

# LOUIS BACHELIER

Economic and financial news seen through research

## The labour market: lessons from recent research

With Bérengère Patault, Patricia Crifo,  
Antoine Rebérioux, Anne Revillard,  
Jérémy Hervelin and Mirna Safi



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**A**t 8.5% of the active population in the second quarter of 2019, the unemployment rate in France stood at its lowest level since early 2009. While this downward trend is encouraging, there is still much to be done, especially since the labour market is central to social relations. And its functioning affects us all, directly or indirectly. Accordingly the researchers associated with the Securing Career Paths Chair address a wide range of topics, of which this new issue of the Cahiers Louis Bachelier provides an interesting overview, with a section on businesses and another dealing with people facing serious problems of access to employment.

The first article is based on the study by Stéphane Carcillo, Bérengère Patault and myself, which is concerned with companies, but from a novel perspective. We collected data on tens of thousands of court of appeal rulings regarding dismissals. The study shows that magistrates' decisions have a significant impact on employment practices by the companies convicted.

The second piece is devoted to the book by Patricia Crifo and Antoine Rebérioux, which addresses recent work on the role of companies and the involvement of employees in their governance by exploring a number of key issues. How can employees become involved in governance? What is the relationship between employee participation and companies' financial and extra-financial performance? What practices exist in foreign countries?

The third interview deals with the book by Anne Revillard, which provides an interdisciplinary overview on employment of people with disabilities. In particular it emphasizes the lack of evaluation work on this subject and the importance of developing a policy for normalizing disability in the workplace.

Next, the study by Cécile Ballini, Mathilde Gaini and Jérémy Hervein is concerned with the integration into employment of young school dropouts. The researchers conducted an experiment in which they sent out thousands of fictitious CVs in response to job offers. It emerges that school dropouts are 25% less likely to be recalled by employers than young people with a CAP vocational training certificate. However, for dropouts, additional certifying training significantly improves the chances of being offered a job. Employers consider such training to be more effective when combined with work experience.

Finally, the work of Mirna Safi shows that ethno-racial discrimination in the labour market is particularly strong in France, especially against people from North and sub-Saharan Africa. Mirna Safi points out that this situation stems largely from legislation that does not allow for the development of good practices or the generalization of actions in support of visible minorities in the workplace.

Enjoy your reading!



**Pierre Cahuc,**  
Scientific Director  
of the Securing Career  
Paths Chair

## Partners



# WHAT ARE THE EFFECTS OF DISMISSAL COMPENSATION ON SMEs IN FRANCE?

According to the government the ceiling on dismissal compensation is intended to encourage hiring and reassure employers, but there is no empirical evidence of the effectiveness of this measure. French researchers have conducted an original study to measure the effects of compensations on employment.

**F**ollowing fierce legal debates, last July the Appeal Court finally validated the ceiling on compensation for dismissal in the absence of any “real and serious cause” (the so-called “Macron scale”), which had been made mandatory in September 2017, much to the discontent of magistrates’ associations. According to these rulings, wrongful dismissal must be assessed on the basis of several parameters, including the activity sector, the employee’s length of service and family situation, and the nature of the harm suffered, and cannot be standardized. “Previously, judges had a great deal of freedom in awarding severance pay. In fact this whole debate revolves around the optimal degree of discretion to be given to judges,” Bérengère Patault says.

Moreover, in this area, there has been extensive media coverage of several cases of wrongful dismissal in which employees obtained very significant compensations, leading to the bankruptcy of the companies. Yet apart from a few sometimes striking examples, no study has found a clear causal link between the amount of compensation awarded by a pro-worker judge and the effects on employment for the companies pronounced guilty. But this has not prevented several European countries from introducing legislation on this issue. “It is inappropriate to rely solely on anecdotal examples, because the cases vary considerably and depend on a number of different factors,” Bérengère Patault points out. In this context, two major questions need to be settled. What is the effect of a pro-worker judge on the amount of compensation



**Apart from a few sometimes striking examples, no study has found a clear causal link between the amount of compensation awarded by a pro-worker judge and the viability of companies.**



awarded for dismissal? And what is the impact on employment in the companies convicted?

## AN ORIGINAL EMPIRICAL STUDY

Because there is very little academic literature on the subject, to address the above-mentioned questions the researchers carried out an original empirical study based on French data. Accordingly, they looked at several thousands rulings issued by Courts of Appeal between 2006 and 2016. “We based our study on cases judged on appeal, because the data is more easily available than in cases dealt with by industrial tribunals. This level of jurisdiction is also the most relevant and the most coherent for observing the effects on companies, because most of the cases handled by industrial tribunals go to appeal,” Bérengère Patault explains. Prior to the 2017 reform, layoffs were often contested and were subject to numerous appeal proceedings, thus further justifying the focus of the study on the Courts of Appeal. The researchers then measured the bias of each

Based on the paper *Are Pro-Worker Judges Detrimental to Firm Survival and Employment?*, co-authored by Pierre Cahuc, Stéphane Carcillo and Bérengère Patault, and on an interview with Bérengère Patault.



**Bérengère Patault** is a PhD student in economics at the Centre for Research in Economics and Statistics (CREST). A graduate of HEC Paris and the Paris School of Economics, she is doing her thesis on labour economics, and is particularly interested in issues pertaining to firms, their demand for labour and their dynamics.

### Methodology

The researchers conducted an empirical study to calculate the average dismissal compensation awarded by judges of Courts of Appeal. They first collected data from several thousands court decisions between 2006 and 2016. They then used the replacement of judges to compare the decisions of outgoing presidents and those of their successors. They estimated the residuals from a regression of the compensation awarded on fixed effects (years and Court of Appeal), and averaged those residuals for each judge. The average of these residuals per judge is what they term the judge's "pro-worker bias". Finally, they performed linear regressions of the two variables of interest (rate of hiring and employment growth) on the measurement of each judge's bias, and from these drew their conclusions.

president of a social chamber of a given Court of Appeal. They then used the firms' administrative and fiscal data (workforce, financial figures, etc.) to cross-check them with the judicial decisions related to dismissal compensation. "To measure the judges' bias, we made comparisons between the compensation decisions of an outgoing president of a Court of Appeal and his/her successor," Bérengère Patault says.

### COURTS OF APPEAL ARE MORE GENEROUS THAN INDUSTRIAL TRIBUNALS

Through their econometric work, the researchers were able to come up with some interesting findings, not the least with regard to the average severance pay awarded by judges. Thus, employees win in 66% of the cases judged on appeal, and the amounts awarded by Courts of Appeal are the same as the rulings of industrial tribunals in 53% of the cases observed and are higher in 36%. And the average compensation is 12,684 euros in Courts of Appeal, against 8,466 euros in the lower courts. "A pro-worker judge will tend to award more compensation than a pro-employer judge, but the differences are not very large. On the other hand, we find that the amounts awarded by Courts of Appeal vary greatly", Bérengère Patault says. In fact, the median amount (the midpoint of the distribution) is six months' salary (when the dismissal was made without real and serious cause), whereas the mean compensation is eight months salary. But these figures can be even higher: compensation amounted to

16 months of salary in 10% of cases and 35 months in 1% of cases.

### SMEs WITH LOW RETURNS ON ASSETS ARE MORE VULNERABLE

In addition to these valuable new findings regarding the amounts awarded by judges following unfair dismissal, the researchers analysed the impact of the convictions on hiring by firms. While the effects of the judgments on large firms are almost zero, this is not the case for SMEs, especially those with fewer than 100 employees that have a Return on Assets (ROA) ratio below the national median. "The impact of judgments on underperforming SMEs is visible on several variables. Thus, in the first year, there is a freeze on hiring. Over the next two years, hiring is lower, especially for open-ended employment, which drops very significantly," Bérengère Patault says. There is no doubt that this unprecedented scientific study will shed new light on the consequences of dismissals for firms, while reinforcing the position of the authorities. Nevertheless, within the judiciary, lively debate is likely to continue... ●

### Key points

- A pro-worker judge awards higher compensation than a pro-employer judge, but the difference in magnitude between the two is relatively small.
- Dismissal compensation is awarded by the Court of Appeal in 66% of cases, but the amount varies considerably: the median amount is six months of wages and the mean is eight months.
- For a small underperforming company, conviction by a pro-worker magistrate curtails its growth in hiring for the first year. In the following two years, employment growth is lower, and especially for open-ended contracts.

# “THE OPENING UP OF BOARDS OF DIRECTORS TO EMPLOYEES IS LEGITIMATE”

While the idea of employee participation in companies is far from new and has been affected by changes in the organization of work and technological progress, this multifaceted issue is still constantly developing. Among the reasons for this on-going evolution are the excesses of financial capitalism following the 2008 financial crisis, the fight against climate change, regulatory changes (for example the French PACTE law), and the pressure of public opinion on companies to play a social role by including more stakeholders, particularly employees. By playing a larger role in corporate decision-making, the idea is that employees will contribute to their companies' financial and extra-financial performance. However, various questions arise. How should employees be involved in governance? What is the relationship between employee participation and the financial and extra-financial performance of companies? What are foreign countries doing in this area? To address these issues, Patricia Crifo and Antoine Rebérioux recently published a book titled *La Participation des Salariés* with Presses de Sciences Po, in which they summarize and criticize existing practices. In this interview for the Institut Louis Bachelier (ILB), the authors discuss the main conclusions from their scientific approach.

**ILB: The participation of employees in the company decision-making is changing in France. Can we revisit the context in which your book was written?**

**Patricia Crifo and Antoine Rebérioux:** In 2018 there were a number of developments in France in this area. Various reports were published, including in particular the report prepared by Jean-Dominique Sénard and Nicole Notat, and much debate occurred with regard to corporate responsibility in the context of the drafting of the PACTE law. It is in this context that the Civil Code was amended for the first time in more than 200 years, with the aim of inducing companies to act in the general interest rather than solely on behalf of their shareholders. Clearly, doing so involves thinking about how companies can integrate social and environmental concerns into their businesses.

A European Union working group on green and sustainable finance has been created. Although not directly related to the roles of companies, this mechanism converges with the notion that



**The Civil Code was amended for the first time in more than 200 years, with the aim of inducing companies to act in the general interest rather than solely on behalf of their shareholders.**



employees and society can play a central role in corporate activity.

**What issues are there in relation to employee participation in companies?**

**PC and AR:** Employee participation can be understood and analysed in very different ways, depending on the perspective through which it is viewed: labour organization, wage bargaining, profit sharing and financial participation, and



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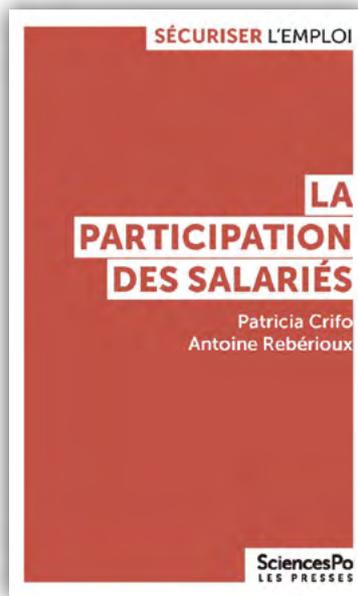


**Antoine Rebérioux** is Professor of Economics at the University of Paris, a member of LADYSS, and an associate member of CREDDI (Université des Antilles). He is Deputy Director of the “Sciences of Societies” Doctoral School (University of Paris), a member of the editorial board of the *Revue Economique*, associate researcher for the Energy and Prosperity Chair and a member of the scientific committee of the Fédération de l’Actionariat Salarié (FAS). He has also participated in the *Contrats de société* board, appointed by the Club of Jurists to make proposals under the PACTE law. His research focuses on corporate governance, corporate social and environmental responsibility and human resource management, within a sustainable development perspective.

co-determination. Our goal has been to bring together several areas of economics into four coherent chapters. While there is an extensive economics literature on labour organization, wage bargaining and the financial participation of employees, less attention has been paid to the role of employees in governance and corporate social and environmental responsibility (CSR). We wanted to renew and shed more light on this field of research, especially with regard to these two latter areas, which have been more recently addressed in the literature and in practice.

### How in fact has the governance of French private companies changed?

**PC and AR:** The questioning of shareholder value to the advantage of other stakeholders led to intense debate in 2018. For some, the reform of the Civil Code raised the threat of legal inflation and a possible openness to stakeholders other than employees. But employees are not like other stakeholders: through their physical, operational, delegated and financial investment in the company, employees have a legitimate claim to share in monitoring and strategic decision-making on governance bodies. They are a “constituent part” (more than simply stakeholders) of the company because they are committed to it in the long term through, for example, contracts and human capital. The opening up of boards of directors to employees is thus legitimate.



### Where does France stand in this respect compared to its European neighbours?

**PC and AR:** France is not exceptional in opening up the decision-making bodies of the company to employees. In Europe, in 13 out of 27 countries the boards of directors of private companies have been opened up to employees. Contrary to what we often hear, this idea is not specifically German, but is essentially European. However, France adopted the practice only recently, in June 2013, whereas in Germany co-determination has existed since the Weimar Republic and was further developed after the Second World War. Germany’s legislation clearly represents the most advanced

form of employee participation in corporate decision-making.

### How about in relation to the United States, where a different model pertains?

**PC and AR:** Across the Atlantic, the idea of opening corporate governance to employees appears absurd. However, the US system is very typical and is focused on maintaining shareholder value and protecting the interests of minority shareholders. These are often small savers who invest for their future retirement and do not necessarily have access to as much information as larger shareholders (investment funds, hedge funds, etc.). In contrast, in Europe and Japan, capitalism is less dispersed and has more stakeholders, who have greater counter-power than in the United States.

### How can co-determination be strengthened in France?

**PC and AR:** In France, social dialogue within companies – institutionalized by labour legislation (collective bargaining, rights of Works Councils, etc.) and fuelled by managerial systems involving information sharing and consultation – is essential, but rights of elected representatives do not extend to genuine co-determination, and bargaining does not apply to truly strategic decisions. Employees are therefore not fundamentally involved in major strategic choices through the dialogue between labour and management. →

In fact it is through their increasing awareness of CSR and sustainable development that companies are becoming more open to the expectations of stakeholders, particularly employees.

**So CSR is compatible with greater participation of employees in corporate decision-making...**

**PC and AR:** Yes, it's a good way to meet the expectations of society. For various reasons national governments have failed in relation to the environment. It is therefore up to companies to take the initiative in this respect, especially since according to an estimate by the firm Carbone4 the state and companies combined may account for up to 75% of the effort required to reduce the average carbon footprint and thereby achieve the aims of the Paris Agreement. In our view, employee participation in strategic decision-making is a way of increasing corporate social responsibility.

**What are your recommendations for companies?**

**PC and AR:** The various mechanisms and their consistency of implementation need to be rigorously evaluated and a number of practices combined in an advantageous way. For example, increasing the proportion of women on corporate boards is a step in the right direction, but if they do not hold key positions on certain



**Employee participation in strategic decision-making is a way of increasing corporate social responsibility.**

committees, the effect is limited. The same goes for increasing the number of employees on boards of directors: they need to be clearly linked to and participate in decision-making.

**In conclusion, what is the impact of employee participation on the financial performance of companies?**

**PC and AR:** Firstly, this is quite difficult to estimate empirically. However, employee participation needs to be thought of as a performance lever for companies. By bringing in and involving more employees and combining several types of employee participation (organization, negotiation, financial, governance and CSR), companies will be able to count on more productive employees. It's a win-win situation. This in any case is what emerges from the majority of studies on the subject, with regard to Germany and the Scandinavian countries. ●

# “MAINSTREAMING DISABILITY INTO ALL PUBLIC POLICIES IS ESSENTIAL”

People with disabilities face many difficulties in entering the labour market. To analyse this phenomenon, in her most recent book *Handicap et Travail*, the sociologist Anne Revillard has drawn up an interdisciplinary inventory (sociology, economics, law, social psychology, history, political science, etc.) on the employment issues encountered by people with disabilities. In this interview, she revisits the main findings of this scientific work, published last May by Presses de Sciences Po, under the aegis of the Securing Career Paths Chair.

## **ILB: What can be done about the situation of disabled people in the labour market?**

**Anne Revillard:** Before addressing the substance of the issue, my first main observation is the scarcity of research conducted in France, in contrast to the international literature on the subject and the scale of the social and political issues involved. We are dealing with a topic on which there has been little academic research in France. Consequently the quantitative data and analyses available come mainly from administrative or ministerial sources such DARES and DREES, as well as the regular reports arising from audits of social affairs or finance. The gap between the proliferation of public policy programmes and the relative absence of their systematic evaluation is particularly striking. What emerges from this work is first and foremost the need for empirical investigation.

To return to the initial question, the main finding, based on the international literature and the data available in France, is that disabled people are marginalised both in access to employment and when employed.

Out of the 2.7 million beneficiaries of the employment obligation (an administrative category commonly used to statistically identify disabled people), 35% were employed and 19% unemployed in 2015, whereas the employment rate in the overall population was 64% and the unemployment rate 10%. The unemployment rate of people administratively recognized as disabled is thus nearly double that of the



**Among the unemployed population, people with disabilities are older, less educated, and more affected by long-term unemployment.**



population as a whole. This official rate is also likely to underestimate the reality of the situation, as the boundary between unemployment and inactivity is particularly ill-defined for people with disabilities. Among the unemployed population, people with disabilities are older, less educated, and more affected by long-term unemployment.

The disabled working population, moreover, is older and less educated than the general population and more often holds less qualified, less prestigious and less remunerative jobs. In 2017, according to the INSEE Employment Survey, 45% of employed workers administratively recognized as disabled were aged 50 or over, compared to 29% in the total working population, and 60% had a qualification level equal to or lower than CAP/BEP (compared to 39.5%). There was a higher proportion of manual workers (32.3%, against 21.6% in the non-disabled population) and white-collar workers (35% against 27.4%), along with →

a lower proportion of executives and intellectual professions (7.7% compared to 17.8%).

### Is this marginality also found in part-time work?

**AR:** Yes it is. The higher frequency of part-time work among this population is another manifestation of its fragility in relation to employment. According to INSEE, in 2017, 33.4% of employed workers recognized as disabled worked part-time, compared to 18.6% for the total population in employment. These people more often cite reasons of health for choosing to work part-time (50.2%, compared to 7.4% in the total population in part-time employment), but 31.4% say they had not been able to find a full-time job (compared to 44% in the overall population). Part-time employment among disabled people is therefore partly involuntary.

### How about in terms of their income?

**AR:** One of the major consequences of this marginal position in the labour market is structural poverty: 65% of people recognized as disabled had no work-related income in 2015, compared to 36% of the overall population. Among those with work-related income, the distribution of the latter is clearly concentrated on the lowest income bands compared to the general population: 26.4% earn less than 10,000 euros a year, against 11.4% in the employed population overall, and 9.3% earn more than 30,000 euros a year (against 20.4%).

### How is this marginality in relation to employment to be accounted for?

**AR:** It should first be pointed out that this situation is not limited to France, but is found in other countries too. Behind the aggregate effects measured by statistics, different processes need to be distinguished. On the one hand, there is the effect of a functional limitation at birth, childhood or adolescence on socio-economic outcomes, such as the impact of a disability in terms of schooling and discrimination in hiring with equal qualifications. On the other hand, there is the fact that the least prestigious and least well-paid jobs increase the risk of disabilities: workplace accidents and occupational diseases are more common among blue-collar workers, for example. Moreover, the effect of the onset of a disability on a career path that has already begun raises the issue



of job retention and subsequent opportunities for career advances. In short, the higher prevalence of disability among people who are already marginalized in the labour market accentuates the marginality produced by the impact of disability on employment. This impact may be transmitted through various mechanisms. In some cases, but not always, health problems and functional impairment due to disability may lead to a limitation in the capacity to work, in terms of time availability, abilities and/or productivity.

### Are people with disabilities less educated?

**AR:** Indeed we find a shortfall in terms of training and qualifications, but that does not explain everything, as is shown by the existence of inequalities at equal qualification levels. Among those holding a bachelor's degree or higher in 2017, the employment rate was 84.8% for able-bodied individuals, compared with 56.1% for those with administrative recognition of a disability.

### How do things stand in terms of employers' reluctance to hire people with disabilities?

**AR:** Employers indeed have reservations. I have previously underlined the lack of research in France, but on this question it should be noted that French researchers working on disability were pioneers in developing a testing system to measure discrimination. In 1992, Jean-François Ravaud, Béatrice Madiot and Isabelle Ville showed, by sending out fictitious job applications to 2,228 companies, that an able-bodied,

highly qualified person was 1.78 times more likely to receive a positive response from an employer than a highly qualified paraplegic, with this factor rising to 3.2 for unqualified individuals. More recent work, conducted in the United States, Quebec and France, confirms this tendency. The reluctance of employers to hire and retain employees has also been documented by more qualitative studies.

What policy tools already exist in this domain?

**AR:** The policy implemented is quite complex, with a series of measures built up over the decades. Support for workers involves specific schemes such as Cap Emploi, which operate in addition to the Pôle Emploi employment system. For employers, the OETH (obligation to employ disabled workers) plays a key role, with a 6% employment quota set by law. This last measure plays a central part in public policy.

### What recommendations would you make regarding public policy?

**AR:** First, it is essential to develop systematic evaluations and impact studies of existing policies. For example, the OETH needs to be better evaluated. In addition, training and support for jobseekers is still insufficient. Although the lack of support constitutes a structural problem for the employment policies in France, the impediments to training stem from reasons more specific to disability (lack of accessibility and provision of training). But above all, most people with disabilities face significant discrimination. The experience of other countries, the UK and US in particular, show that the legal prohibition of discrimination alone is not enough to put an end to it. More interventionist policies are needed on both the supply side and the demand side. Within this perspective, the French tradition of a proactive policy directed towards employers, through the OETH, is a strength.

In addition, sheltered employment and normal jobs currently involve different publics and the bridges between the two are very limited. A recent reform of the OETH ends outsourcing to the sheltered and adapted employment sector as a possible way of responding to the obligation to provide employment. While this reform may promote direct employment growth, it is most unlikely to be an effective mechanism for transitioning people with disabilities from sheltered to mainstream settings. In order to promote such



**Anne Revillard** is Associate Professor in Sociology at the Sociological Observatory of Change (OSC) and the Interdisciplinary Laboratory for Public Policy Evaluation (LIEPP) at Sciences Po Paris. Her research focuses on the relationship between law, public action and contemporary transformations of systems of inequality linked to gender and disability.

**It is essential to develop systematic evaluations and impact studies of existing policies.**

transition, we need to invest more into supported employment.

With regard to job-retention policies, dedicated services are structurally under-resourced and several legal mechanisms need to be revised: the obligation to reclassify workers who become disabled is often circumvented, and the need to apply for the administrative status of disabled workers (RQTH) limits the possibilities of early intervention and of being closer to the changing needs of workers.

**In the last chapter of your book, you talk about “normalizing disability at work”. What do you mean by that?**

**AR:** With regard to disability, the idea of “normalization” can make one feel uneasy, since it traditionally refers to the project of rehabilitation, dating from the early twentieth century, which involved seeking to “normalize” disabled people so as to make them able to work again. However, in this last chapter, I reverse the paradigm. I no longer speak of normalizing

the disabled person but rather of normalizing disability at work, that is to say, to make it a regular and normal component of the organization of work. This idea is inspired by thinking around the role of organizational norms in the production of other social inequalities, particularly gender and ethno-racial inequalities. Just as sociology has shed light on how organizational norms correspond to the model of a male worker, it is worth thinking about how these norms presuppose an able-bodied worker. It is therefore a matter of changing these norms so that they incorporate the reality of the diversity of people’s profiles, by integrating the possibility of disability. Such a reorientation involves organizational culture as a whole (flexibility, responsiveness, formalization of procedures, attention given to individuals in their diversity, etc.).

Let us also emphasize the very concrete aspect of the changes involved, on a subject that is often theorized by companies solely through the prism of a change of “attitude”, which a simple communication campaign would be

sufficient to produce. These changes involve material devices (ramps, technical equipment, software), changes in the spatial and temporal organization of work (planning of schedules, teleworking), and especially the definition of procedures (systematic information on disability to all employees, training, and clear procedures for requesting and monitoring accommodations).

In conclusion, such normalization of disability at work is also dependent on what is likely to occur in the rest of society. The effectiveness of employment policies for people with disabilities is dependent on the effectiveness of other public policies, particularly in education, accessibility, remuneration and housing. It is therefore essential to integrate the issue of disability transversally in public policies, according to a disability mainstreaming approach, which consists in integrating thinking about the impact on people with disabilities into the design and implementation of all public policies. ●

# HOW CAN THE PROFESSIONAL INTEGRATION OF YOUNG SCHOOL DROPOUTS BE IMPROVED?

Although France devotes considerable financial resources to active employment policies, young people aged between 15 and 24 are badly affected by unemployment, especially those who have dropped out of school. Researchers have conducted field experiments to identify solutions to better integrate this population into the labour market.

**I**n France, youth unemployment (age 15-24) is still a major structural phenomenon. Last year, 20.8% of this age group was unemployed, according to INSEE, more than double the national average. “The unemployment rate for 15/24-year-olds has never fallen below 15% since the 1980s. Indeed, since the financial crisis, the rate has been in excess of 20%. Among these young people, those who do not have a qualification are often the most affected,” Jérémie Hervein observes. There is no denying that that France’s record in this regard is very poor compared to other OECD countries (Organization for Economic Cooperation and Development), where youth unemployment averages 10%. Nevertheless France devotes a substantial financial resources, around 1% of GDP, to so-called active employment policies (direct aid, training, subsidized contracts, etc.), whereas other European countries spend about 0.7% of GDP and the United States only 0.1%.

To account for these poor youth employment figures in France, some studies have highlighted the lack of skills among young people. And it is true that France has serious shortcomings in this respect, with many young people leaving the school system every year without a diploma or other qualification. These individuals are thus most at risk of falling into the category of NEET (Not in Education, Employment or Training). “Last year, 80,000 young people dropped out of the school system. Although the figure has stabilized at below 100,000 since 2016, the phenomenon is still a matter of considerable concern,” Jérémie Hervein says.

## A RANDOM FIELD EXPERIMENT

To get a clearer picture of the precariousness of young school dropouts in the job market and the effectiveness of the policies implemented, the researchers conducted a random field study based on a testing operation. “This method allows us to avoid selection biases between young people, so that comparisons can be made between people with similar characteristics,” says Jérémie Hervein. Specifically, researchers constructed 10,000 fictitious CVs of school dropouts aged 18 in order to measure their attractiveness to businesses. They then divided this large sample of dropouts into four distinct profiles:

- those who have been economically inactive for two years;
- those who have completed a 7-month vocational training validated by national level V certification (holders of a CAP vocational training certificate);
- those with one-year work experience through a supported contract (Emploi d’avenir / Job Futures);
- those with a one-year period of work experience through a subsidized contract (Emploi d’avenir / Job Futures), associated with level V external certified training.

Alongside these four profiles of school dropouts, the researchers created a control group comprising young people with a CAP (level V), obtained after two years training in a vocational high school or in a CFA training scheme, in order to make comparisons between them. Following this step, the researchers sent out fictitious CVs to 10,000 job offers for cooks or

Based on the paper *Is There a Second Chance for High-School Dropouts?*, co-authored by Cécile Ballini, Mathilde Gaini and Jérémie Hervein, and on an interview with Jérémie Hervein.



**Jérémy Havelin** is a research associate in the Securing Career Paths Chair. He holds a Master of Research in International Economics from Paris 1 Panthéon-Sorbonne University. He has been working on a PhD thesis since September 2016 at the Centre for Research in Economics and Statistics (CREST) on active labour market policies and the professional integration of young people in France.

### Methodology

The researchers conducted a random field experiment, based on testing five types of fictitious CVs of young candidates with few qualifications, conducted in 2018. They sent out 10,000 CVs in response to cook and bricklayer job advertisements in Metropolitan France. They then compared employer recall rates, based on the different profiles of the candidates. Lastly, they used the ordinary least squares method, which provides estimation of linear parameters (in this case the differences in recall rates), with a view to studying them statistically and thus obtaining results and conclusions.

bricklayers in France. “We chose these two occupations because they have labour shortages and allow us to study the differences in the recall rate of employers for our different dropout profiles,” says Jérémy Havelin.

### SCHOOL DROPOUTS ARE LESS VALUED BY RECRUITERS

Recall rates by companies for the various applications were considered positive when applicants were contacted again for a job interview, further information was requested or the applicants were directly offered the job. Unsurprisingly, the most frequently recalled young people, with a recall rate of 28%, are those in the control group (i.e. holding a CAP). In contrast, young people who have been inactive for two years have the lowest recall rate, at 10%. Between these two categories, dropouts who also acquired a CAP at the end of one year of work experience through an active programme, have a recall rate between 25% and 28%. “Obtaining a diploma after one year of work through an active programme compensates for being a school dropout in the eyes of companies,” says Jérémy Havelin. Young people who have undertaken certification training have a recall rate of 22%, the same as dropouts with one year of work experience. These findings enabled the researchers to identify some of the characteristics of young school leavers in the labour market. “On average, school dropouts are 25% less likely to be recalled than non-dropouts with CAPs. This figure can vary from 6% to 90%, depending on the profiles of the young person, of the company and of the

job concerned. For example, a dropout who has been inactive for two years is 90% less likely to be recalled compared to our control group if he applies in the public sector. The hierarchy of profiles is the same regardless of the size of the company and the type of contract aimed at. Moreover, large companies tend to value diplomas more than work experience, and recall rates are higher for temporary contracts than for permanent contracts.”

### BRIDGES BETWEEN THE SCHOOL AND THE WORLD OF WORK ARE FAVOURED

Although the researchers’ study is characterized by certain limitations – such as having chosen occupations where there are labour shortages, the recall rates for which are naturally higher, focusing only on the recall rate and not necessarily the actual hiring, and not taking into account training that does not lead to a diploma –, it nonetheless provides interesting pointers on which measures are more effective than others and on recommendations to improve current policies. “When young people drop out of the school system, they need to be oriented towards training with certification as early as possible so as to increase their employability, because companies attach great importance to diplomas. Moreover, the development of bridges between the school and the professional world, such as apprenticeships, is a solution for avoiding too many dropouts, who constitute the most vulnerable segment in the labour market,” Jérémy Havelin concludes. ●

### Key points

- On average, dropouts across all profiles are 25% less likely to be recalled by an employer. This figure can range from 6% to 90% depending on the profiles of school dropouts over the two years following their leaving school (inactive, training with certification, work experience with a diploma, work experience only), as well as the profile of the company and the job applied for.
- School dropouts should undergo training with certification as soon as possible after leaving the school system because a diploma is very important signal for employers.
- The combination of work experience and certification helps compensate for having dropped out of school in the eyes of companies in the current French context.

# ETHNO-RACIAL DISCRIMINATION AT WORK: FRENCH AMBIGUITY

Programmes to promote the employment of visible minorities do not seem very effective in France, where ethno-racial statistics are legally prohibited. A researcher carried out a pioneering empirical study to analyse the conditions of implementation of this type of programmes, as well as the characteristics of the people participating in them.

**“T**he universality and indivisibility of the Republic, which does not distinguish between people’s individual characteristics, make France colour-blind at the institutional level,” Mirna Safi emphasizes. Nevertheless, ethno-racial discrimination, especially at work, is very pronounced in France, particularly with regard to people from North Africa and sub-Saharan Africa, as shown by many studies. A recent meta-study, based on a hundred experimental studies carried out in nine countries, even shows that France comes out worst in this respect. According to the Defender of Rights 2018 annual report: “Employment remains the primary area characterised by discrimination, which takes place throughout people’s working career”. Ethnic origin is the second most frequent cause of discrimination, after disability, brought up in complaints made to this public organization.

## UNAMBITIOUS PUBLIC POLICIES

Despite this colour-blind institutional context, some initiatives emerged in the early 2000s, notably with the Diversity Charter in 2004 and a Diversity Label in 2008. “At that time, there was a considerable enthusiasm for combatting discrimination against minorities. However, the Charter and the label have gradually been extended to other forms of discrimination, progressively moving away from the objective of fighting against ethno-racial discrimination, thus highlighting the difficulties of introducing ambitious, effective and specific policies in this area,” says Mirna Safi. While the economic world, represented by the private sector, has addressed this problem with greater determination than the State, the lack of a legislative framework has not allowed the emergence of

good practices or widespread action in favor of visible minorities in the workplace.

## AN INNOVATIVE MICRO APPROACH

Drawing on previous findings, Mirna Safi looked at these small-scaled affirmative action programmes to describe, analyse and evaluate their methods. She also paid specific attention to the characteristics of their recipients. “While there is an extensive literature in economic sociology on the management of diversity, in the United States and also in France, one contribution of this research is to document the implementation of these anti-discrimination programmes at the micro level, by focusing not only on organizations and professionals who design them, but also on the populations to whom they are addressed”, Mirna Safi says.

In particular, between 2006 and 2011 the researcher worked on a programme seeking to connect employers and visible minority applicants. “This was a pioneer programme in the fight against ethno-racial discrimination at that time. I had a number of objectives: to identify the categories of people targeted, bearing in mind that the institutional framework ignores

Based on the paper *Promoting ethnic diversity in workplaces: the limits of anti-discrimination “à la française”*, by Mirna Safi, and on an interview with her.

**Ethno-racial discrimination, especially at work, is very pronounced in France, particularly with regard to people from North Africa and sub-Saharan Africa.**



**Mirna Safi** is professor of Sociology at Sciences Po since 2007. She is currently the head of the Observatoire Sociologique du Changement and is affiliated to LIEPP. Her work focuses on immigration, ethnic and racial inequalities, discrimination and segregation. She is currently working on discrimination mechanisms in the labour market as well as pay inequalities in French companies.

### Methodology

The researcher carried out an empirical study using both quantitative and qualitative methods, in order to evaluate public policies to combat ethno-racial discrimination in the French institutional and political framework, which does not recognize such differences within the population. She conducted a field survey of an association engaged in a specific programme to integrate visible minorities. She also collected hundreds of CVs to build and analyse a database, and carried out dozens of interviews with applicants to the programme, its initiators and public agencies.

**The lack of a legislative framework has not allowed the emergence of good practices or widespread action in favor of visible minorities in the workplace.**

differences related to ethnic origin; to observe how these people indicate the characteristics that make them eligible for the programme; and to analyse their experiences of ethno-racial discrimination in the labour market,” Mirna Safi explains. Accordingly, she analysed nearly 600 CVs received in the context of this programme and interviewed about twenty people who participated in it. In addition, she conducted multiple interviews with employees of the organization that implemented it and with several senior officials working in the area of anti-discrimination.

### SELF-CENSORSHIP IS VERY PREVALENT WITHIN VISIBLE MINORITIES

Using this empirical protocol, which was both quantitative and qualitative, the researcher was able to make some observations regarding the

public targeted the programme. “The people concerned by discriminatory mechanism have had difficulty participating and recognizing themselves in it. They even try to mask indications of their origins in their CVs and cover letters,” Mirna Safi says. “Even when people have been discriminated against because of their origins, they minimize the impact of their origin on their professional career and find other reasons that could account for such treatment.” Lastly, the programme did not achieve the expected results: between 2006 and 2011, only 500 people were recruited through it. “Despite the salience of the ethno-racial issue in the public debate, the institutional and political framework has not changed. Without state support, anti-discrimination measures linked to origins will have difficulty achieving their objectives,” Mirna Safi concludes. ●

### Key points

- In the absence of ethno-racial statistics, it is very difficult to target minorities so that they can participate in a programme that promotes diversity in the workplace. In this context, other discriminating factors (education, cultural capital, place of residence, etc.) tend to supplant ethno-racial characteristics.
- The beneficiaries of a diversity programme tend not to mention their origin when they present their profile. Moreover, they often downplay the impact of their origin on their career paths, even when they have clearly experienced discrimination.
- Initiatives to combat ethno-racial discrimination have not been effective in the French institutional and organizational framework. Indeed, while the state remains central in the promulgation of social norms, these actions have been dependent on the good will of the economic and associative sector, while being unable to count on binding legal regulation.

