The Department des Etudes Economiques d’Ensemble (D3E) at INSEE carries out applied studies on the French economy. It includes three units, respectively specialized in macroeconomic analysis, micro-studies on firms, and studies on social policies and household behavior.

These studies are either prepared for public decision makers or for a larger audience, depending on the subject. They are generally based on data collected or elaborated by INSEE. The department has also built and/or maintains three major simulation tools:

- Two quarterly macroeconometric models, one model for France (MESANGE) and one aggregate model for the Euro Zone.
- A long run microsimulation model (DESTINIE), for evaluating consequences of demographic changes and pension policies both at the macro and individual levels.

Some common centers of interest are naturally shared between the three subunits of the department. Members of the D3E also take advantage of the vicinity of INSEE’s research center, the CREST (see separate note on main activities by the CREST).

The present paper summarizes the main research themes in 2003.

1) Wages and the labour market

Labour market naturally remains a major center of interest for the department, at the micro and macro levels.

1.a. Assessing the impact of working time reduction

Consequences of the reduction of legal working time are essentially explored at the micro level, by comparing firms where working time changed at different dates or under different rules. Comparison relies either on non-parametric approaches or on the estimation of structural models. Main questions of interest are the impact of working time on competitiveness.

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1 Overview prepared for the joint OECD/NERO meeting, May 19, 2003.
and on labour market transitions. A specific attention is devoted to exploring wage or employment effects in the vicinity of the minimum wage.

Macro approaches using small ad hoc calibrated models are also under project: the purpose is to explore the persistance of job creations induced by the reduction of working time.

1.b. Other aspects of labour market

Wage levels or dynamics are examined under several aspects.
- Nominal wage rigidities. They are explored in the context of an international comparative study led by the Federal Reserve Board and the ECB (based on micro data).
- Impact of changes in the minimum wage on wage distributions (using parametric representations of these distributions).
- Inter cohort comparisons of individual wage dynamics (using ARMA models of individual earnings histories).
- Gender differentials (impact of within firm union power on the gender gap).

2) Firms’ behaviour and performance

2.a. Capital markets

An assessment of the financial situation of French firms and groups has been prepared for the next yearly report on national accounts.

Determinants of investment behavior remain a topic of interest, both at the micro level (impact of anticipation variables measured by investment surveys for industry), and the macro-level (explorations of non linearities for the investment equation of MESANGE, due to fixed costs or uncertainty effects).

An additional topic is the comparison of different measures of long term returns on capital. One output of this comparison should be the ex post analysis of what would have been, over the last century, the intercohort variability of returns for an hypothetical pension fund.

2.b. Price setting

The impact of sector concentration on price setting behavior for firms or groups will be explored using data from a survey on output prices for industry and services to firms.

2.c. Technological choices

Explanations for and consequences of the adoption of new information technologies have been a traditional center of interest in the department. The impact on productivity and the connexions with organisational choices and labour force aging at the level of the firm will be explored with datasets matching various surveys results and administrative informations. In the same spirit, the productivity impact of the increased use of temporary work is currently being explored.

Some new investments have also been made and will be pursued on impact of fiscal incentives or market concentration on environmental choices (anti-pollution investments).

3) Population aging and pension policies

3.1. Simulation of various scenarios of pension reforms

The preparation of a new pension reform has led and still implies an intensive mobilization of the DESTINIE team. One central question remains that of labour supply consequences of
increased possibilities to modulate age at retirement around the normal retirement age. These questions have also been explored in the context of the NBER international comparative project on social security.

Special efforts are also devoted to the separate analysis of pensions for the public sector, and to connected topics such as spouse’s benefits, savings behavior of retired people, old age dependency.

3.2. Consequences of aging : lessons from the MESANGE model

In 2002-2003, a large amount of work has been conducted for applying the MESANGE model to evaluating consequences of various forms of adjustment to population aging : increased contributions, delayed retirement age. Performing such an exercise with a keynesian model is rather original : it provides a useful complement to other existing studies which, generally, are either performed in partial equilibrium, or under the strong supply-side assumptions of dynamic CGE models.

3.3. Older workers : the demand side of the labour market

It is widely acknowledged that raising effective labour force participation rates in France cannot rely only on the restoration of incentives on the supply side. It also requires a symmetric action on the demand side of the labour market. This has lead to the exploration of factors which can affect the demand for older workers, essentially the productivity/wage differentials. This question is explored using matched employer/employee datasets.

4) Other social policies

Main topics of interest are :
- Using the European panel to explore long term trajectories of children from poor families : schooling, insertion on the labour market.
- The incidence of benefits for young children on labour supply and choice between different options for childcare services.
- The incidence of family benefits on fertility behavior (using information provided by some changes in family allowances during the 90s).
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G2002/03  Béatrice SÉDILLOT, Emmanuelle WALRAET  
The retirement decision of couples: are the choices interdependant ?

G2002/05  Pierre BISCOUP, Bruno CRÉPON, Thomas HECKEL, Nicolas RIEDINGER  
How do firms respond to cheaper computers? Microeconometric evidence for France based on a production function approach

G2002/06  Cédric AUDENIS, Julien DERROYON, Nathalie FOURCADE  
The impact of ICT capital accumulation: A complete macroeconomic framework

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Assessment of 3 reforms of the pension system for private wage earners with the microsimulation model Destinie

G2002/09  François HILD  
Do balances of opinion summarize at the best firm’s answers to business surveys?

G2002/10  Isabelle ROBERT-BOBÉE  
Microsimulation of demographic behaviours using 2 alternative data sources

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Low Income Dynamics: Analyzing poverty exits and entries

G2002/12  François HILD  
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G2002/14  Emmanuelle WALRAËT - Alexandre VINCENT  
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Female Labour Supply and Child Care in France

G2002/16  Stéphane GREGOIR, Françoise MAUREL  
Competitiveness indices: interpretation and limits

In preparation

G2003/1  Patrick AUBERT  
An Overview of the Situation of Older Workers in the Private Sector,

G2003/2  Nicolas RIEDINGER and Erwan HAUVY  
The cost of air pollution abatement for French firms: An estimation at the firm-level

G2003/3  Pierre BISCOUP and Francis KRAMARZ  

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2 These papers are generally published in French.