany and many other economies encouraged part-time jobs to spread work in the Great Recession
period. In its labor policies (as in much else), France marches to its own drummer. Askenazy explains some of the labor policies as resulting from being “partially hidebound by the reading of the labor market” from the 1970s.7

2) The efforts of conservative governments to alter labor contracts and social insurance charges in the hope that this would create enough jobs to resolve joblessness among young and less skilled workers. Micro-economic policies that reduce costs of labor can increase employment by moving firms down their demand curves. But policies have to be drawn carefully to avoid having employers and workers substitute tax-advantaged activities for similar activities that do not get the tax break, with little net effect on employment. If a government offers tax breaks for R&D, firms may declare marketing expenses to be research. If a government offers tax breaks for “performance-based pay” for executives, as the United States does, firms will shift executive pay from salaries to bonuses, stock grants, and options that fit this tax code without evaluating whether the grants, options, and bonuses actually improve performance. As Askenazy reports, France’s late 1970s–early 1980s Employment Pacts to reduce youth unemployment through tax exemptions for hiring young people less than a year out of school exemplified this problem. Following introduction of the policy, “employers performed a rational fiscal and social optimization: they replaced young people who were just past a year out of school with newly graduated young people recruited into initial training schemes.” This amounts to “employees being
replaced by cheap interns.” By contrast, he cites evidence that the “Aubry laws” to establish a 35-hour workweek appear to have had some success in expanding employment.

3) France’s distinctive tax policies to redistribute income. The wealthy and super-wealthy in all countries use their money and influence with policymakers to obtain tax breaks for themselves or for their businesses. Normal citizens use their voting power to press governments toward progressive tax and expenditure policies that improve their economic well-being. Both sides often justify their favored distributive policy in terms of its impact on employment. Conservatives say that tax breaks to the rich incentivize “job creators” to create jobs. The Left says that tax breaks to lower-income persons increase consumer demand, which stimulates employment. Some of France’s tax breaks are innovative: changes in the rules on unemployment compensation to give higher-paid workers unemployment benefits closer to their salaries; tax breaks to persons who hire helpers in their homes, including 1992 legislation that gave taxpayers a break on income equal to half of salaries and contributions for jobs working at home. The Hollande government famously sought to raise taxes on the wealthy but then endorsed tax cuts for firms in the hope that this would stimulate jobs, which Askenazy views critically.

A good economics book does more than educate a reader about some economic phenomena. It stimulates them to want to know more about certain issues. My want-to-know-mores from The Blind Decades are these.
1) What are the ways private-sector actors—unions, employers, and others—influence or seek to influence government policies in France? How do they use lobbying, contributions to candidates, networking with persons from the same Hautes Élysées, public demonstrations or strikes to move politicians in their direction? To what extent are some firms connected more to left or conservative political parties—or do all firms establish links across the political spectrum so they have influence on all governments (as in the United States)? In particular, Askenazy reports that French businesses managed to delay far longer than the businesses in other countries regulations restricting the use of asbestos, despite its scientifically proven horrific effects on human health. How did the industry lobby accomplish this?

Looking outside of the political world, to what extent do French unions and firms seek to solve labor problems through private discussions, as is common in many other countries, and how do they interact with the government agencies and local officials that carry out policies? The book’s concentration on national policies and politics reflects the importance of the central government in the French system, in contrast to Nordic countries, say, where social partners often guard their independence from governments in the labor area—or the United States, where state and local policies matter greatly. But private and local arrangements must have some impact on outcomes in France as well. How much and in what ways?

2) How does France’s mandatory profit-sharing system operate? De Gaulle introduced this system in the late 1950s. French governments of all political persuasions have
maintained it ever since, while making sometimes substantial legal changes to improve its uptake and effectiveness. The Left seems to have accepted profit-sharing grudgingly. It never sought to remove this unique aspect of French wage-setting policy nor to modify it in a major way to make it more favorable to lower-paid workers. Chapter 5 reports on the 2001 “Fabius” Law designed to promote investment of employee savings in small-and-medium businesses through fiscal advantages, which would seem connected to profit sharing but which is not examined in depth. In 2011 the French government enacted legislation that required companies meeting specified conditions to pay annual profit-sharing bonuses to employees. Given economic studies that indicate that French profit-sharing has been reasonably effective in raising productivity and reducing absenteeism, economists outside of France would benefit from learning more about this distinct French policy, its link to other French labor and tax legislation, and the political economy that surrounds it. Should other countries consider adopting similar legislation? And if so, what would a detailed analysis of the French experience tell them about the best directions to go and dangers to avoid?

3) Askenazy criticizes French labor policies for weaknesses ranging from failure to undertake social experiments to determine what works to making decisions based on erroneous prognostications of the changing global economy. The criticisms seem well-deserved, but as I read his analysis of French policy blunders, I wondered what comparable volumes would tell us about the labor policies of other major countries. The United States is no paragon of evidence-based
rational policymaking. The Bush administration backed away from assessing Labor Department programs in the belief that firms would invariably spend public training and adjustment assistance ideally. National Labor Relations Board rulings have invariably favored employers when Republicans had a majority on the board and unions when Democrats had a majority. The Obama administration expected (or hoped) that the flexible U.S. labor market would bounce back quickly from the Great Recession and thus never pushed for active labor-market policies of the type that most other advanced countries tried. In the EU, Danish “flexicurity” failed the test of the Great Recession as well, with Denmark suffering substantial unemployment and a weak jobs recovery. When Germany reunited, it set wages and benefits in the East at West German levels despite the lower productivity and living standards in the former communist state. The result was job loss, high social insurance costs, and slower economic convergence than might otherwise have occurred.13

Finding the institutions and policies that are best for workers in advanced countries when billions of people have joined the global capitalist economy from developing countries and former communist states and when emerging digital and artificial-intelligence technologies are altering work is a massive challenge to labor policy and to economic policy more broadly. For all of France’s idiosyncrasies, there are lessons for economists, other social scientists, and policymakers in its experiences with labor policies and practices, as told in *The Blind Decades*. With eyes open to the evidence, analysts and policymakers in France and other countries can and will hopefully do better in the next decades.
1. Union density of 7.8% in 2010: http://stats.oecd.org/Index.aspx?DataSetCode = UN_DEN. Collective-bargaining coverage of 90%: Rapport sur la négociation collective et sur les branches professionnelles, Rapport au premier ministre, Jean-Frédéric Poisson (La Documentation Française, April 28, 2009). In 2014 the salaire minimum de croissance was €9.53 per hour (about USD 13.15 at the present exchange rate, compared to the U.S. minimum wage of USD 7.25).

2. In the 1970s analysts cited the Nordic economies and Germany as “peak labor systems” for their centralized bargaining; in the 1980s many proclaimed Japan’s lifetime employment and company unions the best way to structure labor; in the 1990s and 2000s the U.S.’s flexible market was the ideal. See Richard Freeman, “War of the Models: Which Labour Market Institutions for the 21st Century?” Labour Economics 5, no. 1 (March 1998): 1–24.


5. Chapter 2.

6. Chapter 3.

7. Chapter 2.


10. Chapter 4.
