In early April, after weeks of massive student demonstrations, the French government backed down and withdrew its proposed changes in national labor law. Under French law, workers are protected from arbitrary firings by a system that requires employers to justify dismissals. The government, most notably Prime Minister Dominque de Villepin, wanted to allow employers the freedom to fire workers under age 26 without reason and with little or no notice or severance pay. The hope was that employers would respond by hiring more young workers.

When the government backed down, a U.S. media consensus emerged that French youth are stupendously misguided -- they don’t understand their own interests; they have an outdated, childlike dependence on the state for protection against the real world of market forces; many are simply lazy and prefer the dole to work.

But in truth, the real unemployment rates of U.S. and French youth are roughly comparable. And, though it got no attention in the American press, French employers already have substantial flexibility with young workers. In the 1980s, to address concerns about rising unemployment, the French government permitted employers to introduce temporary employment contracts. With these, employers could hire new workers for a fixed period ranging from three months to a maximum of 18 months. This probationary period enabled employers to ensure a good match, before moving workers to a regular employment contract, with more worker protections.

French employers adopted this option enthusiastically. In 2000, 44 percent of 15- to 24-year-old employed workers were on temporary contracts. But even temporary workers cannot be terminated without any cause. The proposed law would have created a new contract for those under age 26 with a far longer probationary period of two years, during which workers could be fired for no reason.

This may seem a minor change to Americans accustomed to an “employment-at-will” system, which is standard for most workers of all ages in the United States (notable exceptions being union members, tenured faculty, and government employees). Perhaps because we take the absence of worker rights for granted at home, the response in the U.S. media was scathing. Even the relatively liberal New York Times editorial board pronounced that French youth unemployment is “catastrophic” and that the “real threat” of the demonstrations is that the French government “may be dissuaded from attempting the broader social and economic reforms that France requires, both for its own future and
for the future of the European Union.”

In fact, polls showed that large majorities of all ages in France opposed the change. If employers could hire young people without the safeguards available to even temporary workers, many newly precarious jobs would go to the less-protected young, and the whole system of worker rights could erode.

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Can such a highly educated population be so misinformed? If we take a closer look at the facts, it is clear that American media pundits and professional economists got the story wrong.

On close examination, the oft-cited official unemployment statistics are highly misleading. With a more appropriate measure of youth unemployment, French and U.S. rates are almost identical. Most French young people counted as “not employed” are actually in school. For young people, the employment rate is not a good measure of a well-functioning labor market and social system, especially for 16- to 19-year-olds, most of whom belong in school.

At 22 percent, the nominal youth unemployment rate in France is double the U.S. rate of 11 percent, and even further above the U.K. rate of 9.9 percent and the Dutch rate of 8.1 percent (these are standardized rates, tabulated by the Organization for Economic Co-operation and Development, or OECD). But consider how this statistic is constructed. The “catastrophic” French rate measures the unemployed as a share of the total labor force (the employed and the unemployed). Figured this way, the difference between the United States and France is huge: In 2004 only 32.8 percent of French male 15- to 24-year-olds were employed (for at least one hour in the survey reference week), compared to 61.9 percent of comparable U.S. men.

Yet, actual unemployment as a share of the total youth population is about the same in the two countries. Why? Mainly because American students often hold part-time jobs (and are thus counted as “employed”), while French ones don’t.

As the table shows, for male youth the unemployment-to-population rate is 8.3 percent in the United States and 8.6 percent in France (subtract row 3 from row 2). The unemployment-to-population rate for female youth is lower in both countries: 7.4 percent in France and 6.5 percent in the United States. So, using the proper yardstick, the ratio of unemployed youth to the youth population, the youth unemployment problem in France and the United States is almost indistinguishable.

In the current world economy, school is surely where most young people belong. In 2003, the vast majority of 15- to 19-year-olds in both France (83.8 percent) and the United States (82.9 percent) were enrolled in school. Sure enough, the big difference is in part-time jobs. In the United States, 23.1 percent of 16- to 19-year-old students were also working, compared to only 1.8 percent of French teenagers. This disparity creates most of
the higher statistical unemployment rate.

Which mix of employment and enrollment is preferable? Clearly we want as many 15- to 19-year-olds as possible to be in school, and both countries have succeeded fairly well in achieving this goal. It’s less clear that U.S. teenagers -- and the future quality of the workforce -- are better off with so many students in low-wage, part-time work, especially if their need to work mainly reflects higher U.S. poverty rates and the much greater costs of higher education in the United States.

Is it good to also keep more 20- to 24-year-olds in school? A much higher share of French young adults are still enrolled in school (51.1 percent in France compared to 35.0 percent in the United States). In 2003, while about one-third of French young adults were not in school and held jobs, almost half (48.5 percent) of their U.S. counterparts were out of school and working. Which is better? If French students are taking advantage of schooling to build skills and capacities, that’s clearly beneficial. But if a large share of French youth are just biding their time in school mainly because they can’t get decent work, as some argue, their higher enrollment rate may just mask inadequate job opportunities.

A fair measure of poor job-market performance and social dysfunction is the share of young adults (ages 20 to 24) who are neither in school nor employed. On this criterion, France and the United States perform almost identically: In 2000, the share of all young adults not in school and not employed was 14.1 percent in France and 14.4 percent in the United States. This compares, for example, to 15.4 percent for the U.K. and just 7 percent for the Netherlands.

The productivity levels of French and American workers also suggest that the high youth educational-enrollment rates and low youth employment rates pay off for France. According to three different prominent sources of hourly labor productivity statistics, French workers are, on average, between 6 and 16 percent more productive than their American counterparts.

One other key fact: Despite the higher hourly productivity -- which means more output produced by relatively fewer workers -- the French economy has actually produced almost as much employment growth as the United States since President Bush came into office (3.1 percent versus 3.5 percent growth between 2000 and 2005).

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Most U.S. economists blame employment protection for high French joblessness, especially high youth unemployment. And France does have some of the strictest employment protection in Europe. Yet based on the available economic evidence, it’s improbable that scaling back such protections would reduce unemployment.

Apart from stricter protections for temporary workers, France’s employment protection laws are comparable to those of low-unemployment European countries like Austria,
Norway, and the Netherlands, all with unemployment rates similar to, or lower than, the United States. (The OECD gives France a 2003 employment-protection score of 2.5, Austria 2.4, Norway 2.3, and the Netherlands 3.1.) According to the OECD’s 1999, 2004, and 2006 evaluations of the effects of employment protection laws, overall unemployment is not significantly related to such laws. The oecd finds some evidence that such protections may affect youth unemployment, but even here, their conclusion was that the results should be “considered with caution.”

At the margins, these protections may make employers somewhat less willing to hire new workers -- because they might be hard to fire later if demand falls, or the workers turn out to be a bad fit. But, then, the purpose of such protections is to make it harder for employers to dismiss workers capriciously. This has the beneficial effect of helping to keep employment rates higher than they otherwise would be in economic downturns.

One middle ground is Denmark’s “flexicurity” system, and perhaps France should move in this direction. Denmark has relaxed employment protections (about halfway between the United States and France, according to the OECD index), but the Danes offset that with much more generous short-run unemployment benefits and an extremely rich mix of job training, job search, subsidy, and placement services (“active labor market” policies). This system has worked well in the small, dynamic Danish economy -- and has required substantial public spending of fully 1.6 percent of its gross domestic product. At U.S. economic scale, that would mean about $200 billion a year! Surely the same neo-liberals in the United States and France would disapprove of such an expansion of “big government.”

In sum, the widely held view, repeatedly parroted in the U.S. media, that French economic performance is poor and that French employment performance is catastrophic because of worker protections, flies in the face of the evidence. The media scorn for the French students offers a striking example of the ability of free-market ideology to trump the facts.

How might employers respond to the proposed changes, allowing them to fire workers under age 26 at will? The French students and other critics are correct to warn that employers would likely substitute younger workers for older ones, and then be tempted to fire them when they approach age 26. This revolving door would mainly affect the distribution of jobs between younger and older workers -- and further entrench a dual labor market -- but not expand the overall number of job opportunities.

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Yes, France has a shortage of jobs, for young and old. But the withering attack on the French and their welfare state reflects both a greatly overstated view of the real youth unemployment problem, and a wildly exaggerated belief in how employment protection affects joblessness. The French have good reasons to be cautious about changes in their social model -- and the French students demonstrated more leadership than many French
Key labor market indicators for male youth (15-24) for the U.S. and France, 2004 (U = unemployed, E = employed)

1. Unemployment rate (U/U+E) U.S., 11.8%; France, 20.8%
2. Labor force participation rate (U+E/population) U.S., 70.2%; France, 41.4%
3. Employment to population rate (E/population) U.S., 61.9%; France, 32.8%
4. Unemployment to population rate (U/population) U.S., 8.3%; France, 8.6%

--Source: Statistical annex, OECD Employment Outlook 2005
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