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JEL codes: J41, Z10, Z18

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BY BRIGITTE GRANVILLE AND JAUME MARTORELL CRUZ¹

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This paper addresses an important gap in the literature by exploring the interaction of twin insider-outsider and public private/employment dualities on shaping attitudes towards markets. We show how, in countries highly segmented in both dimensions, the insider-outsider cleavage and the public-private employment division combines into a squared segmentation with public and private insiders, and public and private outsiders. Our assumption is that this squared segmentation is accompanied by negative attitudes towards market mechanisms that hinder reforms required to diminish the gap between insiders and outsiders. To flesh out this dynamic, we use France as our main case study, because it is an economy where these dualities are sharply drawn. We explore our assumption based on the Wave 5 of the World Values Survey, limiting our analysis to French and German respondents. Germany offers a suitable comparison group to France, as it has also a highly dual economy but structured through production sectors rather than through the public/private divide. The results are broadly in line with our assumptions. Unlike in Germany, French respondents' attitudes towards markets depend heavily on whether they are employed in the public or private sector

Keywords: labour market dualism, collective bargaining, market attitudes, institutions.

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1. Introduction

As public attitudes towards markets are a decisive determinant of economic performance (Boycko and Shiller, 2016), our motivation is to investigate how labour market experiences shape such attitudes and affect the chances of successfully implementing pro-market reforms. For this we take into account not only the distinction between insider workers, who enjoy protected and stable employment, and outsiders, with careers that are more precarious and fragmented; but also the division between private sector and public sector employees.

Since the 1980s, and perhaps influenced by the chronically high unemployment that had by then already become an entrenched feature of many advanced industrial economies, a large literature has emerged investigating the macroeconomic effects of labour market segmentation – insiders versus outsiders (See for instance Autor, Kerr and Kugler, 2007; Bentolila and Bertola, 1990; Bentolila and Saint-Paul, 1992; Bentolila, Cahuc, Dolado and Barbanchon, 2012; Blanchard and Landier, 2002; Cahuc, Charlot and Malherbet, 2016; Capellari et al., 2012; Lindbeck and Snower, 2001; Saint Paul, 1996; Wasmer, 1999).

The effects of this insider-outsider divide on attitudes towards labour reforms have also been thoroughly covered by the literature. Preferences of insiders and outsiders have been investigated empirically by Guillaud and Marx (2013) and Amable (2014). These authors use survey data collected during the 2012 French presidential election (Sauger 2012) to gauge the extent of public support for a labour contract (the *Contrat de Travail Unique (CTU)*) designed to eliminate the insider-outsider divide. Both studies found that CTU was supported by insiders and rejected by outsiders. This is contrary to what most insider/outsider theories would have predicted (as for instance Bentolila, Dolado, and Jimeno, 2012; Rueda 2005; 2006; Saint-Paul, 1996, 2000) as this reform aimed to integrate outsiders into the

labour market. In addition, Guillaud and Marx (2013) found that insiders and outsiders tend to share similar preferences toward labour protection.

The correlation between public and private employment and attitudes towards markets has also been researched. The choice of a public sector career seems to be motivated by the mission advocated by the civil service (Smith and Cowley, 2014) in addition to income motivations and social origin (Van de Walle, Steijn and Jilke, 2015). Public employees have a more “pro-social” outlook (Tonin and Vlassopoulos, 2015). These preferences are shaped by their particular employment incentives since after retirement this same group’s preferences tend to converge with retired private sector employees (Rattsø and Sørensen, 2016).

We address an important gap in these literatures by exploring the interaction of twin insider-outsider and public private/employment dualities on shaping attitudes towards markets. We use France as our main case study, because it is an economy where these dualities are sharply drawn. We show how the insider-outsider cleavage and the public-private employment division combines into a squared segmentation with public and private insiders, and public and private outsiders. This division is compounded by the statist bias of French institutions, with the civil service enjoying particularly wide scope for discretionary action. Notwithstanding these doubly privileged - protected and discretionary - civil servants enjoy high levels of trust and overall France’s citizens tend to prefer state-directed solutions to market-led approaches (Benabou, 2008; Saint-Paul, 2010).

To test the drivers of these preferences we use the World Values Survey to compare French and German attitudes to markets. We chose Germany as our comparator as it presents a similar level of duality but one where attitudes vary more by sector than in accordance with the public/private sector employment division (Carlin and Soskice, 2008).

Following this introduction, Section 2 explores the interaction between the insider-outsider and public/private sector employment dualities in France, reviews

the literature on how labor market segmentation impacts attitudes towards markets and raises a hypothesis explaining why, in the case of France, market segmentation reinforces support for the state. Section 3 offers a stylized model of these assumptions to highlight features of the process of implementing labour reforms in the context of the values previously highlighted. In Section 4 we present the data used to test the assumptions of our model – the Wave 5 of the World Value Survey – that has been commonly used in the literature to explore attitudes towards markets. Section 5 compares the results for French and German attitudes across three dimensions: trust in market mechanisms, belief in market fairness and trust in market actors. Section 6 concludes.

2. Squared Segmentation: labor market dualism and the public/private divide in France

France was one of the first countries to implement temporary contracts as a means to introduce labour flexibility while avoiding unrests by well organised and protected insiders (Bentolila, Cahuc, Dolado and Le Barbanchon, 2012; Saint-Paul, 1996, 2000).

The percentage of outsiders (defined for this purpose as employees on such temporary contracts) in the total workforce is relatively low but the majority of those affected are young and/or female (Barbieri and Sestito, 2008); more than 52 percent of employed people in the 15-24 age group were under fixed contract in 2014 compared to only 24 percent in the OECD with an average rate of unemployment reaching 26 percent (compared to about 10 percent for the general population (OECD, 2015)).

The employment conditions of outsiders differ significantly from the insiders' conditions as they enjoy little job security, lower compensation, and face a higher risk of falling into poverty (Blanchard and Landier, 2002) (table 1).

TABLE 1- WORKERS DIVIDED ACROSS INSIDERS AND OUTSIDERS

	Insiders	Outsiders
% Workforce, (Average 2004-2014) (1)	91.2	8.8
Strictness of Dismissal (2013) (2)	2.60	1.88
Poverty by Type of Contract (Average 2004-2014) (3)	4.3	12.3
Severance Pay (in months) (2005) (4)	6	0

Notes:

- (1) Average of OECD % of temporary workers over the workforce for 2004-2014.
- (2) OECD strictness of dismissal indicator for the year 2013
- (3) Eurostat data on poverty by type of contract, identifying permanent contracts with insider and temporary contract with Outsiders.
- (4) Severance pay in months for the year 2015, identifying the severance pay at 9 months for outsiders and the severance pay at 20 years for insiders. Fondazione Rodolfo de Benedetti – International Monetary Fund Labour Institutions Database

Sources: OECD, Eurostat, Fondazione Rodolfo de Benedetti – International Monetary Fund Labour Institutions Database.

We argue that, in France, the division between insiders and outsiders is compounded by the division between public and private sector employees. Table 2 categorizes four groups of workers with different labor market experiences in terms of income, job security, contract and the public or private sector.

TABLE 2 – DIVISIONS ACROSS WORKFORCE

		Sector	
		Public	Private
Labor Market	Insider	<i>Titulaires</i>	Open Ended
	Outsider	<i>Non-titulaires</i>	Fixed Term

The public sector insiders (PSI) are identified as the most sheltered group: in contrast with the private sector, the Labour Code does not apply to civil servants, instead the *Statut général de la Fonction Publique* (the employment conditions of magistrates and military personnel are governed by specific regulations), grants security and special prerogatives to public employees with *titulaire* status (Bordogna and Neri, 2011). Organised as a lifetime career structure defined by

tenure and status, entrants are recruited not for particular jobs but into a corps that represents both a profession and an occupation (Bossaert, Demmke, Nomnden, and Polet, 2001). New young recruits into the lowest ranks of this hierarchical structure are selected by means of competitive entry examinations. PSI enjoy virtual employment for life, wage stability, pension guarantees and their position cannot be undermined by the outcome of elections or other political processes (Audier, Bacache, Courtioux and Gautié, 2012). In contrast to other civil services with Napoleonic roots, such as Italy, France's large civil service has not undergone reforms to modernize labour relations within the public sector (Bordogna and Neri, 2011; Bordogna and Pedersini, 2013).

Public sector outsiders (PSO) are public employees outside the "career system". After 2010, France has frozen the replacement of retiring civil servants and distributed part of the savings among the remaining PSI – an example of an insider oriented reform where the costs of the reforms are assumed by outsiders and the benefits go to insiders (Gautié, 2012). PSO have allowed the public sector to use more flexible workforce while maintaining the special conditions of PSI. The small decrease of PSI compared to the large increase of PSO since 2007 points towards the use of PSO as a valve to maintain PSI privileged working conditions and wages. PSO can have open-ended or fixed term contracts. To circumvent the 2005 EU directive stipulating that after six years of uninterrupted service in the same employment the contract becomes permanent, Audier, Bacache, Courtioux and Gautié (2012) mention that outsider teachers are dismissed before the summer holidays and re-appointed at the beginning of the school year. In 2012 a law was adopted allowing temporary workers to get access to permanent contracts but not necessarily to civil servant status.

Private sector insiders (PI) are well protected by OECD standards but *private sector outsiders* (PO) are unprotected.

Outsiders are a growing source of duality in the public service with the share of PSI over total public employment at about 85 percent and the share of PSO around 15 percent in 2009 (table 3).

TABLE 3 – SHARE OF INSIDERS AND OUTSIDERS IN THE PUBLIC SECTOR.

	<i>PSI</i>	<i>PSO</i>
%Public Employees (2009) (1)	84.9	15.1
Variation 2007-2009 (2)	- 7%	+ 14%
Specific Legislation (3)	Permanent Post Specific legislation outlining individual elements (salaries, working time, careers, professional mobility, disciplinary procedures) And collective (right of association, representative personnel bodies)	Open Ended contract Same collective conditions, but excluded from individual conditions.

Notes:

- (1) Share of *non-titulaires* over total public employment 2009 (Gautié, 2012).
- (2) Variation in the total number of *titulaires* and *non-titulaires* from 2007 to 2009 (Gautié, 2012).
- (3) Legislation on *Titulaires* and *non-Titulaires* obtained from Eurofund

Source: Gautié, 2012, www.eurofund.europa.eu

The comparison of tables 1 and 3 highlights that the percentage of PSO among total of public sector workers is higher than the percentage of outsider over total workers, an indication of how the protection of PSI is stricter than for their counterparts in the private sector, underlying the need to take into account the private-public employment cleavage when talking about Labour Market Segmentation in France.

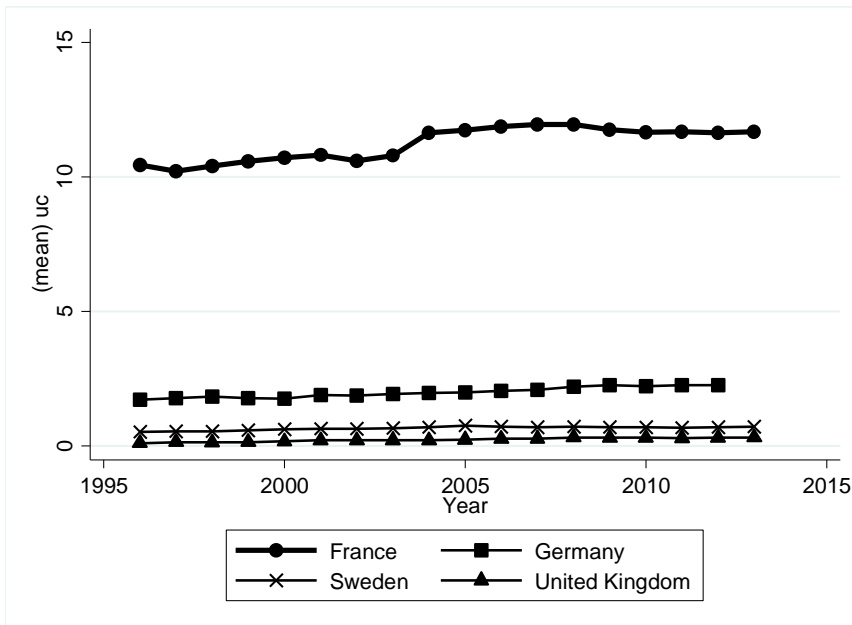
2.1 - Public versus Private sector

Civil servants occupy a large proportion in employment in general government and public corporations as a percentage of the labor force, about 22 percent compared to roughly 14 percent for Germany (OECD, 2015). Schoolteachers represent about

45 percent of the civil servants, and the teaching profession has been dominated since the 1960s by unions (trade union representation among teachers reaches 30 percent, compared to 7.8 percent at the national level and to 17.8 percent in Germany) “influenced by a Marxist tradition” (Benabou and Tirole, 2006: 725; Saint Paul, 2010: 325).

This density of trade union representation is low in relation to collective wage agreements covering about 90 percent of employees (OECD, 2015:27; Murin, de Serres and Hijzen, 2014), and as a result PSI enjoy high discretionary power to obstruct any reforms perceived as a threat to their status. Unrepresentative unions with strong veto capacity turn the state into a “compensator of first resort” (Molina and Rhodes, 2007; Martorell Cruz, 2016). This is shown in Figure 1 which measures union coverage in relationship to union density in the United Kingdom, Sweden, Germany, and France.

FIGURE 1: THE STATE AS A COMPENSATOR OF FIRST RESORT. 1996-2014



Notes: Annual “Trade Union Reach” ratio for the specified period. “Trade Union Reach” is a ratio that measures union coverage in respect to union density calculated as: $((\text{union coverage} - \text{union density})/\text{union density})$

Source: Own Elaboration based on data by Visser, 2013

In the United Kingdom, unions are weak and have a low coverage, in Sweden, unions are strong and with a strong coverage. Both cases are shown by the flat line only just above zero. In Germany, unions are slightly more powerful than representative. The trajectory of France is a unique outlier, in the sense that while union membership decreases, the coverage increases up to near universal terms, thus our measure skyrockets. The combination of weak organized interests and extensive regulation confers “Public Sector Insiders” considerable discretionary power to shape labour standards.

This dominance of the public sector is reflected in the deterioration in international “economic freedom” rankings in the areas of government spending and fiscal and labour freedom which have deteriorated. A large literature, drawing on Joan Robinson’s “Freedom and necessity” (1970), implies that economic freedoms, variously measured, are a factor in explaining cross-country differences in economic growth (de Haan and Sturm, 2000). In 2015, France was ranked by the index of economic freedom (Heritage Foundation) in 2015 as moderately free economically – 73 out of 178 countries) compared to 63 in 2010. Germany scored 16 in 2015 compared to 23 in 2010.

The relatively intrusive role of the government in economic regulation might be part of the explanation for the corruption scores in Table 4, as pervasive regulation is the government activity most associated with corruption (Hopkin and Rodríguez-Pose, 2007). Table 6 includes three indicators of perception of corruption. In the Transparency International Corruption Perception index (TPI), published since 1995, and which assesses the perception of corruption through local expert surveys French scores compare poorly with the German ones. The same trend is observed

in the World Bank (WB) Control of Corruption index which combines a wide range of public sources and expert information to assess the degree in which public office is used for private gain. Although criticism has been levelled at both these indices regarding their replicability and how efficient they are in capturing corruption, the trends they report are supported by Fisman and Miguel (2006) using diplomat parking in the City of New York as a proxy for elite attitudes towards corruption: 29 French Diplomats had 6.1 violations per diplomat in 1996, while 53 German diplomats had 1 violation per diplomat. France ranks as the 78th most corrupt country according to this measure, while Germany ranks 116th out of a total of 143.

TABLE 4 – PERCEPTION OF CORRUPTION

	TPI Corruption Perception (1)				WB Control of Corruption (2)				Diplomat Parking Tickets (3)
	95-99	00-04	05-09	10-15	96-00	01-05	06-10	11-14	1997-2002
Germany	8.01	7.64	7.98	7.93	2.02	1.92	1.74	1.77	116 (1.0)
France	6.77	6.74	7.20	6.98	1.34	1.32	1.43	1.38	78 (6.1)

Notes:

(1) Average Score of Transparency International Corruption Perception Index for the indicated period, expert survey conducted annually. In a scale of 0-10 were lower scores indicate higher corruption.

(2) Average of the WB Control of Corruption for the period indicated, the indicator captures perceptions of the extent public power are used for private gain, the estimate gives the country score in units of a standard normal distribution ranging from -2.5 (higher perception of corruption) to 2.5 (lower perception of corruption). The period 96-00 includes observations for years 1996, 1998 and 2000: the period 01-05 includes observations for years 2002, 2003, 2004, 2005. The rest of the periods contain annual observations for all the years of the period.

(3) Fisman and Miguel (2006) study the Parking violations produced by UN Diplomats of different countries, in the indicator includes its original Corruption Ranking and the average annual number of parking tickets per diplomat from 1997 to 2002.

Sources: Transparency International, The World Bank, Miguel and Fisman, 2006.

The Quality of Government (QoG) survey analyses the structure and behavior of public administration in 97 countries according to characteristics such as impartiality, professionalism and closedness - (six responding experts in France and twelve in Germany) (Teorell, Dahlstrom and Dahlberg, 2011). The French public administration is perceived as impartial and professional, but also as closed and elitist (table 5).

TABLE 5 – STRUCTURE AND BEHAVIOR OF PUBLIC ADMINISTRATION, FRANCE AND GERMANY, SEPTEMBER 2008 AND MAY 2009

Public administration	France	Germany

Impartial	0.689	0.545
Professional	4.833	4.521
Closed	6.167	5.639

Notes:

The impartiality index is built on 5 items from the survey: Today: Firms that provide the most favourable kickbacks to senior officials are awarded public procurement contracts in favour of firms making the lowest bid? Today: When deciding how to implement policies in individual cases, public sector employees treat some groups in society unfairly; Today: When granting licenses to start up private firms, public sector employees treat some groups in society unfairly. Today: How often would you say that public sector employees act impartially when deciding how to implement a policy in an individual case. Hypothetically, let's say that a typical public sector employee was given the task to distribute an amount equivalent to 1000 USD per capita to the needy poor in your country. According to your judgement, please state the percentage that would reach the needy poor. *The index of professionalism* is built on 4 items: Today: When recruiting public sector employees, the skills and merits of the applicants decide who gets the job? Today: When recruiting public sector employees, the political connections of the applicants decide who gets the job? Today: The top political leadership hires and fires senior public officials? Today: Senior public officials are recruited from within the ranks of the public sector? *The index of closeness* is built on 3 items: Today: Public sector employees are hired via a formal examination system? Today: Once one is recruited as a public sector employee, one stays a public sector employee for the rest of one's career? The terms of employment for public sector employees are regulated by special laws that do not apply to private sector employees.

The fieldwork corresponds to the First Wave Quality of Government Expert Survey, administered between September 2008 and May 2009.

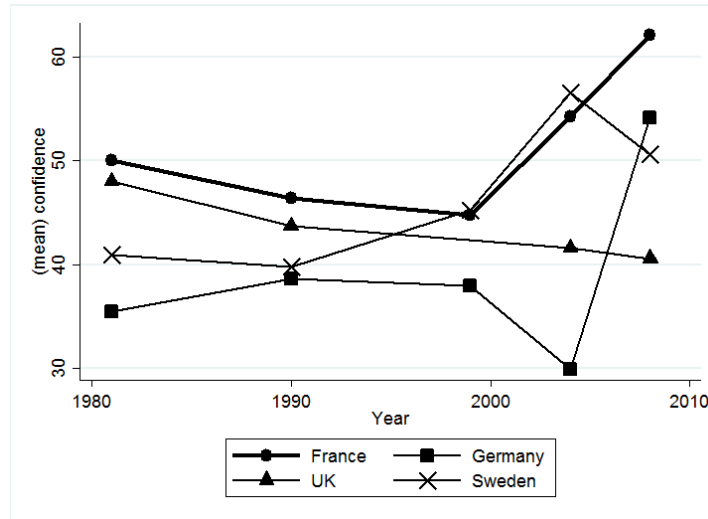
Source: Teorell, Dahlstrom and Dahlberg (2011).

2.2 – Labor Market Segmentation and Market Mistrust

The literature on informal institutions points that France tends to have relatively high pro-state and anti-market attitudes. Phelps (2011) highlights how continental European economies tends to have more pro-statist culture than Anglo-Saxon countries, in particular France shows more pro-statist characteristics reflected in the value placed on work and decision-making freedom. In his analysis of how attitudes towards “Trust” and “Respect” influence economic performance, Tabellini (2008) finds that France has relatively low levels of “Trust” and “Respect” compared to its European counterparts.

This general low level of trust, contrasts with the high and increasing level of trust since 2000 in the civil service – as observed in Figure 2 which compares the level of confidence in the public administration for France, Germany, Sweden and the UK.

FIGURE 2: TRUST IN THE CIVIL SERVICE 1981-2010



Notes: Percentage of people that have a “Quite a lot” or a “A great Deal” of confidence in the Civil Service. The data point for 1981 corresponds to fieldwork conducted between 1981 and 1983, the data point for 1990 corresponds to conducted realized between 1990 and 1992, the data point for 1999 corresponds to fieldwork conducted during 1999 and 2001, the data point in 2008 corresponds to fieldwork conducted between 2008 and 2013. Before the 1999 data point Germany contains the data observed for West Germany.

SOURCE: OWN ELABORATION BASED THE EUROPEAN VALUES SURVEY (1981-2013) IN CESIFO INSTITUTIONAL COMPARISON DATASET.

Drawing on the dualism literature, we can hypothesize about the explanation of this paradox. If outsider workers bear the cost of insiders’ protection, their experience of the market is substantially worse than in a non-segmented labor market. If this experience might make them doubt the usefulness of institutional mechanisms to represent their interests (Emmenegger, Marx, and Schraf, 2015), there is no reason for them to trust that market mechanisms might improve their situation. In fact, the literature on insider-outsider preferences has provided substantial evidence that outsiders tend to demand more social protection (see for instance Burgoon and Dekker, 2010; Chung and Mau, 2014, Marx and Picot, 2013, Marx, 2016). Instead of identifying labor segmentation as the cause of their woes, their experience prompts them to associate market mechanisms with income and

job insecurity. They might blame the government for failing to protect them but identify the market as the reason why they needed protection in the first place.

TABLE 6 – LABOR MARKET EXPERIENCE AND INSTRUMENTAL INTERESTS

	Instrumental Interests	
	Pro-Market	Pro-Regulation
Market Experience	Positive	Insiders
	Negative	Outsiders

The contrasting experience of workers might result in their forming attitudes towards the market that are inconsistent with their instrumental interests – as Table 6 describes.

The most hostile towards market mechanisms might be PSO: they show a preference towards the state by their career choice, but then experience the job market as precarious and insecure while previous *titularisation* policies led them to believe that insiders’ protection can be extended to them. Furthermore, as they tend to have prior preferences for public sector organizations’ aims and mission (Smith and Cowley, 2014; Van de Walle, Steijn and Jike, 2015) these preferences are reinforced by the specific public sector employment incentives (Rattsø and Sørensen, 2016). Private outsiders are also driven by their experience of the labor market but have even less chances of becoming insiders.

Insiders in both the public and private sectors have a positive labor market experience and an instrumental interest in keeping state regulation. Their attitudes towards the market would be heavily influenced by job security considerations. Amable (2014) points that if they believe that pro-market policies will not affect their employability because they are sufficiently sheltered – as the case of high ranking civil servants promoting the CTU to reduce the extent of labor market duality in the private sector – or they are highly skilled, they might be more

supportive of market mechanisms. But if they believe that their employment depends on state protection, they might be suspicious of market mechanisms. Our hypothesis is that this creates an equilibrium in which the insiders interested in maintaining the status quo can block reforms detrimental to their interests thanks to the outsiders' mistrust of market mechanisms.

3. Stylized model

We derive a stylized model of civil servants' support for labour reforms. The model integrates elements of Brender and Drazen (2009), Granville and Nagly (2015), and Saint Paul (2010). Enjoying protected full-time employment contracts, civil servant insiders are assumed to be characterized by a dislike of competitive markets which translates into risk aversion – reflected in the choice of a civil service career that provides shelter from market risk – and into resisting market reform (Saint Paul, 2010).

Our model shows the forces at play which may lead France on the reform path.

Let us assume that civil servants' observed income y_t^{cs} at any point in time is:

$$y_t^{cs} = y^{statuquo} + \Delta w_t + \varepsilon_t \quad (1)$$

Where $y^{statuquo}$ stands for the economic situation under the current labor legislation assumed to be constant, Δw_t is the differential of wage between civil servants and private workers at t, and ε_t is a shock to the current economic situation.

Public employees enjoy a positive wage differential (Ghinetti and Lucifora, 2013) compared to the private sector. Lucifora and Meurs (2006) found the pay gap to be unevenly distributed across income deciles: the public sector pay gap is higher across lower incomes and lower – even negative – across higher incomes.

Building on Saint-Paul (2010), Δw_t assume that civil servants trade higher wages for job security:

$$\Delta w_t = w_t^{cs} - [p(1 - s_{anti\ market}) + (1 - p)(1 - s_{promarket})]\bar{w}$$

With $\bar{w} = h(k)$, $h' > 0$, \bar{w} is constant marginal productivity and k is labour market risk with civil servants indifferent to k since they are fully protected. The prior belief in or against the market is defined by the probability p . The salary of civil servants w_t^{cs} is assumed to have no real-terms upside as the size of the government's share in total employment is one of the OECD's largest making spending cuts difficult and leaving the government with the alternative of controlling wage increases (OECD, 2015: 17).

Let y^{LR} be the economic situation associated with labor reform. Given y_t^{cs} and the civil servants' subjective distribution termed $H^{cs}(z_t)$ with $z_t = \Delta w_t + \varepsilon_t$, civil servants $y^{statuquo}$ being no less than y^{LR} , with the probability:

$$Pr(y^{statuquo} \geq y^{LR} | y_t^{cs}) = Pr(y_t^{cs} - z_t \geq y^{LR}) = Pr(z_t \leq y_t^{cs} - y^{LR}) = H^P(y_t^{cs} - y^{LR}) \quad (2)$$

Equation (3) expresses the probability that civil servants assign to $y^{statuquo} \geq y^{LR}$ as a function of Δw_t with the actual distribution of ε being $J(\varepsilon)$:

$$\int_{\varepsilon} H^{cs}(y^{statuquo} - y^{LR} + w_t + \varepsilon) dJ(\varepsilon) \quad (3)$$

Equation (4) considers civil servants support for the status quo. y^{LR} , the perception of probable economic outcomes under labor reform, differs across individuals according to a distribution $F(y^{LR})$.

The variable μ is the expected fraction of civil servants $1 > \mu > 0$ supporting the statu quo:

$$\mu(\Delta w_t) = \int_{y^{LR}} \int_{\varepsilon} H^{cs}(y^{statuquo} - y^{LR} + \Delta w_t + \varepsilon) dJ(\varepsilon) dF(y^{LR}) > 0 \quad (4)$$

The effect of Δw_t on civil servant's support for the statu quo μ depends on the distribution $H^{cs}(\cdot)$, which in turn hinges on civil servants' attitude to the market. μ is the result of civil servants' support for the status quo compared to the alternative of labour reform and amounts to a measure of their risk averse attitude. On this basis, equation (5) states that μ hinges on Δw_t :

$$\frac{d\mu}{d\Delta w_t} \int_{y^{LR}} \int_{\varepsilon} h^{cs} (y^{cs} - y^{LR} + \Delta w_t + \varepsilon) dJ(\varepsilon) dF(y^{cs}) > 0 \quad (5)$$

Δw_t , is characterized by the subjective distribution underlying H^{cs} .

If labour reform takes place, civil servants incur a cost θ . The condition for civil servants to favour labour reform is that civil servants net income is greater under labour reform than under the status quo:

$$(1 - \theta(\mu))(1 + \beta)y^{cs} > (1 - \tau_1)y^{cs} + T_1 + \beta E_1^{cs}((1 - \tau_2)y^{cs} + T_2) \quad (6)$$

Where β is the discount factor, $\theta(\mu)$ is the cost function attached to the change of regime, μ is the fraction of civil servants supporting the status quo, τ_1 is the current tax rates which differ from future tax rates, τ_2 , T_1 is the level of current transfers, future transfers T_2 may also differ from current transfers, E_1^{cs} is the expectation of civil servants about future labour reforms.

Civil servants support the status quo against labor reform if the income loss from reforming the labour market appears prohibitive:

$$(1 + \beta)\theta(\mu)y^{cs} \geq \tau_1 y^{cs} - T_1 + \beta E_1^{cs}[\tau_2 y^{cs} - T_2] \quad (7)$$

with equality if either $w_t > 0$ or $T_1 > 0$

where $\tau_1 y^{cs} - T_1$ is the net tax on civil servants (tax payments minus transfers) in the current period and the second term on the right side is the (discounted) expected future net tax.

Condition (7) is the ‘rigidity’ constraint, which in contrast to (6) constitutes the case for status quo persistence. For the rigidity (status quo) to be fully secured, condition (7) has to hold with inequality. This also assumes that both the level of current taxes τ_1 and the civil servants’ expectations of their future net tax burdens under a continuation of the status quo are perceived as acceptable. This implies that maintenance of the status quo is conditional on $(\frac{d\mu}{d\Delta w_t})$ and on the extent to which the level of civil servants’ support for rigid policy affects the perception of the costs associated with labour reforms $(\frac{d\theta}{d\mu})$:

$$(1 + \beta)y^{cs} \frac{d\theta}{d\mu} \frac{d\mu}{d\Delta w_t} \leq 1 \quad (8)$$

with equality if $\Delta w_t > 0$

where $\frac{d\mu}{d\Delta w_t}$ is given by (5).

This model points to the possibility of civil servants supporting labour reforms within the existing policy framework. Let us distinguish between two cohorts of civil servants, the teachers and the high civil servants. The teachers could move and leave the public sector but because of their anti-market prior they will tend to stay in the public service even in presence of lower real income. Labour reforms however may offer them the flexibility to increase their real income while still enjoying job protection. The high civil servants, as part of the ruling elite, understand that a preliminary to French economic growth is labour reforms; in addition, while benefitting from full job protection they have the liberty to move to the private sector to enjoy higher salaries.

4. Data

Our sample is constructed from the WVS wave 5 conducted between April 2005 and December 2016 – the first wave to directly ask about employment in the public or private sectors. The WVS survey has been extensively used to explore attitudes towards markets (see for instance Aghion, Algan and Cahuc, 2011; Alesina and Giuliadori, 2015; Benabou, 2008; Benabou, Tichi and Vindigni, 2015; Phelps, 2011; Tabellini, 2008). This wave in particular has been used by Smith and Cowley (2014) to explore differences in motivations of public and private workers across the 51 countries included in the survey, finding that public sector workers are more intrinsically motivated by the “mission” of the sector and that corruption has a negative impact on their motivation.

Our aim is to explore support for market mechanisms across public and private sectors and dependent on work experience. The data does not include information on the type of contract or on recent experience of unemployment, making it difficult to identify exactly insiders and outsiders. We overcome this difficulty by taking account of the impact of public sector employment on market attitudes and on income levels. This strategy is similar to the one used by Amable (2014) to assess the varying levels of support for CTU among insiders and outsiders.

4.1. Dependent Variable: attitudes towards markets

We limit our sample to France and Germany, and investigate *how being a civil servant – conditioned by income – shapes attitudes towards markets*; Germany provides a suitable comparison as it is also a country with high levels of labor market duality but low levels of public/private duality.

We explore three different types of Market attitudes listed in Table 7 using six questions selected as proxies to measure “Trust in market mechanism” (questions V119 and V120), “Satisfaction with market outcomes” (questions V116 and V121) and Trust in private/public sector (questions V142 and V141). We include the mean values for France and Germany to the different questions selected.

TABLE 7 – A MEASURE OF ATTITUDES TOWARDS THE MARKET AND THE PUBLIC/PRIVATE SECTOR

Question Number	Variable	France	Germany
Trust in market mechanisms			
V119	Competition is good (1 to 10 scale) *	4.97 (2.64) N=998	6.06 (2.07) N=2,016
V120	In the long run hard work brings success (1 to 10 scale)*	4.67 (n=2.58) N=998	5.19 (n=2.54) N=2,011
Satisfaction with market outcomes			
V116	Incomes should be made more equal (1 to 10 scale)	5.04 (2.84) N=999	4.39 (2.39) N= 1,096
V121	Wealth is made at expense of others (1 to 10 scale)	6.14 (2.42) N=993	6.15(2.54) N= 1,987

Trust in Private Sector vs Trust in Public Sector

V142	Confidence in major companies (1 to 4 scale)	2.26 (0.81)	2.05 (0.73)
		N=983	N=1,931
V141	Confidence in the civil service (1 to 4 scale)	2.45 (0.81)	2.1 (0.71)
		N=1001	N=1,984

Notes:

Standard deviations included in parenthesis

The original scale of the * variables has been reversed so in all the cases a higher value indicates higher positive attitudes towards markets.

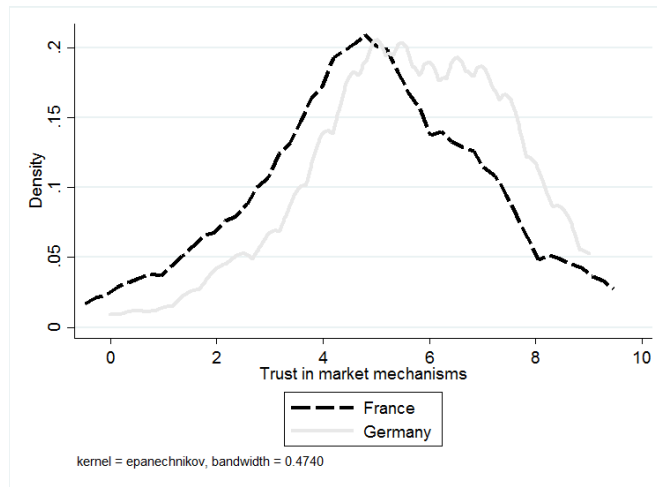
WVS surveys a total of 1,001 German citizens and 999 French citizens, differences on answers' N are attributed to questions not asked by the surveyor or not answered by the surveyed.

Source: World Values Survey. Wave 5 (2015)

Germans display higher trust in market mechanisms as the mean is slightly higher than the French. The French overall seem to be more satisfied than the Germans with the measures used to assess satisfaction with market outcomes. French citizens tend also to be slightly more confident towards major companies and towards the civil service. This initial exploration paints a nuanced picture of French attitudes towards markets. In comparison to German citizens, they tend to be suspicious of market mechanisms, but are more satisfied with market outcomes and have greater trust in established public and private sector organizations.

We then average V119 and V120 as an indicator of trust in market mechanisms, V116 and V121 as an indicator satisfaction with market outcomes, and we took V142 and V141 as separate indicators to compare trust in market actors in relation to trust in public sector actors. Figures 3 through 6 compare the value distribution between France and Germany across these dimensions.

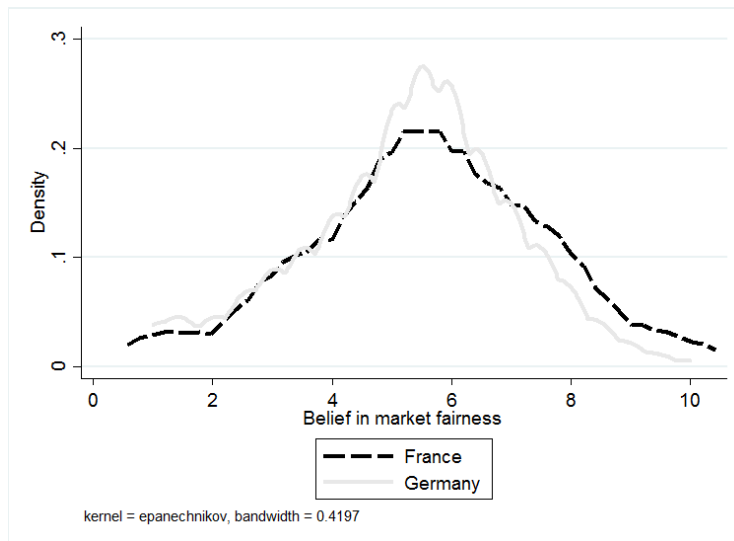
FIGURE 3: TRUST IN MARKET MECHANISMS – MEAN OF THE AVERAGED SCORES ON V119 AND V120



Notes:

N= 995 for France. N= 1,974 for Germany

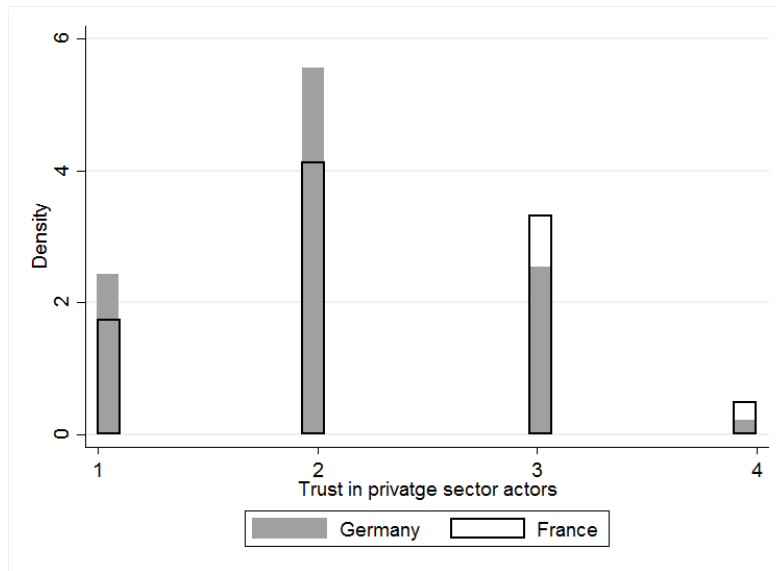
FIGURE 4: SATISFACTION WITH MARKET OUTCOMES – MEAN OF THE AVERAGED SCORES V116 AND V121



Notes:

N= 991 for France. N= 1,905 for Germany

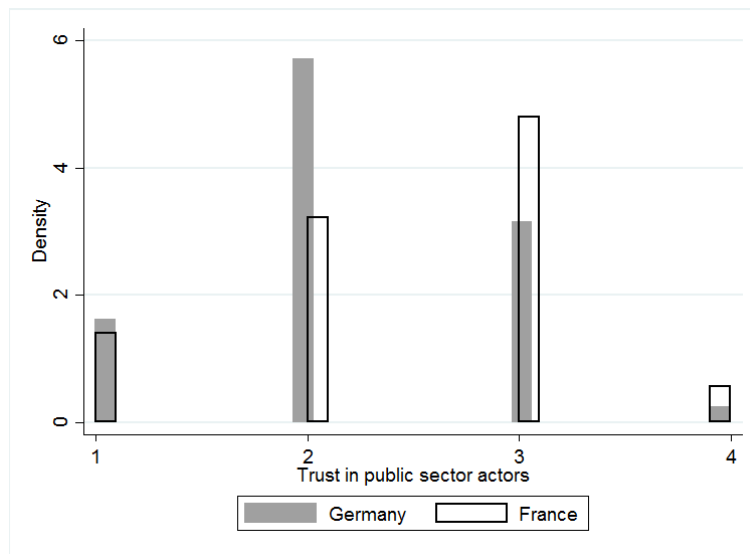
FIGURE 5: TRUST IN THE PRIVATE SECTOR – V 142



Notes:

N= 983 for France. N= 1,931 for Germany

FIGURE 6: TRUST IN THE PUBLIC SECTOR – V141



Notes:

N= 983 for France. N= 1,931 for Germany

The two distribution scales are consistent with the framework set out in Table 7. When it comes to competition, France’s distribution is slightly skewed towards lower values while Germany is clearly skewed towards higher scores. The distribution is more similar when it comes to beliefs in market fairness, France’s distribution is relatively skewed towards higher scores. Remarkably, French citizens tend to place more trust in both major companies and the civil service than German citizens, this higher degree of trust is moderate in the case of major companies but considerably significant in the case of the civil service.

4.2. Independent variable: Public Sector Insiders and Outsiders

To construct our independent variables, we use questions V243 and V253.

Table 8 summarizes the distribution of sector employment among those surveyed in France and Germany using Question (V243). The choice is between “Government or Public Institutions”, “Private Business or Industry” and “Private non-profit organizations”, while those unemployed are coded as “Not applicable”.

TABLE 8 – SECTOR DISTRIBUTION EMPLOYMENT, IN PERCENTAGE, Q(V243)

Sector of Employment	France	Germany
Government or Public Institutions	22.18%	18.31%
Private Business or Industry	66.13%	48.35%
Private non-profit organization	3.40%	18.27%
Not applicable	8.29%	18.31%
No answer – Don’t know	0	5.57%
	N= 1,001	2,064

Notes:

WVS surveys a total of 1,001 German citizens and 999 French citizens, differences on answers’ N are attributed to questions not asked by the surveyor or not answered by the surveyed.

Question (V253) classifies respondents into ten incomes steps, with lower steps indicating lower incomes. Table 9 summarizes the income classification in France and Germany.

TABLE 9 – INCOME CLASSIFICATION, IN PERCENTAGE, Q(V253)

Scale of Incomes	France	Germany
Lower Step	13.28%	5.12%
Second Step	20.86%	9.76%
Third Step	21.09%	15.91%
Fourth Step	16.10%	20.39%
Fifth Step	12.59%	20.60%
Sixth step	7.37%	12.41%
Seventh step	3.74%	9.98%
Eight step	2.27%	5.23%
Ninth step	0.68%	0.54%
Tenth Step	2.04%	0.05%
	N= 882	1,854

Notes:

WVS surveys a total of 1,001 German citizens and 999 French citizens, differences on answers' N are attributed to questions not asked by the surveyor or not answered by the surveyed.

5. Methods and Results

We construct our main independent variable from the interaction between income and public sector employment. Equation 1 summarizes this research strategy.

$$Y_i^d = \alpha_0 + \beta CS_i + \beta PS_i + \beta UN_i + \delta INC_i + \gamma FR_i + \varepsilon_i$$

EQUATION 1: IMPACT OF INCOME AND SECTOR EMPLOYMENT ON MARKET TRUST AND SATISFACTION WITH MARKET OUTCOMES

Y_i^d indicates attitudes towards markets for any given individual i in a dimension d (trust in market mechanisms, satisfaction with market outcomes, trust in market actors, trust in public sector actors). Our independent variables of interests are a series of dummy variables: βCS_i that is 1 if the individual is employed in the public sector and 0 otherwise, βPS_i indicates if the individual is employed in the private sector, βUN_i an unemployment dummy and γFR_i switched at 1 if the respondent is French; plus δINC_i that measures income in a scale of 1 to 10 were lower scores

indicates lower incomes. To assess the impact on market mechanisms and outcomes, we conduct two Ordinary Least Squares regressions as specified in Equation 1. To test the impact on trust in major companies and the civil service we have transformed questions V141 and V142 into two dummy variables that indicate 1 if the respondent expresses trust in the civil service and major companies respectively and 0 otherwise. Then we conduct a logistic regression to explore how our independent variables impact the chances of trusting the civil service or major companies.

To conduct a logistic regression, we are assuming that our estimation defined in Equation 1 turns into a latent model (Liao, 1994) defined by equation 2.

$$Y_i^{d*} = \alpha_0 + \beta CS_i + \beta PS_i + \beta UN_i + \delta INC_i + \gamma FR_i + \varepsilon_i$$

EQUATION 2: LATENT VARIABLE ON LOGISTIC REGRESSION

In this case Y_i^d has been transformed into Y_i^{d*} with the postscript * indicating the probability threshold of an unobserved event, defined through the observed binomial process outlined in equation 3.

$$Y_i^d = \begin{cases} 1 & \text{if } Y_i^{d*} > 0 \\ 0 & \text{if otherwise} \end{cases}$$

EQUATION 3: TRUST ON MAJOR COMPANIES/CIVIL SERVICES LOGIT ESTIMATOR

The logit estimator, assumes that the error term of equation 2 follows a logistic probability function and estimates the logged odds of an event happening – in this case trusting or not trusting civil service and major companies respectively – as a function of the selected explanatory variables (Kennedy, 2003), as defined by equation 4.

$$\log \left[\frac{P(TRUST = 1)}{1 - P(TRUST = 1)} \right] = \sum_{K=1}^K \beta_k X_k$$

EQUATION 4: TRUST ON MAJOR COMPANIES/CIVIL SERVICE LOGIT ESTIMATOR

These initial regressions, conducted on the pooled French and German samples, provides us with a baseline of how income and sector employment influences attitudes towards markets. We supplement this approach with further regressions taking into account the interaction between employment and income.

$$Y_i^d = \alpha_0 + \beta(\sum_{i=Low\ Inc.}^{High\ Inc.} CS_i * C_i) + \beta(\sum_{i=Low\ Inc.}^{High\ Inc.} PS_i * C_i) + \beta(\sum_{i=Low\ Inc.}^{High\ Inc.} UN_i * C_i) + X_i + \varepsilon_i$$

EQUATION 5: IMPACT OF THE INTERACTION OF INCOME AND SECTOR EMPLOYMENT BY COUNTRY ON TRUST ON MARKET MECHANISM AND SATISFACTION WITH MARKET OUTCOMES

Our main parameter of interest is the interaction between public/private sector employment and income. Equation 5 provides an accurate measure of this interaction by regressing six dummy variables that group the interaction between income groups and employment sectors. To construct these variables, we have recoded the 1 to 10 income scale across three dummy variables that represent income groups: low incomes (steps 1 to 3), medium incomes (steps 4 to 6), and high incomes (steps 7 to 10). Thereafter we multiplied these dummies by the Civil Service and Private Sector dummy variables respectively. Income is a very imperfect proxy to control for duality, but provides substantial information on how job experience might shape attitudes towards markets. We also keep the unemployed dummy that can provide further information on outsiders' attitudes towards markets, especially in relation to the low income dummies. As can be observed in table 10, these dummies provide an approximation to the categories outlined in Section 2 of public sector insiders, public sector outsiders, private sector insiders, and private sector outsiders.

TABLE 10– MAIN INTERACTIONS OF INTERESTS

	<i>Public Sector</i>	<i>Private Sector</i>
<i>More likely to be insiders</i>	High Income (7 to 10 Income Scale)	
	Medium Income (4 to 6 Income Scale)	
	Low Income (1 to 3 Income Scale)	
<i>More likely to be outsiders</i>	Unemployed	

In order to assess the different dynamics across France and Germany we interact the Public Sector/Private Sector Income and unemployment dummies with the country dummies. Our final independent variables of interest are then a series of dummies that indicate sector of occupation, income and country.

To these variables of interest, we add a set of X_i covariates to control for ideology, gender, and educational attainment. Table 11 includes the description of the control variables as well as their sample size.

TABLE 11 – CONTROLS

Control	France N	Germany N
Age	1,001	2,064
Sex (Total)	1,001	2,064
Male	480	911
Female	521	1,153
Highest Educational level attained	1,000	2,064
Self-identification in 1 to 10 Ideological Scale ((1) left- (10) right)	931	1,824

Notes:

WVS surveys a total of 1,001 German citizens and 999 French citizens, differences on answers' N are attributed to questions not asked by the surveyor or not answered by the surveyed.

This same set of interactions and controls is also used as independent variables for the logistic regression set-up described in Equations 2 to 4, in order to assess their impact on the probabilities of trusting major companies or the civil service.

5.1. Results

Table 12 sets out the results of different models following the specification of equation 1 and equation 5.

TABLE 12 – ATTITUDES TOWARDS MARKET MECHANISMS

	(1)	(2)		(3)		(4)	
		France	Germany	France	Germany	France	Germany
Public Sector	-0.0932 (0.119)	-0.779^{***} (0.205)	0.0792 (0.137)				
Private Sector	0.0843 (0.0973)	-0.512 ^{**} (0.162)	0.206 (0.106)				
Income Scale (1-10)	0.0813 ^{***} (0.0208)	0.0764 [*] (0.0301)	0.0909 ^{***} (0.0240)				
Unemployed	-0.492 ^{***} (0.133)	-0.332 (0.239)	-0.555 ^{***} (0.157)	-0.339 (0.239)	-0.602 ^{***} (0.157)	-0.0596 (0.244)	-0.610 ^{***} (0.162)
France	-0.738^{***} (0.0847)						
High Income Public Sector				-0.582 (0.421)	0.548 [*] (0.241)	-0.574 (0.413)	0.507 [*] (0.250)
Med. Income Public Sector				-0.866^{***} (0.224)	0.179 (0.168)	-0.746 ^{**} (0.229)	0.324 (0.173)
Low Income Public Sector				-0.913^{***} (0.228)	-0.291 (0.225)	-0.904 ^{***} (0.226)	-0.160 (0.230)
High Income Private Sector				0.108 (0.291)	0.381 (0.197)	-0.185 (0.287)	0.379 (0.199)
Med. Income Private Sector				-0.501 ^{**} (0.159)	0.300 [*] (0.119)	-0.480 ^{**} (0.160)	0.249 [*] (0.121)
Low Income Private Sector				-0.808 ^{***} (0.135)	0.0268 (0.145)	-0.840 ^{***} (0.136)	0.0596 (0.151)
Age							0.00491 [*] (0.00235)
Education							0.0122 (0.0194)
Sex (Female =1)							-0.341 ^{***} (0.0784)
Ideology							0.168 ^{***} (0.0204)
_cons	5.277 ^{***} (0.126)	5.128 ^{***} (0.128)		5.513 ^{***} (0.0818)		4.943 ^{***} (0.257)	
N	2568	2568		2568		2377	
adj. R ²	0.049	0.048		0.048		0.085	

Standard errors in parentheses

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Model 1 highlights how – across the pooled French and German respondents – being French is the most important variable, in terms of significance and magnitude, to predict a negative attitude towards Market Mechanisms, even more than being a civil servant or unemployed.

Model 2 unpacks the national dynamics of Model 1, interacting the estimators with the country dummies. We can observe how in Germany attitudes towards market mechanisms are defined mainly by income, while in France the most significant factor is the difference between public or private sector employment.

Models 3 and 4 unpack the income/private sector effects as described in Equation 5, the difference is that only model 4 includes the control covariates. In Germany the only negative significant coefficients correspond to being unemployed or a low income public worker. This contrasts with France, where the only dummy with a positive association is being a high income private sector employee. While all being negative, the remaining dummies present interesting particular dynamics. In case of the French public sector the low and medium income coefficients are close and considerably high, nearly moving one point in the one to ten scale. The coefficient drops considerably for high income civil servants, a result consistent with previous research – such as Amable (2014) – and with our model: namely, high-income public employees are the civil servants most receptive to market reforms. This contrasts with the dynamic in the French private sector, where the low income coefficient is slightly smaller than the medium income public sector coefficient, and the private sector medium income considerably smaller than the public sector low income coefficient. This provides support to our contention that middle income public sector insiders are the key group in sustaining the “statist” equilibrium of French institutions. However, we do not observe the same

dynamics for Germany, where income is the main factor accounting for market attitudes: as income increases so does pro-market values.

We conclude that the French have a more doubtful attitude towards market mechanisms and that income divisions in combination with public sector employees' preferences are significant factors to explain these attitudes, while in Germany income is the main variable explaining attitudes towards markets.

To continue exploring these different attitudes towards markets, Table 13 includes the results for our measure of satisfaction with market outcomes.

TABLE 13 – SATISFACTION WITH MARKET OUTCOMES

	(1)	(2)	(3)	(4)
		France	Germany	France
Public Sector	-0.0659 (0.110)	0.422* (0.189)	-0.149 (0.128)	
Private Sector	-0.0255 (0.0905)	0.540*** (0.150)	-0.159 (0.0989)	
Income Scale (1-10)	0.201*** (0.0192)	0.188*** (0.0277)	0.205*** (0.0223)	
Unemployed	-0.104 (0.124)	-0.281 (0.219)	-0.0201 (0.148)	-0.386 (0.221)
France	0.533*** (0.0784)			
High Income Public Sector			0.338 (0.389)	0.714** (0.229)
Med. Income Public Sector			0.259 (0.209)	0.107 (0.391)
Low Income Public Sector			0.361 (0.211)	0.516* (0.243)
High Income Private Sector			1.470*** (0.267)	0.0457 (0.159)
Med. Income Private Sector			0.461** (0.148)	0.231 (0.218)
Low. Income Public Sector			0.0937 (0.125)	-0.0880 (0.167)
				0.213 (0.214)
				-0.758*** (0.209)
				-0.824*** (0.216)
				1.088*** (0.272)
				0.339 (0.193)
				-0.0223 (0.111)
				0.381* (0.152)
				-0.0674 (0.116)
				0.0863 (0.129)
				-0.524*** (0.144)
Age				0.00348 (0.00224)
Education				0.0722*** (0.0186)

Sex (Female =1)				-0.00843 (0.0748)
Ideology				0.141*** (0.0194)
_cons	4.391*** (0.117)	4.467*** (0.119)	5.344*** (0.0766)	4.212*** (0.245)
N	2513	2513	2513	2329
adj. R ²	0.052	0.052	0.040	0.062

Standard errors in parentheses

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Table 12 provides some nuance to our results: French respondents seem more satisfied with market outcomes than German respondents, despite being more suspicious of market mechanisms. If we take into account the effects of income distribution, some significant dynamics emerge. Among French public employees, the less satisfied group seems to be those on medium incomes, with the second smallest positive coefficient across the public employee income distribution and the second smallest across the overall income distribution. While in Germany the lowest income groups dummy has a negative association, in France the association remain positive albeit of a considerably smaller magnitude in respect to other groups. This reverses the dynamic as between French and German low income groups observed in table 12, where German low income coefficient was small but positive while the French one was negative.

In short, Tables 12 and 13 indicate that French citizens seem more satisfied with current market outcomes but less trustful of market mechanisms. This is especially relevant across low and medium incomes, relatively satisfied with outcomes but highly suspicious about market mechanisms. In contrast the French unemployed are critical of both market mechanisms and market outcomes, but the coefficient on market mechanism is considerably smaller than the negative coefficient for French public sector low and medium incomes. These findings are consistent with our assumptions and stylized model. In France, those affected more negatively by job

insecurity (unemployed) are highly critical of the market, but not as critical as those that have a secure job trajectory but an instrumental interest in maintaining the status quo (public sector low and medium incomes).

Tables 14 and 15 further explore this thesis by including the results for the ordered logistic regression – as described in equations 2 to 4 – for confidence in private and public sector actors respectively. For ease of interpretation these results are written in odds ratios.

TABLE 14– CONFIDENCE IN PRIVATE SECTOR ACTORS

	(1)	(2)		(3)		(4)	
		France	Germany	France	Germany	France	Germany
Public Sector	0.972 (0.138)	1.171 (0.275)	1.022 (0.168)				
Private Sector	1.286* (0.149)	1.914*** (0.354)	1.172 (0.148)				
Income Scale	1.108*** (0.0261)	1.140*** (0.0372)	1.066* (0.0300)				
Unemployed	0.984 (0.154)	0.656 (0.182)	1.120 (0.207)	0.617 (0.171)	1.174 (0.216)	0.680 (0.197)	1.185 (0.229)
France	2.106*** (0.199)						
High Income Public Sector				1.388 (0.650)	1.214 (0.344)	1.583 (0.760)	1.364 (0.420)
Med. Income Public Sector				1.252 (0.323)	1.152 (0.228)	1.428 (0.393)	1.205 (0.256)
Low Income Public Sector				1.788* (0.449)	0.661 (0.195)	1.848* (0.480)	0.749 (0.232)
High Income Private Sector				2.882*** (0.872)	2.193*** (0.470)	2.830** (0.897)	2.396*** (0.543)
Med. Income Private Sector				2.581*** (0.447)	1.142 (0.160)	2.570*** (0.467)	1.180 (0.174)
Low Income Public Sector				1.982*** (0.299)	0.800 (0.143)	1.977*** (0.314)	0.818 (0.157)
Age						0.996 (0.00278)	
Education						0.975 (0.0230)	

Sex (Female=1)				1.050 (0.0979)
Ideology				1.146*** (0.0277)
<i>N</i>	2534	2534	2534	2347
adj. <i>R</i> ²				

Exponentiated coefficients; Standard errors in parentheses

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Table 14 is more similar to Table 13 than to 12, that is French respondents are more likely to trust major companies than German respondents. In France working in the private sector is the most significant predictor: across all income brackets, private sector employees much more likely to trust companies than their public sector counterparts. This public/private divide does not hold for Germany. Once we unpack the interaction across income groups the difference between French public and private sector employees' attitudes to companies are even starker. While such attitudes are relatively similar among low income workers in both the private and public sectors, medium and high income private sector workers are twice as likely to trust companies as their public sector counterparts. In Germany, this public/private sector-driven difference is only observable in the high income bracket and even then is much less pronounced.

TABLE 15— CONFIDENCE IN PUBLIC SECTOR ACTORS

	(1)	(2)	(3)	(4)
	France	Germany	France	Germany
Public Sector	1.261 (0.163)	2.083*** (0.452)	1.144 (0.170)	
Private Sector	1.065 (0.115)	1.660** (0.286)	1.006 (0.118)	
Income Scale	1.068** (0.0241)	1.106** (0.0353)	1.017 (0.0267)	
Unemployed	0.749 (0.113)	0.755 (0.190)	0.702 (0.129)	0.710 (0.180)
France	2.684*** (0.243)			
High			2.808*	1.545 2.989*

Income Public Sector	(1.244)	(0.397)	(1.351)	(0.419)
Med. Income Public Sector	2.856*** (0.678)	1.025 (0.188)	2.812*** (0.706)	1.073 (0.208)
Low Income Public Sector	2.711*** (0.651)	0.951 (0.234)	2.557*** (0.630)	0.810 (0.216)
High Income Private Sector	1.879* (0.563)	1.187 (0.255)	1.782 (0.553)	1.160 (0.264)
Med. Income Private Sector	2.255*** (0.377)	1.013 (0.132)	2.311*** (0.403)	1.006 (0.137)
Low. Income Public Sector	2.063*** (0.294)	0.787 (0.129)	1.969*** (0.293)	0.674* (0.120)
Age				1.005* (0.00263)
Education				0.989 (0.0217)
Sex (Female=1)				0.999 (0.0874)
Ideology				1.071** (0.0244)
<i>N</i>	2578	2578	2578	2376
adj. <i>R</i> ²				

Exponentiated coefficients; Standard errors in parentheses

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Table 15 presents our results for the ‘trust in public actors’ measure.

Model 1 results reinforce the statist aspect of French culture: among French and German respondents, being French has a higher positive relationship with trust in the civil service than being a civil servant. Once we unpack this dynamic by countries, we can observe a strong positive relationship between confidence in the public sector and the public employee dummy in France, a characteristic that is not

replicated in Germany. The relatively high positive coefficients for France's low income dummies, especially among public employees, suggests that poorly paid groups in France do not blame the state for their predicament. In short, Table 15 is the mirror image of Table 14: it seems that in France trusting the civil service or major companies depends more on whether one is a public or private sector employee, while in Germany the level of trust is chiefly determined by income.

Our results advance our understanding of France's statist attitudes and their drivers. This statist culture does not reflect dissatisfaction with existing market outcomes or a desire for redistribution (as evidenced by Table 13) or low levels of confidence in market actors (Table 14), but rather a deep mistrust of market mechanisms that are seen as a flawed instrument to reward efforts, as evidenced by Table 12.

France's statist attitudes are widely shared among the whole but it seems that they are highly correlated with being a civil servant: French public employees tend to be more mistrustful of market mechanisms, relatively less satisfied with market outcomes, relatively less confident in major companies and considerably more confident in the civil service. This correlation does not apply in Germany, where income seem to be a much powerful explanatory factor in all cases. These differential dynamics – in respect to France's private sector employees and Germany public sector employees – are especially acute across France's medium income public employees, a finding consistent with the assumptions outlined in our model.

6. Conclusion

This paper has explored the interaction between two types of labour market segmentation and its impact on attitudes towards markets. What we have defined as a squared segmentation makes reference to two divisions: between insiders, with

permanent and stable careers, and outsiders, with fragmented and precarious professional trajectories; and between private and public sector employees. Our assumption is that this squared segmentation is accompanied by negative attitudes towards market mechanisms that hinder reforms required to diminish the gap between insiders and outsiders.

To flesh out this dynamic, we describe the labour market and public/private segmentation across France and test its impact on attitudes towards markets. First we analysed France's squared segmentation, showed how this divide is compounded by a highly discretionary public sector with strong influence across industrial relations and product market regulations. We have also highlighted how previous literature and existing evidence show that, notwithstanding this double privilege of highly protected and highly discretionary insiders, the French public displays comparatively high levels of trust in, and support for, the public administration. Drawing from the literature on how the insider/outsider and public/private divides affect preferences, we have hypothesized that instrumental interests of public and private outsiders are obscured by these outsiders' experience of the labour market, leading them to be more suspicious of market mechanisms. Such attitudes are accentuated by the public/private divide with public workers' preferences being closely associated with their employment. We have stylized these hypotheses into a model that summarizes how well placed public insiders might be more receptive towards market reforms but how middle-income insiders and outsiders are less receptive.

We explore these assumptions based on the Wave 5 of the World Values Survey, limiting our analysis to French and German respondents. Germany offers a suitable comparison group to France, as it has also a highly dual economy but structured through production sectors rather than through the public/private divide. Although the WVS does not allow us to identify the types of labour contract that underpins the insider/outsider divide, we can use income and unemployment to capture

outsider preferences. The results are broadly in line with our assumptions. Unlike in Germany, French respondents' attitudes towards markets depend heavily on whether they are employed in the public or private sector. Across French income division high income public sector employees tend to be more receptive towards market mechanisms, and more trustful towards market actors, while low and medium income groups are highly suspicious of market mechanisms, less satisfied with market outcomes and less trustful of market actors.

Our research brings significant contributions to different fields. Economic culture is often crudely divided between more liberal Anglo-Saxon countries and more Statist continental Europe (see for example Phelps, 2011). Our analysis of two continental European economies show important divergence in attitudes towards the market. French respondents are significantly more suspicious of market mechanisms, but more satisfied with market outcomes, less prone to redistribute and more trustful of the civil service and major companies. German respondents are more supportive of market competitive mechanisms, but they tend to show higher support for equalizing incomes and are less trustful of major companies. The literature on insider-outsider preferences has come a long way in providing evidence how differential professional trajectories shape preferences; however it has mostly ignored the public-private divide. Our research highlights that this is a divide that needs to be taken into account to fully assess insider and outsider preferences in countries with statist traditions such as France.

Our research is limited by the data used, the WVS does not include clear parameters enabling us to identify labour market insider and outsiders. However, it includes a clear question to identify public and private sector employees that most of the surveys used to explore insider and outsider preferences do not include. Developing specific surveys that take this squared segmentation into account might provide more definitive answers on how the public-private divide interacts with labour market segmentation. Similarly, extending our research beyond France to

other countries with dual economies and a strong public-private divide – such as Spain or Italy – might provide insightful and detailed answers on the complex relationship between formal and informal institutions in the shaping of beliefs and attitudes.

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