

PARTICULARITIES REGARDING PAY SYSTEM IN FRANCE

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Abstract: Besides the material and financial resources, labor force is an essential factor in producing goods and services within economic entities. Most EU Member States have implemented in recent years performance-based pay systems. The most advanced countries that have introduced performance-based pay systems are Denmark, Sweden and the UK.

In France, career development is closely linked to merit. Seniority represents the advancement on a higher degree and is counted only if expresses professional experience. Merit is the main criterion for a faster advancement on the superior levels of a degree or from a degree to another within the same institutional organization or from one organization to another. There is also the term of functional employee who is paid by other criteria, and it involves the jobs that are necessary to civil servants in the upper institutional organizations. This notion makes it possible to use public figures for the higher management positions in the central state administration or in decentralized services.

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1. INTRODUCTION

After the Second World War, the pressure from the employees and trade unions on the supply of accounting information has increased significantly.

International Accounting Standards Committee (IASC - International Accounting Standards Committee) recognizes employees as one of the seven categories of stakeholders: managers, employees, suppliers, customers, financial creditors, government and its institutions, mass media.

Employees and their representatives, the trade unions, are interested in the information concerning the stability and profitability of the company but also seek information on the salary-related rights, retirement benefits, the nature and size of employment opportunities.

In France, the most important informations asked by the employees are:

- employment and job offer;
- remuneration, profit sharing and social protection expenditure;
- hygiene and security conditions;
- other working conditions: working hours, organization, physical working conditions;
- professional training;
- professional relationships;

- living conditions of workers and their families, if they depend on the enterprise.

This information can be found in a social balance, compulsory for all companies employing at least three hundred employees and they are obliged to establish work council. Social balance is subject to the operations of communication, publication and verification.¹

2. LABOR CONTRACTS

In France there are two types of employment contracts:

- Indefinite term employment contracts;
- Fixed-term employment contracts.

The French Labor Code, the probationary period is not mandatory, it can be introduced by employers, but should not exceed two months for a worker with an employment contract of indefinite duration, three months for foremen and technicians and four months for top management personnel.

Fixed-term contracts may be concluded for a period not exceeding 18 months. The employment contract must be in writing and contain all mandatory terms and conditions. The conclusion of a fixed-term employment contract is only possible for seasonal work and, in this case, the employer must prove that they can not afford sustainable jobs. In France, since July 2002, the legal work time is 35 hours / week, a day's work having up to 10 hours and the paid leave entitlement is 25 working days.

3. INTERPROFESSIONAL MINIMUM GROWTH WAGE

The interprofessional minimum growth wage, known under the acronym SMIC, is applied in French economy and represents the minimum hourly growth wage below which no employee can be paid.

The interprofessional minimum growth wage was introduced since 1950 under the name of guaranteed interpersonal minimum wage and applies to all employees who have at least 18 years and normal physical capacity, regardless of the profession and field of activity (public or private).

Legal minimum gross wage is 8.86 Euros gross per hour from 1 January 2010. It is constantly re-evaluated, at least once a year. For full-time employees, the normal working time is 35 hours per week. The work performed outside the normal working time is considered overtime and is paid additionally. However, there are specific rules in conformity with the collective activities and agreements.

From 1 December 2011, the minimum gross hourly wage is 9.19 Euros for a normal duration of working time of 35 hours per week. It is banned an employee to be paid under this amount, except young employees and apprentices.

The following table presents the evolution of interprofessional minimum growth wage.

¹ Feleagă, N., Ionașcu N., Treaty of Financial Accounting (Vol. I), Publishing House, Bucharest, 1998, page 53

Table no. 1 Evolution of the interprofessional growth minimum wage

Year	Gross Minimum Hourly Wage in euro	Gross Minimum Monthly Wage in euro for 151,67 hours worked	Gross Minimum Monthly Wage in euro for 169 hours worked	Year of publication
2010	8,86	1343,77		17.12.2009
2009	8,82	1337,70		26.06.2009
2008	8,71	1321,02		28.06.2008
2008	8,63	1308,88		29.04.2008
2007	8,44	1280,07		29.06.2007
2006	8,27	1254,28		30.06.2006
2005	8,03	1217,88	1357,07	30.06.2005
2004	7,61		1286,09	02.07.2004
2003	7,19		1215,11	28.06.2003
2002	6,83		1154,27	28.06.2002
2001	6,67		1127,23	29.06.2001

SOURCE: *Institut national de la statistique et des études économiques* www.insee.fr

In France, only social security contributions are deducted at source from employee wages. Other taxes are not withheld at source, but the employees must annually declare their income and pay taxes on in May. The difference between gross and net salary is about 22%. Salaries are paid monthly at a time agreed in advance, by bank transfer in general. Bank transfers are mandatory for monthly salaries exceeding 1.500 Euros.

The pay slip for each employee must include the following information:

- *the employer* (name, address, registration number, EPA code (code that establishes the basic type of business activity) and the company's identification number);
- *the employee* (name, position held, the position occupied in the collective contract);
- *the Social Security Office* or the Scheme providing social security subsidies on agriculture, to which contributions are paid;
- *the applicable collective contract*;
- *the components that make up the gross wage*, i.e. the number of hours worked, number of hours paid at normal and those highly paid (e.g. overtime or night work) indicating the rates applied, salary bonuses that are subject to social security contributions (seniority and performance bonus, bonuses, bonuses for contract termination's instability, where appropriate, the granting additional rate of differentiation, due to reduction of working hours for employees who receive minimum wage, etc.);
- *the nature and amount of fixed rate* for employees whose pay is determined on the base of a weekly or monthly flat rate, in number of hours worked or an annual fixed rate determined by hours or days;
- *the social security contributions and tax reliefs*: reimbursement of social security contributions, additional contributions for disadvantaged people, other contributions based on salary;

- *any other amounts which are not subject to social security contributions;*
- *the net wage actually paid to employee;*
- *the date of net salary payment;*
- *the details of any paid leaves included in the payment period and the appropriate allowance.*

The employer must keep wage slips for five years from their issuing and the employee must retain the pay slip for an indefinite period of time.

Any person who gains income, regardless of its source is required to pay income tax. This tax is not withheld at source; the employees must complete and submit the income statements until the 31st of May at the Financial Administration, next year for the year in which the income is gained.

Social contributions are deducted from employee's wage and their amount varies depending on salary level. Health insurance contribution, the unemployment contribution and the social insurance contribution have the total value of 22% of salary.

4. CONCLUSIONS

The career development is correlated with the merits. Seniority is, of course, considered to the extent in which it is equivalent to professional experience and is expressed by advancement to a higher level of within a salary class. However, merit is the main criterion for faster advancement to higher levels in a class of salary or promotion from one class to another within a category of personnel, or promotion from one category to another higher category.

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