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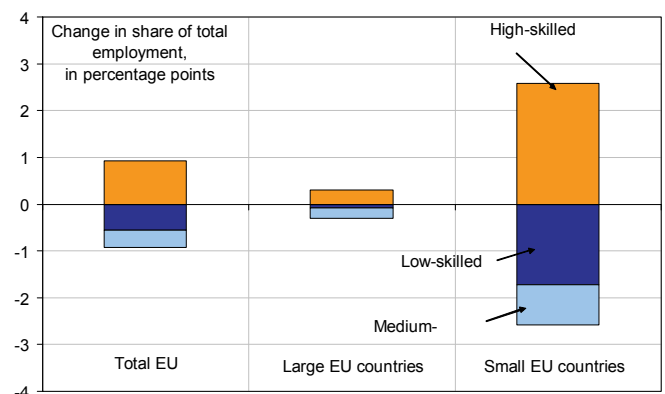
How the new features of globalisation are affecting markets in Europe

- Until the end of the 1990's, the rapid growth of trade has had only a limited impact on Europe's labour markets and inequalities, insofar as it mainly affected countries with comparable levels of development. The growing share of the major emerging countries in world trade could change this pattern, notably by pushing the European countries to specialise more: that is what the growth in the share of inter-industry trade in world trade since the end of the 1990s suggests, coming after twenty years of decline.
- This new phase in the process of globalisation could entail higher adjustment costs than in the past. In the developed countries, jobs are expected to shift towards less low-skilled labour intensive industries, which implies a likely decline in total demand for low-skilled labour in Europe.
- Assuming the share of inter-industry trade continues to grow at its present pace until 2020, a forward-looking exercise suggests that the small European countries are likely to come under greater pressure to specialise than the large countries as far as manufacturing industry is concerned.
- On this view, the observed deterioration in the relative position of the medium-skilled over the past 10 years would be amplified by greater specialisation in Europe, against a background of significantly increased jobs supply at this skill level. Depending on how the labour market operates, these pressures on the medium-skilled could have repercussions on the situation of the least-skilled: by taking jobs for which they are overqualified, the medium-skilled could take lower-skilled jobs and thus displace the problem.
- Technological progress biased in favour of skilled labour and the trend to overqualification at all skill levels could, in addition to all of the shocks not modelled here, modify developments attributable to globalisation.

This study was prepared under the authority of the Treasury and Economic Policy General Directorate and does not necessarily reflect the position of the Ministry of the Economy, Finance and Industry.

*Source : DGTPE calculations.
Interpretation : The share of high-skilled jobs in total manufacturing employment would rise by nearly one percentage point in the period to 2020 for the EU as a whole.*

The outlook for the skill structure of labour demand in manuf. industry to 2020



Globalisation has aroused fears in the European Union, and in France especially. They range from the risk of relocation to harder working conditions and widening inequalities. These fears are aggravated by the more recent features of the globalisation process, characterised by the recent integration of the major emerging countries¹, and they notably concern the worsening position of low-skilled workers. Their relative position in the labour market has indeed deteriorated in most of the OECD countries over the past 30 years or so: their unemployment rate has risen more than that of better-skilled workers in practically all countries, and in some cases their pay has declined in relative terms.

Two factors are generally cited as possibly accounting for this deterioration in their situation:

- On the one hand technological progress and innovations in the organisation of work are claimed to benefit the higher-skilled more than the low-skilled;
- On the other, the gradual integration of the emerging economies into the global economy can be expected to lead to a shift in production in the developed countries towards industries or tasks employing less low-skilled labour.

In fact, though, the effects of globalisation and technological progress on labour demand are not wholly independent from each other. Exposure to international trade leads to technological innovation and changes in the organisation of work, fostering a fragmentation of the production process to the detriment of the low-skilled².

There is vigorous controversy, however, over the respective impact of these two factors. In general, technological progress, with its bias in favour of skilled labour, is considered to be a decisive factor in the widening pay gap³. But some empirical studies suggest that, to date, the combined role of the direct effects of globalisation on the structure of production and its knock-on effects on technological

progress have made only a small contribution to the widening of inequalities or the observed shift in labour demand⁴.

However, the difficulty in estimating the respective roles of globalisation and technological progress biased towards wider inequalities in terms of employment and wages may arise from a variety of factors not always fully accounted for in the available literature. These factors include a fall in the supply of low-skilled labour due to rising average educational levels and the emphasis on training, together with the spontaneous or subsidised growth in new low-skilled jobs (in services).

In the case of globalisation, an additional factor is that the opening up of the world economy initially occurred between countries at comparable levels of development (chiefly between Western Europe and North America). Intra-European trade (between similar countries in terms of their per capita stock of capital and labour force structure) did little to alter the structure of production in the different countries concerned, as evidenced by the importance of trade in goods of similar nature.

Could the new features of the globalisation process, with the integration of the major emerging countries, significantly modify the structure of labour demand in the European Union? Could the factors that limited the widening of inequalities in the past continue to play this role into the future?

To answer these questions we present here, for the European Union as a whole, simple 15-year projections of the impact of globalisation on the skill structure of labour demand. We also assess the impact of some factors that could attenuate the expected impact on inequalities. However the potential impact of exogenous technological progress on inequalities is not examined here.

(1) See Deloizier B. "Is the impact of China's emergence on France as large as currently thought?", Trésor-Economics no.5, November 2006.

(2) However, the cost reductions associated with the fragmentation of the production process due to technological developments could boost the average productivity of low-skilled workers and improve their relative situation. See Grossman G.M. and Rossi-Hansberg E. (2006): "Trading Tasks: A Simple Theory of Offshoring".

(3) See R. Mandez (2002): "Directed technical choice and the returns to skill", Working Paper EUREQUA, U.M.R. no. 8594 CNRS, P. Neary (2003): "Globalisation and market structure", DNB Staff Reports no. 100.

(4) Terfous N. (2006): "Mondialisation et marché du travail dans les pays développés" (Globalisation and the labour market in the developed countries), DPAE no. 6 January 2006. There appears to be no confirmation of the thesis of technological bias in France, however, inasmuch as the direction of the bias is indeterminate and varies according to the forms taken by technological progress. See Goux D. and Maurin E. (1995), "Les transformations de la demande de travail par qualification en France" (The changing skill structure of labour demand), INSEE working paper, no. G9503. See Cotis J-Ph., Germain J M. and Alain Q. (1997), "Les effets du progrès technique sur le travail peu qualifié sont indirects et limités" (The impact of technological progress on low-skilled labour is indirect and limited), Economie et Statistique, no. 301-302.

1. The integration of emerging economies into world trade is changing the nature of trade and putting greater pressure on low skilled workers

1.1 Since the late-1990s the developed countries' trade has been powerfully impacted by the integration of the emerging economies into the global economy

The European Union and the United States have been opening up to the rest of the world continuously since the late-1960s at least (see chart 1). In that sense, globalisation is not a new phenomenon. What is new in the recent period is the scale of the role played by emerging countries. The emerging economies have accounted for more than 40% of the growth in world imports since 1999, and for more than 50% of global export growth. Since 1990, more than three-quarters of the increase in the United States' and the European Union's trade openness has stemmed from international trade with non-OECD member countries.

These new players are not merely expanding world trade; they are transforming its nature in the process. Broadly speaking, trade between two countries can take two different forms: intra-industry trade covers trade in similar goods (trade in cars of different or identical quality between Germany and Italy), and inter-industry trade, which covers trade in different goods (trading textiles for aircraft between France and China). According to this dichotomy, trade within the European Union shows a very pronounced bias towards intra-industry trade, and its share has continued to rise significantly in the recent period (from 58% to 64.5% between 1993 and 2002). Conversely, inter-industry trade plays a larger role in our trade with third countries, and notably with the developing countries⁵.

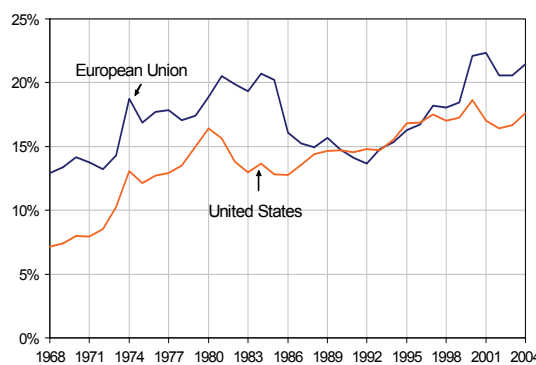
Until 1999, the deepening of trade with the developed countries, which dominated the structure of European Union and United States trade, contributed to a reduction in the share of inter-industry trade in favour of intra-industry trade. The main gains from globalisation lie in the broader variety of goods produced. In recent years, however, and running counter to intra-European trade, the share of inter-industry trade has been rising first in US

trade, and, more recently, in EU trade. This growth in the share of inter-industry trade has been identified by means of a highly disaggregated nomenclature of products⁶ but can also be illustrated by means of data aggregated into 71 product categories⁷ (see chart 2)⁸.

Breaking down the contributions of each of the EU and US partner countries shows that this recent rise in the share of inter-industry trade stems primarily from the emerging countries⁹ increasing participation in global trade.

Two complementary factors are pushing up growth in the share of inter-industry trade in the developed countries' trade: first, trade with the emerging economies is growing fast; and second, the share of inter-industry trade is distinctly greater in trade between emerging economies and developed countries than among the developed countries.

Chart 1: The growing trade openness of the EU and the US



The degree of openness is measured as the ratio of the sum of exports and imports to GDP

Source: Cbelem (CEPII) data, DGTPE calculations.

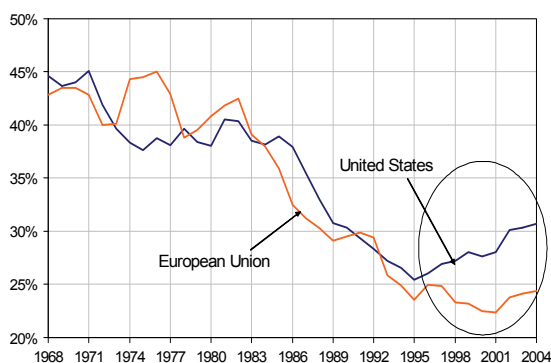
For the EU, China is playing an important role in this increase, accounting for over 50% of the European Union's trade with the emerging countries in 2003: whereas only 25% of the European Union's total (extra-European) trade is inter-industry (see chart 2), this share rises to more than 60%¹⁰ when we consider only EU trade with China (see chart 3).

- (5) See the report produced by the European Commission Directorate-General for Trade "European industry's place in the International Division of Labour: situation and prospects" (CEPII) July 2004.
- (6) See "Disentangling Horizontal and Vertical Intra-Industry Trade," Fontagné L., Freudenberg M. and Gaulier G., CEPII Working Paper no. 2005-10, July.
- (7) Depending on which database is used, disaggregation has a slight impact on the inter-industry level but no impact on the observed trends
- (8) Based on the Grubel and Lloyd indicator (1973), the indicator proposed here serves to estimate the share of inter-industry trade by correcting the bias introduced by the trade deficit, this indicator being given by the formula:

$$I = \frac{\sum_k |X_k - M_k * (X/M)|}{\sum_k X_k + M_k * (X/M)}$$

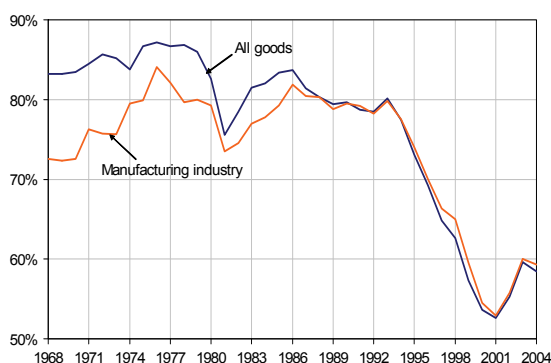
- (9) The rise in commodity prices, starting with oil, also affects this indicator. But it accounts for only a third of the break in the trend observed since the late-1990s.
- (10) By way of comparison, the share of inter-industry trade in EU trade with India and Brazil amounts respectively to 67% and 58%.

Chart 2: Share of inter-industry trade (manufacturing)



Source: Chelem (CEPII) data, DGTPE calculations.

Chart 3: Share of inter-industry trade in EU15/China trade



Source: Chelem (CEPII) data, DGTPE calculation

Interpretation: see box 1 for a description of the indicator used.

1.2 This increase in inter-industry trade could squeeze demand for low-skilled labour

The integration of the major emerging countries is driving the developed countries to re-specialise, which potentially could have major consequences for the labour markets. Indeed a considerable body of empirical research shows that the growth in inter-industry trade gives rise to larger adjustments than those resulting from intra-industry trade¹¹.

The increase in inter-industry trade is prompting a reallocation of resources towards industries enjoying a comparative advantage. This shift implies a temporary adjustment cost: labour needs to be trained in new trades and placed in new jobs, and to adjust to new working conditions. But retraining personnel is long and expensive, and physical capital may not necessarily be convertible from one industry to another. Adjustment may proceed slowly, and will be all the more difficult in a sluggish economy, in rigid markets, and when unemployment in certain regions is high. In the developed countries this effect primarily concerns the low-skilled, who are over-represented in the endangered industries.

In the longer run, the rise in inter-industry trade is leading the developed countries to specialise more in the most labour-intensive industries in which they are globally better-endowed than the emerging countries, i.e. in those most intensive in skilled labour. This is prompting a long-term increase in demand for skilled labour, whereas demand for low-skilled labour is declining.

2. Over the next twenty years the growth in inter-industry trade can be expected above all to affect the small countries and to depress demand for low-skilled labour

2.1 The expansion of inter-industry trade could put heavy pressure on the small European economies to specialise

Although the impact of globalisation on the structure of labour demand is fairly limited for the time being, the revival of inter-industry trade could represent a turning point by significantly distorting this structure in the developed countries. This change is still relatively recent. Consequently, rather than retrospectively analysing the observed effects on labour demand, a tentative forward-looking analysis, assuming this trend continues, would be more likely to shed light on its likely impact.

The view proposed here is based on a projection of the skill structure of labour demand for the European Union as a whole to 2020, based on generally maximal assumptions. In particular we assume that the

European Union's share of inter-industry trade with third countries continues to expand at the same rate as in recent years, thereby allowing Europe to specialise extensively in those industries where it enjoys comparative advantages (see box 1 for methodological details of the projection). By way of illustration, small and large countries in the European Union are distinguished by population size.

The structure adopted for the labour demand by firms uses the classification proposed by Chenu and Burnod¹². The skill level of each job is defined on the basis of pay, training and the level of the qualification normally associated with it. Three categories are thus identified: low-skilled, medium-skilled and high-skilled jobs. In addition to the direct impact on activity by industry, the projection of labour demand by skill level also proposes an evalua-

(11) See "Intra-industry trade and labour-market adjustments: a reassessment using data on individual workers", Brulhart and Elliot, Lindley, September 2004..

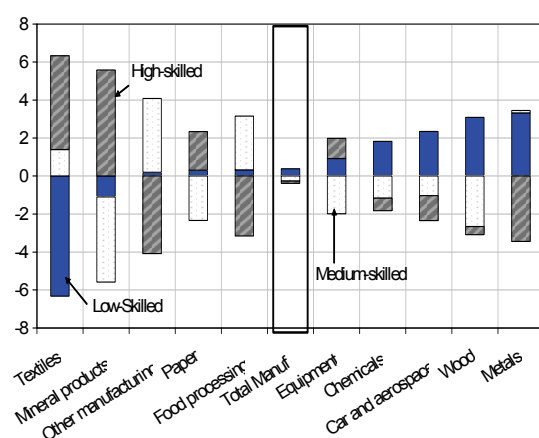
(12) See "Intra-industry trade and labour-market adjustments: a reassessment using data on individual workers", Brulhart and Elliot, Lindley, September 2004.

tion of the effects of technological progress due to globalisation on the labour/capital mix (see box 1).

By focusing purely on the effects of globalisation, the resulting projection deliberately ignores factors that have impaired the relative situation of the low-skilled in the past, such as the bias of technological progress, the way in which labour demand has responded to shifts in the relative pay of each type of skill. Indeed it is hard to identify precisely the possible impact of biased technological progress on the structure of labour demand, since this also depends on changes in the nature of employment and targeted public policies. After all, jobs call for ever more complex technologies and thus presumably require better-trained labour than previously¹³. At the same time public policies have sought to support the creation of low-skilled jobs.

In France, for example, the deterioration in the relative situation of the low-skilled has been powerfully restrained by policies to reduce social insurance contributions on low-skilled jobs. The number of low-skilled jobs declined steadily between 1982 and 1994, falling by 800,000, or around 4.4% of total salaried employment in 1982, whereas between 1994 and 2002 the number rose rapidly (+400,000)¹⁴. For manufacturing industry, the structure of demand for labour was unchanged overall (see chart 4).

Chart 4: Change in the share of demand for labour in France (1994-2002)



Sources: 1994 and 2002 Employment surveys (DGTPE).

Interpretation: In France, the share of low-skilled jobs in manufacturing industry increased by 0.4 percentage point between 1994 and 2002 (from 22.1% to 22.5%).

Projections suggest that between 2002 and 2020 employment would rise in the chemical, transport, and machinery and equipment industries, with job creations

exceeding 10%. Conversely, employment would decline in all of the other manufacturing industries, and especially in textiles.

Results are very closely correlated with the size of the country concerned. Initially, the big countries are less specialised than the small ones, the latter being unable to sustain a significant production capacity in several industries simultaneously. Consequently the smaller countries enjoy greater comparative advantages and disadvantages on average. As Europe's overall pattern of specialisation changes these smaller countries will specialise to a greater extent than the big countries, on average, and the associated adjustment costs can be expected to be greater.

It must be emphasised that these results are not forecasts, but merely projections of what could happen if recent globalisation trends were to continue, based on broadly conventional assumptions. Many other determinants will contribute to the formation of employment in each industry and each country. This applies to all of the projections that follow here.

2.2 Demand for low-skilled labour in manufacturing is expected to decline, chiefly in the small countries

Between now and 2020, the European partners' specialisation in sectors where they have comparative advantages, and the continuing substitution of capital for labour in these sectors (identified with technological progress here), can be expected to modify the skill structure of labour demand moderately but significantly.

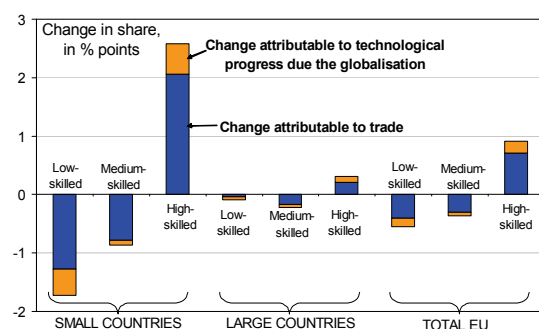
Unsurprisingly, the estimations spotlight the fact that in manufacturing industry globalisation is benefiting the high-skilled, whereas demand for low-skilled labour is tending to decline (see chart 5). According to the estimations, these effects stem mainly from specialisation due to trade rather than from the resulting technological progress.

For the EU as a whole, it is estimated that the share of the low-skilled and medium-skilled in manufacturing industry labour demand would decline by 0.5 and 0.4 percentage point respectively, while demand for the high-skilled would grow by 0.9 percentage point. These trends will be stronger in the smaller countries, where the process of re-specialisation will be more pronounced: their demand for low-skilled labour will fall by a larger percentage (1.7 percentage point).

(13) Fondeur Y. (1999), "Le déclassement à l'embauche" (Overqualification at the time of hiring), étude réalisée par le Commissariat Général au Plan, Ires (a study by the Commissariat général du Plan, the French Planning Office).

(14) See Gafsi I., L'Horty Y. and Mihoubi F. (2004), "Vingt ans d'évolution de l'emploi peu qualifié et du coût du travail : des ruptures qui coïncident ?" (Twenty years of trends in low-skilled jobs and labour costs: coincidental discontinuities?) Document de recherche du Centre d'Étude des Politiques Économiques de l'université d'Évry (University of Evry, Center for the Study of Economic Policy, research paper).

Chart 5: Change in labour demand by skill level in industry between 2002 and 2020



Source: STAN (OECD), Employment Survey (INSEE), DGTPE projection
 Interpretation: In the European Union as a whole the share of low-skilled jobs in manufacturing employment is expected to fall from 22.7% to 22.1%, representing a decline of 0.6 percentage point (of which 0.45 percentage point is due to trade and 0.15 percentage point to technological progress driven by globalisation).

Though relatively weak, it is nevertheless possible that these effects of globalisation on the structure of labour demand are underestimated. It could be that the breakdown used, which distinguishes only 10 manufacturing industries, is insufficiently precise to capture fully the specific characteristics of each sector. For example Transport equipment comprises sub-sectors with widely-varying labour intensity. Consequently this industry aggregation conceals potentially considerable specialisation effects in certain industries such as aerospace manufacturing, which employ a higher proportion of high-skilled workers than motor vehicle manufacturing.

Box 1: Projected labour demand by skill level: methodology

The aim is to evaluate for the European Union (the 18 member countries also members of the OECD) the impact of the rise in the share of inter-industry trade on the skill structure^a of labour demand in the manufacturing industries between now and 2020. The starting point is a projection of trade trends by industry, assuming a continuing rise in the share of inter-industry trade and growing specialisation of the European economies. We then project the effects on the skill structure of labour demand of the change in the industry structure of economies resulting from the specialisation and the technological progress brought about by globalisation. More precisely, the projections are based on the following assumptions:

1. Projections of extra-European trade in 2020:

- The share of inter-industry trade rises by 40% between now and 2020, at a pace similar to the one observed in the early-2000s.
- The European Union continues its process of specialisation in the same industries as over the past ten years.
- The European Union's degree of trade openness with its non-European partners (measured by its penetration rate) continues at the same pace as that observed between 1992 and 2002, implying a rise of 50% between now and 2020.

2. Projections of intra-European trade in 2020:

The EU countries' comparative advantages (respectively their comparative disadvantages) continue to evolve as in the previous decade.

3. Projections of the skill structure of labour demand in 2020:

- The transformation of trade specialisation goes hand in hand with a change in the output structure. This last is derived from the projection of its trade balance (obtained by means of steps 1 and 2) and from an estimated correlation on panel data between industry trade balances and industry value added^b (change relative to the recent past).
- The impact of technological progress on labour demand is modelled via a capital/labour substitution: the share of wages in value added is modified depending on exposure to globalisation, measured by the change in the trade balance^c (estimated change relative to the recent past).
- Employment projections by industry and by skill level are obtained from projections of total wage bill by industry, by assuming that relative wages by industry are constant and that the proportions of low-skilled, skilled and high-skilled in each industry are constant over time for all EU countries (they are considered to be identical to those for France in 2002^d).

The estimations are made at a relatively aggregated level of the industry classification: 10 items for manufacturing industry (food processing, textiles, paper, wood, chemicals, mineral products, metal processing and metals, equipment, transport, and other manufacturing industries).

- By skill, here, we mean skill with reference to the task performed. We use the classification given by Chenu and Burnod. See Audric, Givord, Prost, "Evolution de l'emploi et des coûts par qualification entre 1982 et 1996" (Evolution of skill structure of employment and costs between 1982 and 1996), INSEE working paper, December 1999.
- The correlation used has been estimated for the period 1995-2002: when an industry's trade balance relative to the economy's total GDP rises by 1 percentage point, the industry's value added rises by 13.3%.
- The correlation used has been estimated for the period 1995-2002: a 1 percentage point rise in an industry's trade balance relative to the industry's value added entails a 0.051 percentage point rise in the share of wages in the industry's value added. These results suggest that firms that are most exposed to international competition substitute capital for labour, which means that the share of labour in value added rises with the trade balance.
- This simplifying assumption flows from the fact that data on the population distribution by skill level in each industry in the classification used were available for France only.

2.3 For the economy as a whole, the fall in demand is likely rather to fall on the medium-skilled

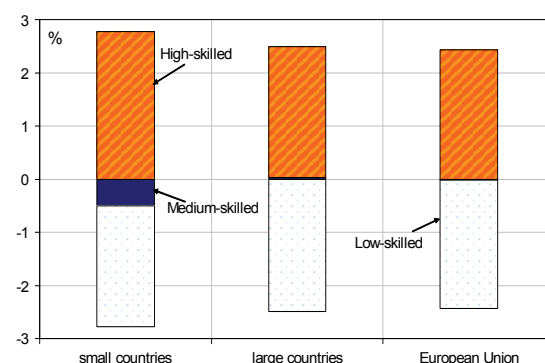
So far the analysis has focused on manufacturing industry, which is the sector most exposed to international competition. Some of the trends observed, nevertheless, can be expected to be modified throughout the economy as a whole via the shift in labour demand in services and agriculture, with the growth of services to business in particular. A simple extrapolation of trends observed between 1995 and 2002 yields some orders of magnitude¹⁵ (see chart 7).

For the European Union as a whole, the share of demand for high-skilled labour is expected to grow faster than for manufacturing alone (+2.4 percentage points). This development would notably reflect the increasing share of high-skilled jobs in services, from 35% in 2002 to 40% in 2020.

On the other hand, the share of demand for medium-skilled labour is expected to fall by 2.4 percentage points, from 35.5 to 33%. Demand could fall not only in manufacturing, but also in agriculture and services. Moreover, the share of low-skilled labour is expected to remain unchanged overall, with lower demand in manufacturing being offset by a rise in services.

The least-exposed sectors can be expected to play a "buffer" role in part and to cushion the effects of globalisation for the small countries, with disparities between large countries and small narrowing sharply at the level of the economy as a whole. For the large countries, however, the expansion of high value-added services is likely to bolster the expected effects on labour demand in manufacturing industry alone.

Chart 6: Skill structure of labour demand (economy as a whole)



Source: STAN (OECD), Employment Survey (INSEE), DGTPE projection
Interpretation: For the European Union as a whole, the share of medium-skilled jobs is expected to decline from 35.5% to 33%, a fall of 2.4 percentage points.

These labour demand trends should be compared with expected trends in the skill structure of supply.

3. The skill structure of the labour market equilibrium can be expected to change between now and 2020

3.1 The average skill level in the European Union is expected to rise

In this part of the paper, a person's skills correspond to the level of training reached, as opposed to the skill level associated with the nature of the task performed used in the preceding part. Thus for the purpose of evaluating the structure of labour supply, low-skilled persons in France are those who hold no diploma or who have achieved BEPC (basic certificate) level; medium-skilled refers to persons holding a CAP-BEP (vocational certificates) or the Baccalauréat (general certificate of education qualifying for university admission), and high-skilled to persons holding a higher education degree¹⁶.

The average skill level of the labour supply is expected to rise throughout the European Union over the coming years. Several factors point to this: the least-skilled generations are now ageing and are retiring progressively; the younger generations are distinctly better-trained, notably due to the lengthening of the time spent studying throughout the Union.

This rising trend in average skills among those leaving the educational system is expected to continue and should be boosted by improved adult and continuing education mechanisms. Simple projections confined solely to effects associated with generation renewal, which thus presumably minimise the rise in average skill levels, point to considerable changes in the skill structure between now and 2020. At the European level, as economically active workers retire and are replaced by young labour market entrants, with higher skills on average, this can be expected to lead to a reduction of 6 percentage points in the share of low-skilled jobs, a 3 percentage point increase in the share of the medium-skilled, and a 3 percentage point rise in the share of the high-skilled.

3.2 This could put pressure on the medium-skilled, with possible repercussions on the least-skilled

Matching labour supply and labour demand by skill structure is complicated for several reasons. Jobs are not necessarily held by people holding the equivalent qualifi-

(15) Due to the lack of data, it has not been possible to take into account the impact of globalisation on services and agriculture. We have simply extrapolated employment from the rate observed between 1995 and 2002, considering the production function to have remained unchanged.

(16) Skill level is assessed by the highest qualification obtained by the labour supply in accordance with the OECD ISCED97 classification, Education at a Glance 2005 (cf. Appendix 3).

cation (there are many instances of under- or overqualification); moreover, it is possible that training requirements for a given task will rise progressively over time (this rise, resulting from organisational changes, can presumably be seen as a form of exogenous technological progress, which is not considered here). As a result, there is a degree of permeability between the categories described here, and any attempt to match the structure of labour demand with that of supply must therefore be seen as illustrative only.

With the foregoing reservations, a mechanical matching of projections of supply to demand by skill level shows that the increase in the supply of high-skilled labour in the European Union would almost fully satisfy the increase in the demand for high-skilled labour entailed by globalisation and the development of high-end services (a 2.4 percentage point increase in the share of high-skilled labour on the demand side, and a 3 percentage point increase on the supply side).

In the approach proposed here, given the fall (2.4 percentage points) in demand for medium-skilled labour and the growth (3 percentage points) in the supply of medium-skilled labour, that category's situation could deteriorate between now and 2020. This deterioration would entail a fall in their relative wages (between 1998 and 2003 in the European Union the wages of medium-skilled workers grew by 6% less than those of the high-skilled¹⁷); or they could be obliged to occupy jobs currently considered to be lower-skilled (this has been the case in France in recent years, for example¹⁸). In the second case, the low-skilled will continue to experience difficulty finding work owing to the heavy pressure from better-skilled people, which will in turn worsen their situation by contagion.

However, this could be partly offset by the expected drop in low-skilled labour supply (- 6 percentage points) given the improvement in the average skill level (see 3.1).

Benjamin Delozier, Sylvie Montout

(17) Education at a Glance 2005 (OECD). The European average is the unweighted average for the following countries: Denmark, Finland, France, Germany, Italy, Netherlands, Sweden and the United Kingdom. The wages considered are pre-tax.

(18) See Nauze-Fichet E. and Tomasini M., "Diplôme et insertion sur le marché du travail: approches socioprofessionnelle et salariale du déclassement" (Diploma and labour market insertion: socio-occupational and wage approaches to overqualification), *Economie et statistique* No. 354, 2002.

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December 2006

No. 6 . Reinterpreting the contribution of foreign trade to growth
Benoît Heitz, Gilbert Rini

November 2006

No. 5 . Is the impact of China's emergence on France as large as currently thought ?
Benjamin Delozier

No. 4 . Census of French companies' establishments abroad
Nila Ceci

No. 3 . Business relationships between suppliers and retailers
Claire Brosenberger, Nicolas Doisy