Conflict in Dismissals

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Abstract

How do the employer and the worker interact during a dismissal? This paper tests whether they cooperate to minimize costs, or instead engage in *conflict*—i.e., deliberately amplify costs. We leverage a unique feature of the French labor market: an employer and a worker can jointly opt to replace a costly dismissal by a cheaper and more flexible "separation by mutual agreement" (SMA). Introduced in 2008, SMAs eliminate red tape costs, enable severance pay bargaining, and preclude litigation. However, we find that only 12% of dismissals are resolved through SMAs—far below the efficient level predicted by standard bargaining models. Surveying HR directors, we identify three drivers of conflict that hinder cost minimization: (i) hostility between the employer and the employee, (ii) employers using dismissals as a "discipline device" to maintain incentives, and (iii) asymmetric beliefs about subsequent labor court outcomes. Using counterfactual scenarios in the survey, we find that removing these three drivers of conflict would increase SMA adoption from 12% to 67% of dismissals. We confirm that less conflictual dismissals—due to either better employer-employee relationships or workers benefiting from early retirement—end more often as SMAs.

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1 Introduction

Dismissals are costly to implement for firms and have long-lasting consequences for workers. While existing models usually take these costs as given, in reality, both parties influence them through various actions during the separation process. In principle, these interactions could range from cooperation—where they minimize separation costs, as predicted by efficient bargaining models—to *conflict*—henceforth denoting the deliberate imposition of costs. For instance, employers may provide damaging or glowing references, while workers may go to court or settle beforehand. Yet, the prevalence and drivers of conflict in dismissals remain an open question because of empirical challenges inherent to this context. The dismissal process is a black box, with the critical interactions taking place behind closed doors and unobserved in large-scale labor market datasets. Moreover, labor market institutions impose rigid frameworks for unilateral separations, which might mechanically prevent efficient choices and cooperation during dismissals.

This paper tests, for every dismissal, whether the employer and the worker minimize separation costs. For dismissals in which they do not, we examine the role of deliberate cost seeking and identify the drivers. We exploit a unique feature of the French labor market whereby the employer and the worker can cooperate during a dismissal to substantially reduce red tape costs. Our focus is on personal (rather than economic and collective) dismissals, which make up 77% of all dismissals in France, and which require a just cause. Specifically, our test uses the possibility to replace a personal dismissal with a "separation by mutual agreement" (SMA). SMAs (*ruptures conventionnelles*) are a new mode of separation introduced in 2008.[1] They are much less costly than standard personal dismissals because they waive employment protection: there is no just-cause requirement and the process is shorter, more flexible, and easier. On top of lower red tape costs during the dismissal, the separation cannot be litigated afterwards, which is a major difference, as 25% of personal dismissals are challenged in labor court. Moreover, SMAs preserve eligibility for unemployment benefits. Importantly, SMAs explicitly enable the employer and the worker to bargain on a side payment in the form of extra severance pay, and on the separation date. Due to cost savings and the built-in side payment, an SMA should always be chosen during a dismissal in a standard bargaining model. However, it requires mutual consent. For those reasons, whether a given dismissal is replaced by an SMA is a sharp test of the parties minimizing costs in the dismissal.

Our paper proceeds in two main steps. First, we estimate how frequently SMAs are chosen over dismissals. We define *potential dismissals* as separation events in which the firm would, absent the SMA, proceed with the personal dismissal. A *conversion* denotes such a potential dismissal ending as an SMA. Equivalently, it is an SMA that otherwise would be a dismissal (since SMAs can also replace quits or job continuations). Our object of interest in the first step is the share of potential dismissals converting—i.e., during which the parties minimize costs. In our second step, we then identify the mechanisms that prevent conversions. Among multiple factors, we test for deliberate cost seeking, and focus on three drivers of such conflict: (i) hostility between the employer and the worker, whereby one

[1]Two existing papers (Signoretto, 2016; Batut and Maurin, 2020) have studied this reform. They study short-run impacts through 2009 and establishment level turnover, respectively, comparing firms that use SMAs vs. those that do not. They do not focus on substitution with dismissals.

of the party derives utility from the other party incurring costs, (ii) employers using punitive dismissals as a "discipline device" to incentivize their other employees, and (iii) asymmetric beliefs about the outcome of challenging the dismissal in labor court.

Across three complementary strategies, we estimate that fewer than 12% (10.9% to 11.8%) of potential dismissals end with SMAs. That is, in the vast majority of potential dismissals, the parties fail to minimize separation costs. We obtain this result by leveraging administrative data on worker flows, allowing us to observe the exact separation mode. We also draw on matched employer-employee data and a survey of workers who separated by mutual agreement.

Our first strategy relies on the aggregate time series of dismissals. We compare the share of jobs separating as dismissals over 2011-2014 to the share over 2003-2006, and attribute the observed decline to conversions into SMAs. Our second estimate relies on a difference-in-difference design across labor market cells (defined by worker and firm characteristics). We compare the evolution of dismissals in cells with high and low SMA take-up. Pre-SMA reform, dismissals were evolving similarly across those cells. We interpret the stronger post-reform decrease of dismissals in cells with higher SMA take-up as conversions. Then, we back out aggregate conversions by multiplying aggregate SMA take-up with that difference-in-difference estimate. Third, we exploit a government survey of workers who separated by SMA that asks about the counterfactual if the SMA had not been signed, yielding our third estimate of conversions. These independent strategies yield strikingly close conversion shares of 11.1%, 11.8%, and 10.9%.[2]

This small share of potential dismissals ending as SMAs is puzzling from a perspective of cost minimization. The core force that should push towards the SMA is the possibility to avoid red tape costs. While there exist no direct estimates of those costs, we construct two proxies based on firms' revealed avoidance in other contexts: the use of fixed-term contracts of long duration, and excess separations during probationary periods. We document that labor market cells with higher dismissal costs have higher conversion shares. However, all establishments continue to implement dismissals, even those actively using SMAs. Moreover, analyzing administrative court case data, we find no reduction in the number of personal dismissals challenged in court. Hence, the dismissals going to court—despite being particularly costly—do not convert. This result further raises the question of whether the lack of cost minimization results from conflict.

In our second step, we zoom into the potential dismissals that failed to choose the SMA, and identify the reasons behind that choice, in particular the role of conflict. We have designed and administered a new survey of human resource (HR) directors to uncover the actual interactions between employers and employees during dismissals. HR directors are the most likely respondents to know why SMAs fail: they indicate they are the ones making dismissal decisions and implementing them in their companies. Our final analysis sample consists of 210 respondents. We instructed respondents to report on the last dismissal they implemented, and specifically elicit the factors that prevented an SMA. Alongside other potential mechanisms, we test for the three potential drivers of conflict: (i) hostility, (ii) dismissals

[2]We also construct an upper-bound of 36.0% for the conversion share, by conservatively assuming that all observed SMAs are conversions (i.e., leaving no room for SMAs replacing quits or job continuations).

being used as a discipline device, and (iii) asymmetric beliefs about labor court outcomes. Then, we ask them to report the probability that this last dismissal would instead have ended as an SMA if a given factor (or all three) were absent. Eliciting these beliefs allows us to construct counterfactual conversion shares that shut off one mechanism at a time (or all three together). Hence, this exercise quantifies the contribution of these factors to higher costs during dismissals.

We estimate that hostility, the discipline device mechanism, and asymmetric beliefs jointly explain 62.7% of the dismissals not ending as SMAs. This means that 62.7% of the dismissals not already resolved through SMAs would end as SMAs if those three drivers of conflict were absent. This low-conflict counterfactual would increase the share of potential dismissals terminated by SMAs up to 67.2% at the aggregate level, from the 12% already converted.[3] Focusing on each factor individually, we find that 57.2% of potential dismissals would end as SMAs without hostility, 51.5% if dismissals were not used as a discipline device, and 50.6% without asymmetric beliefs.

Our survey also elicits details about how those three mechanisms play out in practice, for instance the worker deliberately making things difficult for the company. HR directors also report costly behaviors in dismissals beyond the choice of the separation mode. Moreover, the discipline device mechanism relies on the dismissal being more punitive than the SMA for employees, due to the worker incurring some red tape costs or career stigma from a dismissal (see, e.g. Gibbons and Katz, 1991). Indeed, we confirm such stigma vis-a-vis the SMA, as half of the HR directors prefer recruiting a worker last separated by mutual agreement, half are indifferent with a dismissed worker, and no one prefers a dismissed worker. Besides deepening our understanding of the three conflict drivers, the survey results also rule out alternative factors, such as limited knowledge about the SMA or larger bargaining costs with the SMA, and describes trade-offs between SMAs and dismissals.

Finally, we confirm that more dismissals actually resolve as SMAs when conflict is plausibly lower. First, drawing on a manager-employee workplace survey, we find that labor market cells exhibiting worse manager-employee relationships are less likely to convert dismissals into SMAs. Second, we focus on a subset of more cooperative dismissals enabling older workers to use unemployment insurance (UI) as a bridge into retirement. Three years before retirement, workers who are dismissed (or who sign an SMA) can receive UI until they retire. We estimate that 36.9% of these more cooperative dismissals convert into SMAs, much more than the average 12% in the population of dismissals. Hence, those results confirm the findings of the HR director survey, that conflict amplifies costs of dismissals.

Our paper contributes to the literature on job separation decisions, with the new focus on interactions during the separation. By focusing on *how* workers and firms behave during separations, we complement existing work on bilateral inefficiencies in *whether* a given job should have separated and frictions such as wage rigidity (e.g., Hall and Lazear, 1984; Bewley, 1999; Jäger, Schoefer, and Zweimüller, 2023; Davis and Krolikowski, 2024; Bertheau, Kudlyak, Larsen, and Bennedsen, 2024; Blanco, Drenik, Moser, and Zaratiegui, 2024). The prevalence of conflict and the drivers we identify likely impact decisions to separate as well. For instance, the account of why firms favor dismissals over wage cuts in Bewley

[3]The result of 67.2% is obtained from 12% + (100-12)% × 62.7%, where 12% is the share of potential dismissals already converted.

(1999) includes the fear of sabotage or morale effects—with some employers even having workers stay off work at full pay during advance notice periods. Similarly, asymmetric information has been recognized as a source of unilateral separations (Hall and Lazear, 1984), naturally generating a basis for disagreement.

We also add to a large literature on employment protection and job turnover that treats dismissal costs essentially as exogenous to the match (Bentolila and Bertola, 1990; Abowd and Kramarz, 2003; Autor, Donohue, and Schwab, 2006; Boeri and van Ours, 2008; Martins, 2009). Papers that model choices within dismissals tend to emphasize efficient bargaining, such as minimizing red tape costs (see, e.g., Garibaldi and Violante, 2005; Postel-Vinay and Turon, 2014; Cederlöf et al., 2024) or collusion for UI (Van Doornik, Schoenherr, and Skrastins, 2023; Khoury, 2023). We find that such cooperation fails in 88% of cases, with the parties' choices increasing rather than decreasing the regulatory costs, and we identify the drivers of this outcome. While we also find more cooperation in exactly those collusive dismissals (at the early retirement margin in our context), our results show that conflict largely dominates for the majority of dismissals.

Our empirical investigation of the role of asymmetric information about court outcomes contributes to the literature on litigation and the failure to settle pre-trial more broadly (see, e.g., Priest and Klein, 1984; Loewenstein, Issacharoff, Camerer, and Babcock, 1993; Babcock, Farber, Fobian, and Shafir, 1995a; Babcock, Loewenstein, Issacharoff, and Camerer, 1995b; Loewenstein and Moore, 2004).[4] Focusing on evictions, Rafkin and Soltas (2024) experimentally show evidence of both asymmetric information and hostility between landlords and tenants. Using an experiment in the labor court context, Sadka, Seira, and Woodruff (2018) find that providing more information on the likely outcomes increases pre-trial settlements in Mexico. We focus on a broader notion of conflict beyond labor litigation, for all dismissals, and we contribute to this literature by quantifying the underlying drivers. Importantly, the SMA provides an ideal setting to track such settlement rates in the labor market, given its regulatory features and its observability in the administrative data.

Finally, our paper contributes to the literature on efficiency wages (Shapiro and Stiglitz, 1984; Katz, 1986), in that employers appear to use the costly separation mode to generate incentives for a given worker, and consider potential spillovers onto colleagues (echoing the ideas related to within-firm wage inequality in Lazear, 1989). In turn, MacLeod (2003); Hart and Moore (2008); Fehr, Hart, and Zehnder (2011); MacLeod, Lara, and Zehnder (2020) have shown that the prospect of costly conflict responses to holdup (MacLeod and Malcomson, 1993) may improve efficiency in the context of incomplete contracts and incomplete information, albeit in *continuing* employment relationships. For evidence on collective and individual shirking following pay cuts or layoffs, again among continuing jobs, see Mas (2006); Coviello, Deserranno, and Persico (2022); Akerlof et al. (2022). By studying the social aspects of worker effort, our paper is also related to the literature on the role of social preferences in employee motivation, including gift-exchange mechanisms and references points (e.g., Akerlof, 1982; Mas, 2006, 2008; Alfitian

[4]By contrast, the literature on strikes (Farber, 1986; Kennan, 1986; Fernandez and Glazer, 1991; Kennan and Wilson, 1993; Krueger and Mas, 2004) features collective (rather than bilateral) bargaining and over wages under the shared assumption about a continued employment relationship (rather than about separation terms during a dismissal), and with costs stemming from costly delay.

and Vogelsang, 2022; DellaVigna, List, and Malmendier, 2022). While this literature emphasizes a reduction in effort, our evidence points more towards intentional cost-seeking. In that regard, our results on hostility appear more closely related to the phenomena studied in the organizational behavior literature on anti-social workplace behavior (see for example Giacalone and Greenberg, 1997; Bies and Tripp, 2005).

The paper is organized as follows. In Section 2, we review the institutional context, contrast the dismissal process and the SMA one, and present the data. In Section 3, we introduce a basic model of job separations with different separation modes and discuss model extensions with non-standard factors. Section 4 presents our estimation strategies and results for the share of dismissals converted into SMAs. In Section 5, we estimate the role of the factors preventing conversions, including conflict. Section 6 closes our analysis with additional tests for the role of conflict in dismissals. Section 7 concludes.

2 Institutional Background and Data

We first describe employment protection regulations and the personal dismissal process in France. We then present the separations by mutual agreement, introduced in 2008. Finally, we describe additional separation modes and other institutional features such as unemployment insurance.

2.1 Employment Protection and Personal Dismissals

Permanent contracts. About 85% of French wage employment is under open-ended, also known as permanent, contracts (OECs). These contracts are characterized by a strong level of employment protection and can be terminated only under limited circumstances. In the OECD, France was ranked eighth in terms of the stringency of employment protection in 2007 (the pre-reform year) for individual dismissals and the indicator has been stable over 1990-2015 (see Appendix Figure A.1).

Permanent contracts start with a probationary period, during which employers can terminate the job at no cost and without any justification requirement. The law sets maximum lengths of probationary periods that depend on the occupation (8 months for managers, 6 months for technicians, and 4 months for clerks and blue-collar workers, accounting for potential renewals of the initial period). The contract can shorten those durations. Employment protection begins after the probationary period and defines rules for dismissals.

A dismissal can be for personal reasons (about the worker) or economic reasons (about the firm, see below). We first describe the regulation and process of personal dismissals, which are the focus of our paper and make up 77% of dismissals in France over 2003-2006 (see Section 2.4 for a description of the data used). We discuss alternative separation modes (economic dismissals, quits, separations by mutual agreement) in the subsequent sections.

Dismissal process. Every personal dismissal requires a verifiable and sufficiently serious cause (*cause réelle et sérieuse*). Three main types of causes can justify a dismissal: (i) a fault committed by the worker,

(ii) professional incompetence, or (iii) serious misconduct (see below for this last case). An employer dismissing a worker has to implement a four-step process, described in Figure 1, which also compares the dismissal process with that for the SMA, which we discuss below. First, she needs to identify a dismissal cause and gather evidence for this cause (expert statements, witnesses,...). Second, she sends a letter to the worker to schedule a meeting. This letter must state that the meeting is because she *is considering* dismissing the worker (but not why). Third, during the meeting, the employer explains the reasons for the dismissal and the worker has an opportunity to respond. The worker is allowed to bring one colleague to this meeting. While this colleague could be a union member, unions do not have a formal role in personal dismissals. At the end of that meeting, the employer decides whether or not to proceed with the dismissal. Fourth, the employer sends the official and final dismissal letter, containing all the reasons for the personal dismissal. Causes and evidence not included in the letter cannot be used in court later on, such that workers have all the information about their case at that point. Employers cannot dismiss workers immediately: once the dismissal notification is received by the worker, a mandatory notice period starts. Jobs with tenure below two years have a one-month notice period, while those above two years require two months' notice.

Severance pay. Dismissed workers are eligible for unemployment benefits (if employed long enough). Moreover, for workers with at least a year of seniority, firms must pay severance, $\overline{s}$, equal to

$$\overline{s} = \frac{1}{5}\text{wage} \times \text{tenure} + \frac{2}{15}\text{wage} \times \max(\text{tenure} - 10, 0), \tag{1}$$

where tenure is the number of years and wage is the monthly wage. For workers with less than one year of tenure at the dismissal, the severance pay is not mandatory (but they are entitled to advance notice and eligible for unemployment benefits).

Labor court disputes. 25% of workers dismissed for personal reasons challenge the dismissal in labor court (Fraisse, Kramarz, and Prost, 2015). The contract termination is considered wrongful by judges if dismissal process regulations were not followed, if the employer did not adequately prove the just cause, or if the worker was discriminated against or harassed. The burden of proof of the just cause always lies with the employer. Between 60% and 67% of court cases are also appealed (Cahuc, Carcillo, Patault, and Moreau, 2024). Although judges can offer the worker a reinstatement in the company if the dismissal is determined to be wrongful, workers usually opt for the the monetary compensation (consistent with the fact that court decisions often come long after the dismissal). Appendix A.2 provides additional details on the court process and the associated costs.

Specific case: dismissals for gross or serious misconduct. In a situation in which the cause for the dismissal is particularly serious (for instance, assaulting a colleague, stopping going to work), there are specific rules. There are two distinct legal classifications, depending whether the employee specifically intended to harm the company, but the separation process is similar for both. In those cases, the firm does not have to comply with the advance notice nor the severance pay. These workers are still eligible for unemployment insurance. A government survey run in 2022 estimates that 19.7% of personal dismissals are for serious misconduct (Brembilla, Dorothée, and Graindorge, 2023).

2.2 Separations by Mutual Agreement (SMAs)

Reform and timeline. On June 25^{th}, 2008, the French government introduced the possibility for firms and workers to mutually agree to terminate OECs (*Loi 2008-596 portant modernisation du marché du travail*). Separations by mutual agreements (*ruptures conventionnelles*) are the result of an agreement between social partners, signed in January 2008, and translated into the labor code in June 2008 (and effective on that date). The reform aimed at making OECs more flexible by facilitating their termination, while still providing employment security to workers. The government had three main objectives. The first was to reduce the labor market segmentation between permanent and temporary jobs, caused by high termination costs for the former and no such costs for the latter. The second goal was to reduce the number of disputes in labor court, which are frequent with personal dismissals. Hence, an objective of the SMA reform was that some conflictual and complicated dismissals would instead end more amicably with an SMA. The third objective was to facilitate job-to-job transitions by maintaining unemployment insurance eligibility for separations during the probationary period in the next job (otherwise lost following a quit).

Features of the SMA. SMAs allow an employer and an individual employee to *mutually* decide to terminate an OEC. They do not have to provide any cause for the separation and do not formally record one. They bargain on a severance paid to the worker.[5] The SMA's severance pay has to be at least equal to the one for a dismissal (computed in Equation (1)), but the parties can flexibly bargain an additional severance. The worker remains eligible for unemployment benefits exactly as with a dismissal. Since the separation does not require a cause, SMAs cannot be challenged in labor court.[6]

In practice, implementing an SMA requires two steps. Figure 1 describes the SMA process and contrasts it with dismissals. First, the worker and the employer have to meet at least once to discuss the parameters of the separation (separation date and severance pay). Second, they fill and sign the agreement together. This is done by filling out a printable form, which requires job information (wage and tenure), the separation date, and the severance. Appendix Figure A.2 displays the current online version of the form, which replaced the paper version in 2022, but contains the same information. During a mandatory wait time of 15 days following the signatures, either the worker or the employer can change their mind and cancel the SMA. After the wait period, the agreement is sent to the local labor inspection authority for validation, which takes an additional 15 days but is essentially guaranteed.[7] Finally, the worker and the firm separate at the agreed-upon date, the worker receives the severance pay and can, upon the separation, register with the unemployment agency to claim benefits, as with the dismissal. Hence, there is a mandatory minimum delay of one month between agreeing to separate and the actual separation—but the SMA permits the parties to flexibly set a later date at the point of the agreement. Importantly, the law indicates that an ongoing dismissal can be transformed into an

[5]The tax treatment of SMA severance payments is discussed in Appendix A.4. In most cases, severance pays of dismissals or SMA will not be subject to taxes until 2013.

[6]Consistent with this property of SMAs, only about 0.2% of workers separated under an SMA go to labor court on the grounds of the separation (Ray, 2021), compared to about 25% of workers after a dismissal. The worker does not give up her rights to go to court on other grounds (such as harassment).

[7]Only 4% of filled SMAs are considered invalid, often because the worker and the firm failed to meet once or because the bargained severance is below the minimum mandatory one from Equation (1) (Ray, 2021).

SMA at any stage. That is, after the worker has been notified of a dismissal by letter, the firm and the worker can still agree to do an SMA.

Take-up. The labor market quickly took up SMAs, as shown in Figure 2 Panel (a), which plots the share of SMAs in total separations. Following their 2008 introduction, SMAs saw a sharp increase through 2011 to a stable share of about 15%–17%. Given this fact, we end our main analysis in 2014 because 2003-2014 is when we can define worker flows consistently in the data source (details in Section 2.4 below). Turning to firms, Figure 2 Panel (b) shows the share of establishments that have used at least one SMA at any point, drawing on a balanced sample between 2008 and mid-2015. By 2015, more than 80% of firms have used an SMA.[8] In addition, in Section 5.4, we confirm widespread knowledge of and experience with the SMA process among HR directors.

Dismissals vs. SMAs. To conclude, both the SMA and the dismissal require the employee and the employer to meet once. In contrast to the personal dismissal, the SMA does not require a cause nor proof of a just cause and workers cannot go to labor court. The mandatory notice period for SMAs is shorter but the separation date can be set flexibly beyond it. However, the SMA requires the consent of the worker to proceed with the separation. Finally, the SMA also allows the parties to bargain extra severance pay.

2.3 Other Institutional Features

We now describe economic dismissals, quits, and additional institutions.

Economic dismissals. On top of personal dismissals, firms can dismiss workers for economic reasons. An economic dismissal is for reasons unrelated to the specific worker and results from economic difficulties, technological change, a necessary reorganization to remain competitive, or firm exit. They are allowed only after all alternative ways to maintain the contract have been exhausted (e.g., change in occupation, transfer to another establishment within the firm, even if this requires some training). If the economic dismissal is collective, the employer must additionally first negotiate with a worker committee to create a plan minimizing the number of dismissals, and send the plan to the labor inspection. Workers receive severance pay (Equation (1)). The share of workers going to court after an economic dismissal was twelve times lower than for personal dismissals over 2004-2007 (Ministère de la Justice, 2019). The focus of this paper is on personal dismissals for several reasons: economic dismissals (i) are less frequent, making up just 23% of dismissals (over 2003-2007, computed from the worker flows data described in Section 2.4, see Figure 3), (ii) often have a collective rather than bilateral nature (including negotiations with a committee of worker representatives), and (iii) are related to the firm's economic difficulties.

Quits. A worker can quit a job; no reason is required. In practice, the worker sends a letter to the employer, the receipt of which initiates the notice period. The notice period is set in the employment contract and is usually between 2 and 3 months for managers, 1 month for technicians, and below a month for clerks and blue collar workers. The quit entails no direct cost for firms as no severance

[8]This result is consistent with the evidence presented in Figure 2 in Batut and Maurin (2020).

package is paid. Importantly, workers are not eligible for unemployment benefits. (Registration for benefits requires workers to provide firm-signed documentation confirming the separation mode.) Quits are the most frequent separation type: Figure 3 shows that 4.3% of permanent jobs are terminated with a quit every year over 2003-2006 (data described in Section 2.4). We discuss interactions of SMAs and quits in Appendix I.

Fixed-term contracts. On top of OECs, employers can rely on fixed-term contracts, under limited circumstances. These are temporary contracts that pre-specify the end date. They can be used to replace a worker on leave, when the firm experiences a temporary change in activity, for seasonal jobs, or for jobs that are by nature temporary. A fixed-term contract can be renewed once (twice starting 2015) and the total maximum duration is 18 months for most cases. Exceptions apply for firms facing a sudden increase in exports (24 months) and for worker older than 57 years (36 months). When the contract ends, if no OEC is offered to the worker, the firm pays the worker a severance equal to 10% of total gross wages paid during the job.

Unemployment insurance. Eligibility for unemployment benefits requires an involuntary job loss (or an SMA starting in 2008) and depends on work history. Until 2009, workers had to have worked at least six months during the past 22 months. Since 2009, the requirement has been four months of the past 28 months. The benefit duration is proportional to work history. Workers younger (older) than 50 years old can receive up to 24 (36) months of benefits. The replacement rate is subject to a minimum and a cap and averages 60% of the previous net wage. There is no experience rating system in place.

Minimum wage and collective bargaining agreements. Employment contracts must comply with the national minimum wage, which is updated at least once a year and equal to 8.44€ per hour in 2007 and 9.53€ in 2014. While 10% to 15% of workers are paid the national minimum wage (Gautier, Roux, and Suarez Castillo, 2022), it is supplemented by wage floors by industry and occupation that result from collective industry agreements. These wage floors cover most workers in the private sector in France (Boudjemaa, 2018). 15% to 20% of workers are also covered by wage floors resulting from firm-level collective agreements.

2.4 Data

In this section, we present our datasets, drawing on administrative records and surveys.

Worker flows (MMO). Our main dataset is micro data on *individual* worker flow events from the *Mouvements de Main d'Oeuvre*)(MMO) dataset, collected by the Ministry of Labor. The MMO data are built from an administrative source and a survey. First, all establishments larger than 50 workers have to report, each month, the details of all hires and separations. Second, this information is supplemented by a survey. Each quarter, 50,000 establishments smaller than 50 are surveyed about their flows. The survey has a stable response rate of 75% and weights are provided to make the flows from the survey representative.

For each job separation, the data provide demographics of the worker involved, the start and end date of the job, the contract type, the occupation, and—importantly—*the detailed separation type* (e.g.,

end of fixed-term contract, personal dismissal of OEC, SMA, quit, probationary period ending,...). Information about new hires is also recorded. The dataset includes the establishment identifier as well as industry and size. Establishments smaller than 10 workers started to be included in the survey in 2007. Hence, our analysis relying on the MMO data focuses on establishments larger than 10 to have a consistent sample for the whole period. Since mid-2015, the collection of the MMO records has stopped, and it has progressively been replaced by a new version of the comprehensive employment records providing information on flows (*Déclaration Sociale Nominative*). The Ministry of Labor reports a strong break in the data starting then, and a lack of reliability and representativeness of the information on flows at the beginning of the change (i.e., from the second half of 2015). For that reason, our main analysis period is 2003-2014, for which we have consistent data. We provide robustness checks for later periods using the Labor Force Survey, described below.

Employment records (DADS). Our establishment-level and aggregate employment measures are computed using employment records from the *Déclarations Annuelles des Données Sociales* (DADS) over 2003-2014. They are built by the French Institute of Statistics (INSEE) and provide information at the job spell level from firms' annual mandatory fiscal declarations. While hires and separations are in principle observed in the DADS, the exact separation type is not recorded. In our analysis, we will therefore sometimes normalize MMO worker flows by DADS stocks to obtain separation shares.

Labor Force Survey (LFS). We rely on the Labor Force Survey (LFS) to obtain alternative measures of separations and employment, and to expand the period of analysis beyond 2014. We identify separations as employer or labor force status changes in the quarterly panel data—events for which the LFS additionally elicits detailed separation type. However, we are unable to observe separations of short employment spells taking place between two waves of the survey.

SMA administrative records. We have obtained administrative micro data on the mandatory SMA filings, for 2011 and from 2013 to 2015 (for 94 out of 96 provinces). These data contain the information from the form depicted in Appendix Figure A.2 and described in Section 2: on the job (tenure and wage), on the SMA (bargained severance, exact dates of agreement signature and of separation), as well as the firm identifier. The data provided between 2013 and 2015 specify additional information such as occupation and age. From the tenure and wage information, we can deduce the required minimum severance pay from Equation (1), for each SMA, to compare it to the actual bargained severance.

Worker survey of SMA participants. In 2012, the Ministry of Labor conducted a survey on workers who separated by mutual agreement in 2011. 4,502 workers were surveyed about their labor market trajectories before and after the SMA and the reasons for separating and for using an SMA. Relying on the date of signature of the agreement, the separation date and the tenure at separation, we were able to uniquely match 4,288 observations of the survey with the corresponding administrative SMA records (see above). Using the administrative records of the SMA filings, Appendix Table C.1 shows that the average characteristics of the 2011 SMAs matched with the survey are very close to the average characteristics of the population of SMAs signed in 2011. We consider this sample as representative of SMAs signed in 2011. We primarily use this survey to understand which share of SMAs would, according to the workers, have separated as a dismissal. To our knowledge, this survey has not been

used in prior research.

Labor court cases. We use comprehensive administrative records of individual cases in labor court, collected and provided to us by the statistical department of the Ministry of Justice. We observe cases for which a decision was rendered and focus on the period 2003-2014. For each case, we know for which reason it was brought to court (e.g., to contest a personal dismissal), whether it is the worker or the firm that opened the case, the starting date of the case, and the judgment date. Our analysis of these data makes use of judgment dates to avoid censoring cases that take more time. This dataset permits us to track the evolution of court cases following the SMA introduction.

Worker-manager survey on workplace characteristics (Reponse). To create measures of conflict between employees and employers, we rely on the survey *Relations Professionnelles et Négociations d'Entreprise* (Reponse). This survey is conducted every six years by the Ministry of Labor to study the evolution of management practices, work organization, and social climate. Establishments surveyed are larger than 10 employees and operate in the private sector. Managers and employees from the same establishments are surveyed. We rely on the last two waves of the survey, 2011 and 2017, because several questions on social climate were not included before. For that reason, the resulting proxies for conflictuality will be measured post-reform. There are 4,023 and 4,364 managers in the 2011 and 2017 waves, respectively, and 11,378 and 28,963 employees. We detail the survey questions used in Section 6.1. Broadly, managers are asked about collective conflicts, sanctions against workers, and social climate in their establishment. Questions to workers deal with their satisfaction with their job and the relationship with their managers.

Own survey of HR directors. To pin down the mechanisms and to provide evidence on questions our analysis of existing data would leave open, we have surveyed human resource directors in a detailed tailored questionnaire, including questions about conversion of dismissals into SMAs, views on SMAs and dismissals, and counterfactual conversion rates related to specific potential mechanisms. We describe the data collection, sample, and questionnaire in Section 5.1.

3 Conceptual Framework and Predictions

We present a simple model of endogenous job separations in which we introduce the choice of the separation mode (quit, dismissal, and SMA). Under standard assumptions, we show that dismissals should be entirely replaced by SMAs, due to their lower red tape costs and possibility of side payments. We then discuss non-standard features associated with conflict (hostility, discipline device, asymmetric information) that overturn this prediction.

3.1 Baseline Model with Standard Features

The parsimonious model focuses on a given set of initially existing jobs, each consisting of one worker and one firm. We focus on two periods. In period 1, jobs are both jointly and individually viable (i.e., carry positive joint and unilateral surpluses). At the beginning of period 2, values of the job or of outside options may shift for either party, potentially entailing a separation. The wage is fixed for

the duration of the job, an assumption that facilitates defining unilateral dismissals and quits. (While assumptions on wage rigidity affect which jobs and how many jobs separate, it does not impact the model predictions for the choice of the separation mode, conditional on separating.)

Table 1 summarizes the values in the four possible outcomes at the beginning of period 2. Appendix Figure B.1 plots the possible cases along two dimensions: the firm's job value J^F on the y-axis and worker's job value J^W on the x-axis, marking up outside option values as cutoff points. If the job continues, the firm and worker obtain values J^F and J^W, respectively.

If the firm dismisses the worker, it obtains the value of a vacant job V and must pay a dismissal red tape cost f. This cost corresponds to the implementation of the dismissal steps, described in Section 2 (e.g., proof of fault by the worker, legal fees,...). The firm must also pay the worker a severance pay $\bar{s}$, which is not bargained but exogenously set by employment protection legislation (EPL). Additionally, the firm considers the expected compensation c from the possibility of the worker going to labor court, adjusted for the probability of the worker going to court and winning (non-transfer costs of court risk can be viewed as folded into f). A dismissed worker receives the value of unemployment U plus b, the additional expected present value of unemployment insurance eligibility in this spell, the severance pay $\bar{s}$, and the potential additional compensation from a court case c.

The worker can also decide to quit the job at the beginning of period 2. In that case, her value is unemployment without unemployment benefits, U. The firm's value is V, as it does not have to pay a severance pay, there is no red tape cost, and there is no court risk.

The SMA has four key features. First, it eliminates EPL and prevents court cases—setting $f = 0$ and $c = 0$. Second, it enables flexible bargaining in the form of additional severance pay—denoted by s^b—on top of the level $\bar{s}$ mandated in the dismissal. Third, the worker is fully eligible for unemployment benefits b, exactly as in the dismissal case. Fourth, an SMA requires mutual consent, i.e., *both* parties must prefer the SMA to their respective outside options.

Main prediction: full conversion of dismissals into SMAs. Importantly, we consider *potential dismissals*: situations in which $V - f - c - \bar{s} > J^F$, so that absent an SMA the job would end in a dismissal. We then study the choice of the mode of this separation. Hence, the last row of Table 1 compares the value of the SMA to the one of the dismissal for the firm and the worker, as the dismissal is the outside option. A dismissal is replaced by an SMA only if both unilateral participation constraints for the SMA are met. s^b can transfer utility, and flexible bargaining ensures the bilaterally efficient outcome. Firms prefer the SMA over the dismissal whenever the extra severance payment is below the red tape and court compensation costs ($s^b \leq f + c$). Workers prefer the SMA over the dismissal whenever the extra bargained payment compensates the worker for losing out of the court value ($s^b \geq c$). Hence, $f \geq 0$ is the condition that implies a bargaining set for s^b—and hence conversion. That is, with efficient bargaining, the parties split the joint surplus from the SMA over the dismissal, f (and "fold" the court compensation c into s^b). Intuitively, the SMA economizes on EPL costs, such that the firm strictly prefers the SMA over the dismissal. The worker signs off if the firm makes a positive side payment at or above c. In conclusion, as long as dismissals entail red tape costs, all potential dismissals end in SMAs.

Two remarks help clarify the prediction. First, by zooming into a separation that would occur as a dismissal absent the possibility of the SMA, the prediction does not depend on the value of job continuation for either party. Both parties understand that the job will separate; the bargaining is about through which legal vehicle. Second, our simple bargaining setup does not make alternating offers explicit; however, the institutional setting implies that the parties can convert the dismissal into an SMA throughout the process. This feature also attenuates credibility concerns about the dismissal as the outside option.

Robustness to potential extensions. We have presented a simple model with fixed wages and did not specify all ingredients for the value functions. However a fully specified model featuring on-the job search and wage renegotiation, for instance as in Postel-Vinay and Turon (2014) (who do not study the SMA as such but their model features an opportunity to negotiate during a separation), would yield the same prediction of conversion of all dismissals.

Moreover, several omitted features would further strengthen the case for conversion. On the worker side, stigma and red tape costs from the dismissal (or the court procedure) favor the SMA. For the worker and firm, SMAs permit flexibly structuring the terms of the separation (such as ending the job at the most convenient time, ensuring overlap to train the replacement hire or avoid a vacancy,...). Incorporating risk aversion or borrowing constraints would also reinforce the prediction that dismissals end with SMAs as the certain and immediate severance pay s^b is valued more than the uncertain and delayed court outcome c (as in arbitration in collective bargaining, see Farber and Katz, 1979). Similar implications arise from workers being more impatient than firms.

Additional separations and quits. SMAs may also shift turnover outcomes besides dismissals. However, none of those considerations would change the prediction for the dismissal case. First, the introduction of SMAs may generate additional separations, in particular separations of jobs that were marginal, as depicted in Appendix Figure B.1 (but those separations are not potential dismissals). Second, the model implies that quits should not be replaced by SMAs (under the constraint of $s^b \geq 0$), because SMAs require a severance $\bar{s}$ paid by firms. As Appendix I shows, the majority of SMAs are replacing quits, indicating that workers are able to give back value to the firm in exchange for the SMA. The effects of SMAs on marginal jobs and on quits does not affect our main prediction that potential dismissals should end with an SMA. Third, if any dismissals are collusive quits (in which firms accept to bear some court risk or red tape cost for workers to receive UI), those should be even more likely to convert as the SMA provides a framework for collusion.

3.2 Drivers of Conflict that Could Rationalize Limited Conversion

We now discuss three plausible mechanisms that would pull the parties towards the dismissal and away from the SMA: hostility, discipline device considerations, and asymmetric beliefs. These features would generate notions of deliberate cost seeking in our model, and are the three drivers that we then also study empirically.

Hostility. Hostility and retaliation may shape interactions during dismissals. These behavioral

mechanisms contrast with the pro-social preferences the labor economics literature has predominately studied, mechanisms which would not be able to account for non-conversion.[9] In contrast, such hostility has received more attention in the organizational behavior and social psychological literature on anti-social behavior at workplaces (see, e.g., Giacalone and Greenberg, 1997; Bies and Tripp, 2005), such as workers engaging in sabotage and revenge, particularly in response to feeling aggrieved and insulted. Hostility has been cited also in the "failure to settle" puzzle at pre-trail negotiations in courts of law (see, e.g., Loewenstein, Issacharoff, Camerer, and Babcock, 1993; Babcock, Loewenstein, Issacharoff, and Camerer, 1995b; Loewenstein and Moore, 2004; Rafkin and Soltas, 2024).

In our context, dismissals may trigger hostility, with the worker or the firm refusing to sign off on the SMA exactly *because* the other respective party stands to lose from the dismissal. The simplest hostility model adjusts preferences directly as in Becker (1974). For instance, the counterparty's payoffs enter a party's payoffs, scaled by hostility parameter h (which is positive for hostility, negative for altruism). A hostile worker's values of an SMA and a dismissal are $U + b + \bar{s} + s^b - h \cdot (V - \bar{s})$, and $U + b + c + \bar{s} - h \cdot (V - f - c - \bar{s})$, respectively.[10] Hence, the worker's participation constraint in the SMA over the dismissal is $s^b \geq (1 + h)c + hf$, while the firm's is unchanged at $s^b < c + f$. Hostility pushes up the worker's reservation severance pay, and more so, the higher f and c. Combining the two reservation levels of s^b, the conversion condition narrows to $f \geq h \cdot (f + c)$. Hence, hostility can rationalize non-conversion of even high-f dismissals. Hostility on the firm's side would function analogously.

Discipline device and incentive effects. Beyond a bilateral view of dismissals at the level of a single match, firms may use dismissals to incentivize workers outside of the separation at hand. This approach would require a realistic extension that recognizes that dismissals are costlier to the worker than SMAs, for instance because of a stigma.[11] Efficiency wage theories as in Shapiro and Stiglitz (1984) assume that firms can only choose between continuation and one separation mode (dismissal). In a setting with multiple separation modes, the use of the most costly one would ex ante boost incentives (akin to firms timing such dismissals in recessions, as in Golosov and Menzio, 2020). Ex post, the firm will follow through with the seemingly inefficient separation mode of the dismissal.[12] We also investigate a worker analog of this mechanism in 5.4, but find no empirical support for it.

Asymmetric beliefs about court outcomes. Asymmetric beliefs about post-separation outcomes—specifically the court outcome—can lead to inefficient bargaining outcomes, and in this case the

[9]Existing labor economics work has studied *positive* reciprocity, as with social preferences attenuating moral hazard concerns through, e.g., gift exchange, morale, or reference points (Akerlof, 1982; Charness and Kuhn, 2007; Hart and Moore, 2008; Fehr, Goette, and Zehnder, 2009; Kube, Maréchal, and Puppe, 2012; Breza, Kaur, and Shamdasani, 2018; DellaVigna, List, and Malmendier, 2022), and the breakdown of high-effort equilibria in response to, e.g., wage cuts (Bewley, 1999; Fehr, Goette, and Zehnder, 2009; Kube, Maréchal, and Puppe, 2013) or following a dismissal notice (Alfitian and Vogelsang, 2022).

[10]In our model, hostility does not apply to s^b, plausibly because s^b is a voluntary transfer within a cooperative SMA context. If hostility did apply to s^b, it would not push towards the dismissal.

[11]Dismissals may label workers as "lemons" and result in a career penalty (Gibbons and Katz, 1991). We confirm the existence of the dismissal stigma in the French context in Section 5.

[12]Firms may also avoid an SMA in a given dismissal to establish a policy aimed at preventing future asks from other workers (analogous to the idea in Cullen and Pakzad-Hurson, 2023, that firms may respond to pay transparency mandates by committing not to renegotiate individually). When subsequently disentangling the broad mechanism further, we will find that this spillover channel is less important than the incentive mechanism.

failure to converge on the SMA. This mechanism is highlighted in the existing literature on pre-trial settlements (Loewenstein, Issacharoff, Camerer, and Babcock, 1993; Babcock, Loewenstein, Issacharoff, and Camerer, 1995b; Loewenstein and Moore, 2004; Sadka, Seira, and Woodruff, 2018; Rafkin and Soltas, 2024), with bargaining breakdowns resulting from asymmetric information (Myerson and Satterthwaite, 1983; Hall and Lazear, 1984).[13] Disagreements may concern the probability of the worker going to court, winning, and the compensation award—all captured by c in our model. With symmetric beliefs, the SMA bargain folds c into the discretionary severance pay s^b. With asymmetric beliefs, this bargaining solution may not be feasible. We can model divergent beliefs with an optimism shifter on c, ξ_c^i for $i = W, F$ (worker and firm). The worker's participation constraint becomes $s^b \geq (1 + \xi_1^W)c$ (so that worker optimism pushes up the minimum s^b) and $s^b \leq (1 - \xi_1^F)c + f$ for the firm (so that firm optimism pushes down the maximum s^b). Hence, reflecting the compression of the bargaining set, the condition for choosing the SMA over the dismissal is now $f \geq (\xi_1^W + \xi_1^F)c$. The belief gap $\xi_1^W + \xi_1^F$ distorts this condition, and can account for non-conversion despite $f > 0$.

4 Share of Dismissals Converted into Separations by Mutual Agreement

The baseline model predicts that all potential dismissals should end as SMAs. The objective of this section is to estimate the share of personal dismissals replaced by SMAs. Figure 4 displays our results. First, we estimate an upper bound, based on the observed number of SMAs, equal to 36%. We then estimate the actual conversion share using three strategies. Overall, we find strikingly consistent estimates: fewer than 12% of dismissals end as SMAs, which is far from the theoretical prediction.

4.1 Object of Interest: The Conversion Share σ

Our goal is to quantify the share of potential personal dismissals ending as SMAs. *Potential* dismissals, denoted $\widetilde{PD}$, are jobs that would end in a dismissal if the SMA were not an option. This definition captures a match for which the firm would prefer (and hence implement) a dismissal to a continuation (and a worker would not quit).[14]

We denote this share of potential dismissals converted into SMAs by σ:

$$\sigma = \frac{CV}{PD + CV} = \frac{CV}{\widetilde{PD}}, \tag{2}$$

where CV is the number of *conversions*: those potential dismissals that end with an SMA (equivalently, those SMAs that would be dismissals if SMAs were not an option). PD is the *actual* number of dismissals (i.e., the number of potential dismissals that do end with a dismissal when the SMA is in the choice set). By definition, potential dismissals are the sum of actual dismissals and conversions, $\widetilde{PD} = PD + CV$.

[13] Conversely, since conversions into SMAs can be implemented at any point during a dismissal, misperceptions about the credibility of the dismissal largely lead to delays to converge on the SMA but not to a bargaining impasse in the form of sticking with the dismissal. For a review on bargaining with wrong beliefs/optimization, see Yildiz (2011).

[14] In our baseline model, this definition would be matches that transitioned in period 2 to values such that $V - f - c - \bar{s} < J^F$.

The empirical challenge in measuring σ is that neither CV nor $\widetilde{PD}$ are directly observed. Instead, we only observe PD, the actual number of dismissals, and SMA, the number of SMAs. The subset of SMAs that is replacing dismissals is unknown, as SMAs may also replace quits or job continuations. The strategies described below provide several methods to estimate the number of conversions, CV, and the potential number of dismissals, $\widetilde{PD}$.

4.2 An Upper-Bound for σ

The maximum number of conversions of dismissals into SMAs is equal to the total number of SMAs. Hence, we construct an upper-bound for σ that is is equal to the ratio between the number of SMAs and the sum of dismissals and SMAs:

$$\sigma^{UB} = \frac{CV^{UB}}{\widetilde{PD}^{UB}} = \frac{SMA}{PD + SMA}. \tag{3}$$

We estimate σ^{UB} using permanent job separations by SMA and personal dismissals over 2012-2014, depicted in Figure 3, each normalized by the number of permanent jobs.These annual shares of jobs ending as personal dismissals and SMAs are 1.6% and 0.9%, respectively, which yields an upper bound of $\hat{\sigma}^{UB} = 36\%$. This means that at most 36% of dismissals have been replaced by SMAs, which already rejects the model prediction that all dismissals should convert.

The actual σ is unlikely to be close to this upper bound for at least two reasons. First, such a scenario would have implied an unrealistic post-2012 explosion of dismissals had SMAs not been available. That is, one would have to be willing to believe that due to some other shock, dismissals would have increased by 39% after and unrelated to the reform.[15] Panel (a) of Figure 4 plots this implied time series along with the the actual time series of dismissals. Second, on top of potentially replacing dismissals, SMAs are also likely to be additional separations or replacements of quits (as shown in Appendix I and in Section 4.5 below). Hence, assuming that all SMAs replace dismissals is unrealistic.

4.3 Strategy 1: Extrapolation of Times Series

Our first strategy estimates the number of potential dismissals (in the post-period), $\widetilde{PD}$, using the pre-reform actual number of dismissals, PD^{pre}. Panel (b) of Figure 4 plots the time series of the annual number of personal dismissals divided by employment in permanent contracts. Focusing on the pre-2008 average, about 1.8% of French workers experience a personal dismissal over the course of the year, which is relatively stable through 2007. We discuss the Great Recession below, and drop this period for our calculation. Starting in 2011, dismissals have settled in at an average of 1.6%, and remained relatively stable. That is, many dismissals still happen after SMAs are available, implying a small conversion share well below 100%.

Strategy 1 attributes the entire decline in dismissals after the SMA introduction to conversions into

[15]That counterfactual growth of 39% reflects the following estimation: $\frac{\widetilde{PD}^{UB} - PD^{pre}}{PD^{\text{pre}}} = \frac{PD+SMA-PD^{pre}}{PD^{\text{pre}}} = \frac{0.016+0.009-0.018}{0.018} = 0.39$.

SMAs and, formally, relies on the following identity:

$$PD = PD^{\text{pre}} - CV + \epsilon, \tag{4}$$

where ϵ denotes a shifter in dismissals between the pre- and post-periods that is unrelated to conversions and the introduction of SMAs. In Strategy 1, we assume that $\epsilon = 0$, meaning that the average dismissal level would have remained constant at the pre-reform average, had the SMA reform not been introduced. We will find support for this assumption in Strategy 2, as labor market cells that do not use SMAs at all do not exhibit a change in dismissals post- vs. pre-reform. Moreover, we will relax this assumption in our two additional strategies below.

The counterfactual number of dismissals is then estimated from the pre-reform number of dismissals (averaged over 2003-2006). Conversions are deduced by taking the difference between pre-reform dismissals and post-reform dismissals. Doing so, we obtain a first estimate of the share of potential dismissals converted into SMAs, which we denote by $\hat{\sigma}_1$:

$$\hat{\sigma}_1 = \frac{PD^{\text{pre}} - PD}{PD^{\text{pre}}} = 11.08\%. \tag{5}$$

The underlying time series and $\hat{\sigma}_1$ are printed in Panel (b) of Figure 4, where the horizontal gray line shows the estimated counterfactual based on the 2003-2006 dismissal share. Hence, this first strategy implies that about 11% of personal dismissals have been replaced by SMAs.

Placebo check: probationary period separations. To approximate a placebo check for our aggregate dismissal time series, we examine the evolution of firm-initiated separations during the probationary period. These separations can be seen as a placebo for the evolution of personal dismissals: they are also firm-initiated but are not covered by employment protection, so SMAs would not substitute for them. Figure 3 shows that the rate of jobs separated during the probationary period stayed the same after the introduction of SMAs (1.2% of jobs every year). Hence, the stability of these separations supports our identification assumption for Strategy 1 as (i) the change in dismissals can plausibly be attributed to conversions into SMAs and (ii) the number of potential dismissals, $\widetilde{PD}$, is unlikely to have risen a lot to have masked a large σ.

Robustness. Our main analysis focuses on 2003-2014 because the data are consistently collected over that period. In Appendix Figure D.1 Panel (a), we show robustness of our analysis by incorporating longer periods with the MMO, with the caveat of a massive change in the data collection starting 2015 (see Section 2.4; we normalize dismissals by total separations to account for the break in the series), and also show the counts in levels. Appendix Figure D.2 draws on the Labor Force Survey and shows similar evolution of dismissals and SMAs (with the caveat that the Labor Force Survey is not suited to keep track of short tenure separations between two survey waves). Appendix Figure D.3 splits the sample into dismissals of workers above and below a year of tenure, as the strict conversion prediction emerges most cleanly for workers with tenure above 1 year (at which point dismissals and SMAs have the same severance pay mandate, see Section 2), showing similar results.

As shown in Figure 3, *economic* dismissals increased between 2008 and 2010, as expected given

the business conditions during the Great Recession. Personal dismissals also increased during that period (from 1.8% of employment to 2.1%). Hence, across all our estimation strategies, we exclude the 2007-2011 interval to avoid accounting for changes in personal dismissals that are caused by the Great Recession. As Figures 3 and 4 show, personal dismissals were very stable within the 2003-2006 period and again within the 2012-2014 period. Still, if the dismissals during the Great Recession curbed subsequent dismissals due to compositional effects, we would actually *overestimate* conversions, with the true σ being even lower.

4.4 Strategy 2: Difference-in-Differences Across Labor Market Cells

Strategy 1 assumed that $\epsilon = 0$ and attributed the entire decrease in dismissals to conversions into SMAs. Strategy 2 relaxes this assumption and draws on actual SMA take-up to estimate conversions. We identify this effect with a difference-in-differences (DiD) strategy across labor market cells.

First, to implement our DiD strategy, we split the French labor market into 1,465 cells crossing industry, occupation, tenure, worker age, and establishment size (employment) in the MMO data. We define cutoffs for continuous variables, aiming to keep separation counts similar between groups. We exclude cells with fewer than 30 dismissals over 2003-2006 and cells with top and bottom 5% growth in the number of dismissals over time. Appendix Table E.1 describes the underlying heterogeneity (dismissal use, growth, and SMA take-up) for the categories that we cross to define cells. We define SMA take-up as the share of SMAs among total permanent job separations over 2012-2014. Figure 5 Panel (a) plots the times series of SMAs (normalized by 2003 separations), by quintile of SMA take-up. There is substantial variation in SMA take-up by 2014, with 35% in the top quintile and close to zero in the bottom quintile. Panel (b) previews the pattern that underlies our strategy and that we will quantify next: cells with higher SMA take-up reduce dismissals by more, which is consistent with conversions. Moreover, there does not appear to be a differential trend pre-reform between cells with different post-reform SMA take-up. Pre-reform *levels* were positively correlated with SMA take-up, which our DiD strategy will net out (see also Appendix Figure E.4 for a cell-level plot of pre-reform dismissals against SMA take-up). Hence, SMAs were taken up in cells that were initially dismissal-intensive, and then had a larger reduction in dismissals post-reform.

Second, we quantify the cell-level relationship between ex-post SMA take-up and changes in dismissals pre- vs. post-reform by estimating the following DiD specification (in first differences):

$$\frac{PD_i - PD_i^{\text{pre}}}{PD_i^{\text{pre}}} = \alpha + \beta \times \text{SMA Take-up}_i + v_i, \tag{6}$$

where SMA Take-up_i is the cell-level share of SMAs in total separations (2012-2014 average). PD_i^{pre} is the 2003-2006 average number of personal dismissals in the cell and PD_i is the corresponding average number in 2012-2014.

Panel (c) of Figure 5 is a binned scatterplot of $\frac{PD_i - PD_i^{\text{pre}}}{PD_i^{\text{pre}}}$ against SMA Take-up_i and includes the fitted regression line. There is a strong negative relationship, consistent with the visual impression in Panel (b) across quintiles. That is, cells in which SMA penetration is the highest are those in which

dismissals fell the most. As Panel (c) reports, we estimate a slope of $\widehat{\beta} = -0.887$ (SE 0.133). Hence, comparing cells, a 10 percentage point increase in the share of SMAs among separations is associated with a 8.9 percentage point reduction in the growth of dismissals.

We also provide year-specific DiD effects in a dynamic event study version of Equation (6).[16] The estimates are plotted in Panel (d), and support our identification strategies in three ways. First, the fact that the pre-reform coefficients are close to zero and stable suggests that cells that take up SMAs the most had the same evolution of dismissals as cells with low take-up. Second, the effects start opening up exactly when the reform was introduced in 2008, consistent with conversions. Third, the post-reform effects are persistent and relatively stable.

Third, we combine this estimated slope with the aggregate SMA take-up (and normalize by pre-reform dismissals) to obtain an estimate of conversions and deduce our second estimate for the share of dismissals converted into SMAs:

$$\hat{\sigma}_2 = \frac{-\hat{\beta} \times PD^{\text{pre}} \times \text{SMA take-up}}{PD - \hat{\beta} \times PD^{\text{pre}} \times \text{SMA take-up}} = 11.76\%. \tag{7}$$

Strategy 2 yields an estimate of about 12% for potential dismissals that end with SMAs. This estimate is strikingly close to that from Strategy 1. Figure 4 depicts the corresponding implied counterfactual for dismissals.

Lastly, as one additional check, our cross-sectional regression permits us to support the identification assumption in Strategy 1 (that $\epsilon = 0$), by inspecting the estimate of α, the constant from the regression from Equation (6). That intercept estimate is very close to zero (-0.008 (S.E. 0.024)), indicating that dismissals have remained at the same level in cells that do not take up SMAs.

4.5 Strategy 3: Survey-Based Subjective Counterfactuals

Our third estimate comes from workers' subjective counterfactual outcome absent the possibility of the SMA. Contrary to our first two strategies, Strategy 3 uses post-reform data only and does not rely on differences over time (and so the results cannot be affected by changes in aggregate conditions).

We exploit a survey of 4,502 workers who separated by mutual agreement in 2011. The survey was run by the Ministry of Labor in 2012 (see data description in Section 2.4, including a check on its representativeness). Table 2 reports on several key questions we use. The main question is the direct elicitation of the dismissal conversion share among SMAs, by asking about the counterfactual outcome absent the SMA possibility (throughout the main text, we quote our English translations):

> *Would you still have left the establishment if the separation by mutual agreement did not exist?*
> *- Yes, I would have quit.*
> *- Yes, I would probably have been dismissed.*
> *- No, I would have stayed.*

[16] We mimic the pooled first-difference model above by estimating $\ln(PD_{i,t}) = \gamma_i + \nu_t + \sum_{\substack{k=-4 \\ k\neq 0}}^{k=5} \beta_k \times \text{SMA Take-up}_i \times \mathbb{1}_{t=2007+k} + u_{i,t}$.

- Something else.

- I don't know.

Our main result is that only 22.08% of workers respond that they would have been dismissed. 38.76% would have quit, 28.21% would have stayed and 9.95% chose "other" or that they did not know. (See Appendix I for a discussion of the interaction of quits and SMAs and the role of collusion for UI eligibility.)

We multiply the share of workers picking the dismissal as a counterfactual with the aggregate number of SMAs to estimate the number of conversions (assuming a constant share over 2011-2014). We plot the implied counterfactual time series for dismissals in Figure 4 Panel (b). Finally, we obtain our third estimate for the share of dismissals ending as SMAs as follows:[17]

$$\hat{\sigma}_3 = \frac{0.22 \cdot SMA}{PD + 0.22 \cdot SMA} = 10.87\%. \tag{8}$$

Hence, this strategy estimates that about 11% of potential dismissals end with an SMA.

Consistency of the survey responses. Table 2 reports additional results from the 2012 survey, allowing us to check consistency to a low share of dismissals converted. When asked who initiated the separation that ended in the SMA, only 15% of respondents indicate that it was employer-initiated, consistent with the fact that few SMAs are replacing a dismissal. This answer does not rely on counterfactuals but only on the perceived chronology of the events. Similarly, the table also lists that only 17% of employers appear, in the worker's view, to have chosen the SMA to reduce dismissals (among several reasons for choosing the SMA).

In 2024, we ran our own survey of human resource directors (see Section 5.1 for a description). While the survey focuses on the last dismissal, we also ask a supplementary question about the firms' subjective counterfactual to the last SMA in their company. 58% of the directors indicate that the SMA replaced a dismissal. Combining this result from 2024 with the aggregate SMA take-up from 2012-2014, we would obtain a conversion share of 25%. We view this share as an overestimate of σ, as that question comes at the end of a survey pushing firms to think why dismissals are not replaced more often by SMAs, so that we do not include this data point among our preferred estimates of σ (and the SMA worker survey is also more likely to be SMA-weighted). In any case, with that estimate, we would still find that at most a minority of dismissals appear to convert.

Taking stock. Across three alternative methods relying on different assumptions, we estimate that only between 11% to 12% of potential dismissals end with an SMA. This implies that 88% of dismissals end in the more expensive separation mode. The next section investigates which types of dismissals convert, before we understand which forces may prevent the convergence on the SMA.

[17] Again, as in the computation of the upper bound in Section 4.2, we draw on the separation data reported in Figure 3, all normalized by the number of permanent jobs, giving $PD = 1.6\%$ and $SMA = 0.9\%$.

4.6 Heterogeneity

The small conversion share of 12% is a puzzling departure from cost minimization. We now present heterogeneity analyses that investigate *which* dismissals have higher conversion shares, with a particular focus on whether costlier ones do.

Correlates. As a starting point, we provide a descriptive look at heterogeneity patterns. Broadly, we find that all cells and types of establishments continue to implement dismissals, even those actively using SMAs. Appendix Table E.1 reports on heterogeneity in our estimates of σ, by firm and worker characteristics. To do so, we construct a disaggregated version of the σ as in our strategy 1, but now at the cell level as $\hat{\sigma}_i = \frac{PD_i^{\text{pre}} - PD_i}{PD_i^{\text{pre}}}$. Appendix Figure E.3 shows the large dispersion of σ_i across the labor market cells used in strategy 2 above. Appendix Table E.1 indicates that smaller establishments exhibit more conversions than larger ones. Potential dismissals of managers and skilled technicians are also much more likely to convert than dismissals of low-skilled workers. Appendix Figures E.1 and E.2 show substantial dispersion in conversion shares across individual establishments (rather than cells), and very little specialization in the separation mode. This finding further indicates that even establishments with knowledge of SMAs and successful SMA implementations do not convert all of their dismissals. We provide additional evidence for knowledge about SMAs in Section 5.4 below.

Dismissals going to labor court. We now turn to our first assessment of whether high-cost dismissals are more likely to convert. A natural question is whether the 12% of potential dismissals that do convert into SMAs are dismissals that would have ended in labor court. We are able to test for this possibility by drawing on administrative micro data on labor court cases (see Section 2.4). The granularity of the data allows us to select the cases brought to court by the worker, and related to a personal dismissals. Figure 6 depicts the time series of the number of those cases. There emerges no reduction following the introduction of SMAs. If anything, we observe an increase in case counts despite a reduction in dismissals of 12% (Strategy 2), implying a slight increase in the share of dismissals ending up in labor court. Hence, the converted dismissals do not appear to have been the high-cost cases that would end up in court—in striking contradiction to the theoretical prediction. While pointing away from the standard model, this result points towards the hostility or asymmetric information mechanisms.

Dismissal red tape costs. Our second assessment of whether costlier dismissals are more likely to convert focuses on red tape costs as such. According to the baseline model presented in Section 3, the prediction of full conversion of dismissals into SMAs relies on the fact that there are positive red tape costs in implementing dismissals for the firm ($f > 0$). We now check for the cell-level relationship between f and σ. While f cannot be estimated directly, we define several proxies for f and present two findings: (i) those proxies suggest that f is not close to 0 and firms implement strategies to avoid f, and (ii) the conversion share is higher when dismissal costs are larger.

There exists no direct measure of dismissal red tape costs. We therefore construct two sets of proxies. The first one corresponds to firms' use of fixed-term contracts (FTCs), specifically for jobs with long duration. FTCs end with no red tape cost by default. The creation of FTCs lasting several years indicates firms trying to avoid termination costs associated with permanent contracts. In France, the

maximum legal duration of fixed-term contracts is 18, 24, or 36 months (depending on circumstances as described in Section 2.3). Figure 7 Panel (a) plots the pre-reform (2003-2006) distribution of the duration of FTCs, separately for labor market cells having a conversion share above and below the median. There is striking bunching at the maximum legal duration levels, indicating that firms create FTCs as long as possible to avoid EPL on permanent jobs. Moreover, this pre-reform bunching is much stronger in cells then exhibiting a post-reform conversion share above the median. The panel also reports, as a placebo, the distribution of the duration of permanent contracts, which do not exhibit such bunching. Appendix Figure F.1 confirms this result by plotting the correlation between the pre-reform share of FTCs among hires (by duration) and the conversion share.

Our second proxy is based on firm's avoiding dismissal red tape costs by separating workers during the probationary period, which triggers a discontinuous and clean kick-in of f only. During the probationary period, employers can dismiss workers essentially without any employment protections. The severance pay is not mandatory for workers with seniority below one year. Hence, the red tape cost is the main change after the probationary period. In France, the maximal duration of the probationary period is regulated and depends on the occupation (8 months for managers, 6 months for technicians, and 4 months for clerks and blue collars); Appendix Figure F.2 Panel (a)-(d) verify these patterns by plotting probationary period ending and all firm-initiated separations, by occupation type as a function of tenure among total separations. Separations are much higher during the probationary period than after, consistent with firms avoiding f by terminating jobs before EPL kicks in. Finally, Figure 7 Panel (b) provides key evidence for conversions of dismissals into SMAs being higher cells in which firms implement more separations during the probationary period. To proxy for the latter, we construct the cell-level pre-reform share of separations explicitly using the unprotected probationary period mode among all firm-initiated separations in the first year of jobs. Appendix Figure F.2 Panel (e) substantiates this result with an alternative measure of probationary period use.

Both sets of proxies reveal a pattern that larger red tape costs to terminate permanent contracts are associated with higher conversion shares of dismissals into SMAs. This is consistent with the theory (except that all, rather than just 12% of, dismissals should convert according to the model). Moreover, those proxies show that firms are aware of those dismissal costs and implement avoidance strategies. In the next section, we explore why firms then do not also rely on SMAs to reduce those costs.

5 Identifying Mechanisms and Quantifying their Role: Hostility, Discipline Device, and Asymmetric Beliefs

The purpose of this section is twofold. First, we investigate the potential mechanisms that could explain the failure to convert personal dismissals into SMAs. Second, we quantify their role therein. Among several potential mechanisms, we specifically look for the role of conflict. This section mainly builds on our survey of human resource directors. The next section will validate those findings linking actual conversion patterns with conflict proxies.

5.1 HR Director Survey

Data collection. We surveyed human resource (HR) directors working in French firms between June and September 2024 (further details in Appendix G). We proceeded in two steps. In a first step, we recruited survey participants by email (using our own university email addresses). We sent an email to 3,403 HR directors (job title "*Directrice ou directeur des ressources humaines*") introducing ourselves and asking if they would we willing to participate in an online survey and answer questions about their experience as HR practitioners. Our invitation indicated the topics of job separations and labor market regulations (but did not mention dismissals or SMAs explicitly). We informed them about the possibility to also register on a separate list to receive the survey results. We obtained the list of 3,403 email addresses from a B2B contact information data provider (HeadsOf). The contact information is for HR directors who have a LinkedIn profile. In a second step, we sent the Qualtrics link with the questionnaire to those who replied to our email accepting to participate in the survey. We then sent two subsequent reminders to the list of contacts who had not replied to our first recruitment email.

330 HR directors accepted to participate and ended up filling out the questionnaire. Among all the people initially emailed, we got a survey filling rate of 9.7%. This is a lower bound for the actual response rate as we know that our emails were not always delivered, sometimes delivered as a spam, and we also received automatic responses of people being on leave (parental, sickness, ...). We complemented this email strategy with direct messages on LinkedIn to HR directors in France who have public accounts. We also sent additional emails to directors with LinekdIn profiles using contact information provided by two additional contact data providers (BookyourData and Apollo). Doing so, we got 143 more responses.

Questionnaire. HR directors who replied to us and agreed to participate in the survey received a link to the Qualtrics platform with a questionnaire containing 30 to 35 questions (the exact number depending on their answers). The full questionnaire in French along with the English translation are in Appendix J. The questionnaire is composed of four parts. First, we ask several questions about the company, and the respondents' involvement in dismissals. (Throughout, the survey explicitly refers to the personal dismissal type.) We start by asking if they have dismissed at least one person in the past ten years. The surveys end for those who have not. Second, the main block asks them to focus on *the last personal dismissal* that they decided or implemented (to avoid speculation, minimize selection, and for best recall).[18] They are asked if an SMA was ever discussed with the worker, and to fill an open-text box explaining why the separation ended as a dismissal rather than an SMA. The respondents then categorize the role of several potential mechanisms. This block ends with another open-text box regarding any factors our list may have missed. The third block is also about the last dismissal, eliciting counterfactual probabilities of conversion in counterfactual scenarios shutting off the various factors. The last block contains questions contrasting dismissals and other separation types.

Sample and quality. 473 HR directors started the questionnaire (and 83% filled out the questionnaire

[18]The instructions ask to think of the last dismissed worker with at least a year of tenure, because the severance pay is not mandatory below that (hence the SMA does not necessarily dominate). For the same reason, we exclude responses of participants who indicate that the last dismissal was for a gross or serious misconduct (33%—potentially because of bias in recall towards dramatic dismissals), when they may be able to avoid the severance pay and the mandatory notice period.

entirely). Appendix Table G.1 describes the sample of respondents as well as our final sample used for the analysis. We keep those who indicate being employed in a private sector company (95%) and who have been involved in at least one dismissal in the last ten years (93%). We impose additional filters to screen low-quality responses using an attention check, the total responding time and the excessive picking of the first option. Appendix G.1 describes all the quality filters and the resulting number of observations dropped. As discussed in Footnote 18, we also drop cases of serious misconduct (for which the trade-off between the two separation modes might be different). After imposing the sample restrictions and excluding these low-quality responses, there are 210 observations in our analysis sample. Our moments of interest are sample means, and we find small standard errors for those means, indicating a precise estimation of those moments (see note of Figure 9).

The response quality is very high: among the set of all respondents, 91% pass the attention check at the end of the questionnaire, 93% give only consistent answers across all questions (e.g., coherent ranking of different mechanisms). Respondents failing those consistency checks are excluded from our final sample. In that analysis sample, the HR directors spent on average 13 minutes (a median of 15 minutes) filling out the survey. Finally, the HR directors indicated strong interest in receiving our results, sent back dedicated emails, and some offered to talk by phone or give additional feedback via email.

Table 3 describes the respondents' involvement in dismissals, SMAs and additional information on the last dismissal and the last SMA. The sample is highly involved in personal dismissals. 44% of respondents have participated in more than 20 personal dismissals over the past 10 years, and 32% participated in between 5 and 20 dismissals. Most of them are the ones both deciding and implementing dismissals: 78% have made the decision to dismiss a worker, 95% have implemented a dismissal, 84% have negotiated with a dismissed worker, and 85% have consulted an expert like a lawyer to implement a dismissal. Hence, these HR directors are both decision-makers in the separation mode and navigate implementation and interactions with the workers undergoing dismissals. Finally, as becomes clear below, they have also formed clear beliefs about why dismissals may not convert into SMAs, and give internally consistent answers.

The survey is unlikely to be representative of French firms, because we rely on companies that have an HR director, whose director in turn has a LinkedIn profile, and responds. It is possible that those margins of selection bias our survey results for the obstacles to conversion. While we cannot fully address this concern, we now investigate how different those dismissals might be from the ones in the population, and discuss what could be the baseline conversion rate in those firms. Appendix Table G.1 compares the distribution of the characteristics of the survey respondents and the characteristics of the last dismissal they implemented (as most questions on the mechanisms are about this last dismissal) to those same characteristics in the administrative flow data (MMO, for dismissed workers with tenure above one year, see Footnote 18). Survey respondents are more likely to belong to large firms than the average dismissal. 53% of respondents work in companies larger than 500 employees (which represent 39% of dismissals in the MMO), 39% in firms with size 50-500 employees (33% in the MMO). Small companies having fewer than 10 employees are not represented in our survey (only 1% of the analysis sample), while they account for 8% of dismissals in France. As shown in Appendix Table E.1, the

conversion rate of dismissals into SMAs is smaller in larger companies. Hence, our HR director survey focuses on average more on companies that continue to rely on dismissals. However, the characteristics of the last dismissal (tenure and occupation) in the HR director survey are distributed similarly as in the universe of dismissals.

5.2 Main Questions on Mechanisms

In the main block of the questionnaire, we instruct HR directors to focus on the last dismissal that they implemented or decided. We focus on the three most relevant mechanisms: (i) hostility between the employer and the employee, (ii) employers' use of dismissals as a discipline device, and (iii) asymmetric beliefs about potential labor court outcomes. While Section 3.2 has provided formal definitions, we now explain how those mechanisms are presented to survey respondents.

As a first step, we ask HR directors whether an SMA was ever discussed during this last dismissal (although our analysis applies whether SMAs were explicitly discussed or not). Table 3 shows the results. In 54% of cases, an SMA came up in the discussion: it was brought up by the employer in 29% of cases, by the employee in 11% and by both of them in 14% of dismissals. This result has three implications. First, the parties are aware of the SMA (relatedly, 99% of the directors have implemented or negotiated SMAs, also in Table 3). Second, they evidently consider the SMA as a potential alternative to dismissals. Third, HR directors are plausible sources to explain why the SMA was not ultimately signed.

Next, we ask survey participants to explain in their own words why an SMA was not signed with the last dismissed worker. Then, we ask the respondents to assess specific factors (and afterwards add another open-text prompt about whether our menu of mechanisms missed anything). We now detail the survey description of the main mechanisms. We will discuss additional alternative explanations we tested in the survey while describing the results. Appendix J copies the full questionnaire.

Specifically, we present the respondents with the following prompt about the last dismissal, with the same screen showing the various broad factors:

> *Take your time to answer the following three questions. In your opinion, could the reasons for not signing an SMA with the dismissed employee fall into these categories?*

This screen then features the following three factors at the same time, each with a Likert scale described below, and subsequently enable the respondents to detail these factors (Table 4 lists responses to those detailed sub-questions):

Hostility between the employer and the employee. This first mechanism corresponds to a situation in which the parties deliberately seek to impose costs on one another, including behavior like retaliation. In the questionnaire, we define hostility as follows:

> *The situation was too tense or conflictual (on one side or both). For instance, the employer and the worker were on bad terms or the worker wanted to make things difficult for the company.*

Worker discipline device. According to this mechanism, a firm would choose the dismissal over the

SMA for its impact on the other employees, primarily for incentive reasons. In the questionnaire, we define this mechanism as:

> *Signing an SMA would have had a negative impact on other employees. For instance, to avoid having too many people ask for an SMA, or to avoid giving the impression that the company rewards employees creating problems.*

Asymmetric beliefs about the labor court outcome. The last mechanism refers to a situation in which the employee and the employer may have different beliefs about the expected outcome in court, so that they may not converge on the bargained severance pay. We define this mechanism as follows:

> *The company and the employee had different opinions on what might have happened in labor court. For instance, on the probability that the worker would go to court or on the amount decided by the judge.*

Measuring the role of the mechanisms. To investigate the role of each of these three mechanisms, we proceed as follows. First, we explain each mechanism with the definitions presented above. We ask if each mechanism can explain why an SMA was not signed with the last dismissed worker. This elicitation uses a Likert scale, with all factors being displayed at the same time. Respondents can indicate if a given mechanism played a strong role, a small role or no role at all. Second, on the subsequent screen, we ask which of the three played the largest role. For the option picked, we then ask them what happened exactly (with multiple options to choose from), to check the consistency of the choice with the mechanism definition, as well as to get richer details behind each broad factor.

Most importantly, we then present counterfactual scenarios and elicit the probability to convert the most recent dismissal into an SMA in each case. For all respondents, we present four counterfactual scenarios for the last dismissal; each counterfactual removes each primary mechanism individually, and then jointly, each time all other things equal. For example, for the scenario in which the discipline device mechanism is turned off, we state:

> *Now suppose that we eliminate everything related to the factor "Signing an SMA would have had an impact on other employees." That is, it would have been possible to sign an SMA but no one would know. In this case, would the permanent contract have ended with a dismissal or an SMA?*

For this question, we implement a two-step elicitation of the probability. First, we ask what would have been the most likely outcome, using a Likert scale (*"Very likely still a dismissal," "Probably a dismissal," "The dismissal and the SMA would have had equal chances," "Probably an SMA," "Very likely an SMA"*). Second, the respondents are asked the exact probability to end the job with an SMA instead of a dismissal (percentage between 0 and 100) by moving a slider.[19] We always permit the option to opt out with *"don't know/do not want to answer."* Below, we will verify that the numerical probabilities align remarkably well with the Likert categories.

[19]The question eliciting the subjective conversion probability is: *"In this hypothetical situation, what would have been the probability that the employment would end by SMA? (You can choose any number between 0 and 100. For example, 100 means that an SMA would have been signed, 0 means that it would always have been a dismissal, and 50 indicates that both modes of separation would have had equal chances.)"*

Using the numerical probabilities of conversion by scenario for each respondent, we quantify the role of each mechanism by estimating the counterfactual conversion share shutting off each factor (based on a potential outcomes framework):

$$\hat{\sigma}^{\text{No Z}} = \hat{\sigma} + (1 - \hat{\sigma}) \times \frac{1}{N} \sum_j \mathbb{P}_j(SMA^{\text{No Z}} = 1 | SMA = 0), \tag{9}$$

where the factor we shut off, Z, can be hostility, discipline device, asymmetric beliefs, or all three. $\hat{\sigma}$ is the share of potential dismissals already converted into SMAs at baseline (without shutting off Z), estimated in Section 4 (and we assume that those potential dismissals would still convert in each counterfactual). $\mathbb{P}_j(SMA^{\text{No Z}} = 1 | SMA = 0)$ denotes respondent j's reported probability that the dismissals that actually did not convert (i.e., for which $SMA = 0$ at baseline, which will hold for our sample by construction) would instead convert in the absence of factor Z. We then estimate the average share of dismissals that do not convert at baseline but would convert if factor Z were removed, by averaging those probabilities across the N survey respondents. Finally, we obtain the counterfactual conversion share $\hat{\sigma}^{\text{No Z}}$ if a given factor Z were shut off by summing the share of dismissals already converted, $\hat{\sigma}$, and those unconverted at baseline that however would convert if Z were shut off, $(1 - \hat{\sigma}) \times \frac{1}{N} \sum_j^N \mathbb{P}_j(SMA^{\text{No Z}} = 1 | SMA = 0)$. The larger the counterfactual conversion share absent factor Z, $\hat{\sigma}^{\text{No Z}}$, the larger the role of that factor in preventing SMAs.

5.3 Results on Main Mechanisms

We now report on the results regarding the main mechanisms that could drive conflict and explain why SMAs are not chosen.

Figure 8 reports on the HR directors' accounts of whether each mechanism played a role in preventing an SMA in the last dismissal. 91% of survey participants indicate that at least one of the three factors played a role, and 59% that at least one of the three played an important role. Hostility is reported to have played a role (important role) in 60% (30%) of cases. The motivation to use the dismissal as a discipline device played a role in 53% (32%) of cases. Asymmetric beliefs came in third, playing a role in 47% (19%) of dismissals. When asked which of the three played the most important role, hostility was picked in 39% of responses, discipline device in 43% and asymmetric beliefs in 18% (see Table 4).

Table 4 provides more details on what each of those three factors means for the survey respondents. 57% of those picking hostility as most important factor indicate that the employee wanted to make things difficult for the company (52% say that the employee was aggressive and 51% that the relationship was bad). For discipline device, 79% of respondents report that the dismissal demonstrates to other employees that the employer reacts to poor effort and behavior. Finally, respondents who picked the asymmetric beliefs about labor court mainly indicate that the worker overestimated their chances in labor court (66%).

Counterfactual conversion shares. The counterfactual conversion probabilities provided by the respondents substantiate quantitatively the large role of the three factors in preventing conversions.

In the order of importance, the mean probability of conversion absent a given factor is, for hostility, discipline device, and asymmetric beliefs (with standard errors): 51.35% (2.37), 44.85% (2.40), and 43.83% (2.35). For all three mechanisms jointly absent, it is 62.70% (2.42).[20] The tight standard errors illustrate that these means are precisely estimated.

Appendix Figure G.2 shows the distributions of the probabilities given by respondents for all four scenarios, which displays a lot of dispersion and the use of the full support between 0% and 100%. Appendix Figure G.3 presents the correlation between text responses for the outcomes of the scenarios and the probabilities given in the subsequent question. For all four scenarios, the probabilities align very well with the qualitative Likert categories. For example, HR directors responding that the dismissal would have "*very likely*" ended with an SMA pick probabilities of conversion of 90% on average (across the four scenarios).

Finally, following Equation (9), we can back out the implied conversion shares for the full set of potential dismissals, $\hat{\sigma}^Z$, for the four counterfactuals. Figure 9 reports these results, and also depicts the values estimated for σ from Section 4. This figure provides a quantitative summary of the role of the three mechanisms, separately and together. Shutting off the hostility mechanism would lead 57% of dismissals to convert into SMAs—compared to 12% converted in the baseline. 51% would convert absent the discipline device mechanism. Finally, 51% would convert absent asymmetric beliefs. When considering a scenario in which all three factors are turned off at the same time, we reach a counterfactual share of 67% of conversions of dismissals into SMAs (see Footnote 20).

Open-ended questions. The three main mechanisms were also validated in an open-ended question asked before presenting any specific factor. A majority of respondents indicated which party among the worker and the employer refused the SMA or pointed to a disagreement over the severance pay without explaining the underlying causes (but such disagreement is a proximate channel for any bargaining impasse, not a fundamental driver). The more substantive accounts often fall in the category of hostility or discipline device. Fewer respondents mention labor court, although their explanations do not allow to classify those between hostility or asymmetric beliefs. We find similar patterns also in the much sparser second open-text box.

Some examples of the open-text responses that point to the *hostility* mechanism are:

> *Because it was not an amicable break-up.*
> *Communication too tense.*
> *Because I do not want to establish [an SMA] when we are already in a tense situation.*
> *It was not an amicable break-up. The decision to terminate the contract came from the employer, the employee did not agree.*
> *Do not "please" an offending employee.*

Some examples of open-text responses for the *discipline* mechanism are:

[20]The sum of those three estimates is larger than 100% because, for a given dismissal, more than one factor is usually relevant (and they are positively correlated, as shown in Appendix Table G.2). Hence, shutting off one can be enough to reach the cutoff that makes both the firm and the worker prefer the SMA over the dismissal.

No point in using the SMA because it would give a bad image.
It was signed in one case—in the other, it was a case of a low performer and we did not want to send a message of possible SMA in this case in the company.
Because the SMA should not be perceived as a right as soon as an employee performs less well or has a bad attitude. Otherwise, all the other employees could adopt the same behavior to obtain an SMA.
SMAs must be an exceptional device.
Desire to avoid its generalization at the simple request of an employee.
We avoided the SMA because we did not want to respond positively to all the requests we had.

Taken together, our results indicate that the three mechanisms indeed explain the majority—63%—of the lack of conversions. These factors are drivers of conflict that are usually not accounted for in standard theory of job separations and employment protection. In Section 6, we will conclude our paper with three additional empirical tests for the role of conflict in dismissal in amplifying costs.

We next discuss and assess additional mechanisms that may account for some of the remaining share of 33% of the dismissals that do not convert, even absent the three main drivers of conflict.

5.4 Discussion and Other Potential Mechanisms

We explore and test for additional factors that are not accounted for neither in our analysis above nor in our theoretical framework. We start by discussing some mechanisms that would *reinforce* the prediction of conversion of dismissals into SMAs. We then present evidence indicating that neither lack of information about SMAs, nor about the SMA process, can explain why dismissals do not convert. Finally, we discuss additional factors that seem to generate some miscoordination between firms and workers, displayed in Appendix Figure G.4 (along with other factors found to be irrelevant quantitatively that we do not discuss here).

Stigma. Workers should be even more likely to accept the SMA (i.e., at a lower severance pay) over the dismissal to avoid the stigma of the latter. Personal dismissals have to be supported by fault or incompetence, while SMAs may permit pooling with other kinds of separations such as less adversarial ones or quits (as in Gibbons and Katz, 1991). Moreover, even if arising from a dismissal, an SMA may signal cooperation with the previous employer and willingness to avoid labor court litigation. This intuitive stigma differential is also supported by our evidence. First, in our HR director survey, 45% of respondents say that, all other characteristics equal, they prefer to give a recruitment interview to a worker who signed an SMA rather than to a dismissed worker (Table 3), 49% would be indifferent between the two, and no one would prefer the dismissed worker. Second, the survey of workers who signed an SMA in 2011 shows that 46% preferred the SMA because it signals a better image to future employers (Table 2). Hence, the evidence leaves little room for SMAs to carry higher stigma than dismissals, hence further favoring conversion.

Process and contracting costs. The easier process of the SMA should also boost conversions, as the SMA is designed to be easy and flexible. The SMA is *not* a customized legal contract. Instead, as depicted in Appendix Figure A.2, it is a boilerplate short form requiring the separation date and the

severance pay. Consistent with this view, the HR directors we surveyed do not select "a complicated process" as a reason for not signing an SMA rather than the dismissal (only 4% say it played a small role, see Appendix Figure G.4). Similarly, among the workers that signed an SMA, 53% select the simple SMA framework as a motivation, and 54% think their employer preferred the SMA for the easy process (Table 2).

Moreover, the model presented in Section 3 puts red tape costs only onto firms and during the dismissal. However, the dismissal process likely also involves costs for workers (on top of the stigma), especially if going to court after the separation. Those additional costs would reinforce the prediction of replacement of dismissals by SMAs. Even if bargaining on the severance is costly to workers, that cost is likely lower than the cost of discussing the causes for the dismissal and negotiate saving the job during that meeting (and very likely lower than going to court requesting more money). Additionally, as discussed previously and shown by Table 3, 54% of cases discuss the SMA, indicating that the bargaining is at least attempted.

Knowledge of the SMA process. Limited information about the availability or implementation of SMAs is unlikely to explain the low conversion share. First, as depicted in Figure 2 Panel (b), three years after the implementation of the reform, more than 60% of establishments have already implemented an SMA (this share is above 80% in 2015). This indicates that employers know about SMAs and how to implement them. Moreover, Appendix Figure E.2 suggests that even employers actively using SMAs continue to implement dismissals. In our 2024 survey, 99% of the HR directors have already implemented SMAs in their company. When asked about the specific mechanisms preventing the use of an SMA during the last dismissal, 20% indicate that poor knowledge about the process mattered, and only 3% responded it played a large role (Appendix Figure G.4).

Employee concerns about the effects of SMAs. We also ask about a worker analog for the discipline device mechanism, namely the worker refusing the SMA to avoid a negative impact on other workers resulting from lower dismissal costs.[21] As shown in Appendix Figure G.4, 96% of respondents indicate that the factor "*The employee worried about the effects on their coworkers*" played no role in preventing the conversion.

Taxation. In Appendix A.4, we discuss a reform that introduced an employer tax on the SMA severance pay in 2013. While this new tax cannot explain the lack of conversion between 2009 and 2012 and hence our main sample period, it could reduce conversions after 2012. In Appendix Figure G.4, 35% of HR directors indicate that the taxation of the severance plays some role in preventing conversions in 2024, but only 10% responded that it plays a strong role.

Miscoordination. Our HR director survey reveals two types of miscoordination that may hinder conversions (although those factors are quantitatively smaller than the three main ones discussed before), as reported in Appendix Figure G.4. First, the worker may understand too late that he

[21]While unions are not involved in personal dismissals, social pressure may lead workers to engage in uphold quasi-collective action (as in Breza, Kaur, and Krishnaswamy, 2019) to build a collective reputation to raise costs and preserve job security (Abreu and Gul, 2000). Hence, workers may push back due to social preferences for colleagues (Bandiera, Barankay, and Rasul, 2005; Ashraf and Bandiera, 2018) or altruistic punishment (Fehr and Gächter, 2002).

will actually be dismissed, which 38% of the respondents indicate that it played some role in the last dismissal (and 12% a large role). While the SMA regulation clearly indicates that any ongoing dismissal can be converted into an SMA (hence allowing the employer to credibly commit to this outside option by commencing it), the parties may not always make use of that option. 12% of respondents also report that the impossibility to contact the employee played a role, which is another source of miscoordination, for instance if the worker takes sick leave after the dismissal notification. Second, 30% of HR directors indicate that the fact that the employee was too emotional to discuss played some role (and an important role in 14% of dismissals). This mechanism can both reflect an emotional shock following the announcement of the dismissal, which prevents any opportunity to bargain, as well as some hostility, if the emotions preventing the discussion are connected to aggressive behavior.

Mismeasurement and survey biases. Our survey may be subject to concerns of social desirability bias and other kinds of misreporting. For instance, HR directors might be reluctant to report hostile behaviors coming from themselves or their employers. Such misreporting could lead to underreporting of (firm) hostility as a factor preventing SMAs. For the same reason, our survey does not allow to conclude on which side the hostility is present. Table 4 shows that only 5% of respondents indicate that someone in the company wanted to make things difficult for the worker, and 1% that the employer was aggressive or angry. On the contrary, most of them indicate that the worker was the one exhibiting hostile behavior.[22] Similarly, we interpret the response *"The worker overestimated his chances in labor court"* as asymmetric beliefs because it signals a disagreement on the potential outcomes, but it does not definitively permit to say which party was overoptimistic, because HR directors may receive imperfect signals about worker beliefs. Since our survey does not allow us to quantify potential biases associated with misreporting, we then provide additional tests of the role of conflict in Section 6.

Overall, the results of the HR director survey point towards three main mechanisms explaining altogether 63% of the dismissals not converted into SMAs: hostility between employees and employers, dismissals as a discipline device, and asymmetric beliefs about labor court outcomes. In some cases, the credibility of the dismissal threat also plays a role, as well as the impossibility to bargain following an emotional shock due to the job separation, and the taxation of the severance over the most recent period. Next, we conclude our analysis with three additional tests for such conflict in dismissals.

6 Conflict Raising Dismissal Costs: Three Additional Tests

According to the survey counterfactuals, removing hostility, the discipline device mechanism, and asymmetric beliefs would raise conversions from 12% to 67%. That is, conflict appears to be the main obstacle in signing SMAs during dismissals. In this section, we implement two tests for whether higher conflict actually lowers conversions, complementing the survey-based results. The first additional test uses survey measures of conflict at the labor market cell level. The second test relies on variation in workers' outside options (in the form of pre-retirement unemployment benefits). Both cases are

[22]While a worker-side survey could complement our results, we shied away from that approach because that event is much more traumatic for them and workers are reluctant to report having been dismissed for personal reasons.

contexts where some or all of the three concrete drivers are plausibly less pronounced, or indicate some revealed absence of conflict on other margins. Then, we close our empirical analyses with additional evidence indicating that conflict during the dismissal increases costs beyond the choice of the SMA.

6.1 Employee-employer Relationships and Conversions

Our first test checks for the correlation of cell-level conversions with survey-based measures of conflictuality. Cells are defined by firm and worker characteristics as described in Section 4.

We construct conflict proxies in the *Reponse* survey. The proxies we define in particular describe hostility and adversarial situations. This survey, described in Section 2.4, asks employees and managers about social climate in their company, along with firm and worker characteristics. We build conflict proxies separately for employees and managers. Employees report their assessment of their relationship with their manager and with their colleagues, and about the working conditions in general. For ten employee questions, we build indicators for hostility or bad workplace climate, for instance, that the employee feels her efforts are not valued, that she thinks the manager does not pay attention to what she says, that she is not satisfied with the social climate in the company. For the manager indicators, we code 15 questions, for instance, if sanctions were taken against workers, if bad relationships caused conflicts, if workers took repeated sick leaves.

We match each respondent to his labor market cell defined by characteristics of the dismissal (detailed in Section 4.4). For each cell i, we again construct its conversion share σ_i. In the matched sample, we obtain 17,354 observations of employees and 5,765 observations of managers. We then estimate the following regression at the respondent level (j), separately for each proxy survey question X, which we translate into an indicator variable $\mathbb{1}(\text{Conflict}_i^X)$:

$$\sigma_{i(j)} = \mu^X + \phi^X \mathbb{1}(\text{Conflict}_j^X) + \epsilon_j^X, \tag{10}$$

where $\sigma_{i(j)}$ is the share of dismissals converted into SMAs in cell i to which respondent j belongs. ϕ^X captures the relationship between conflict (proxied by question X) and conversions of dismissals into SMAs.

Figure 10 reports our estimates for ϕ^X for several proxies, separately for managers and employees. Most estimates are negative and significant, which is consistent with conflict-prone cells seeing lower conversion. For instance, a 10 percentage point higher share of workers feeling their manager does not value their efforts is associated with a lower conversion share of dismissals into SMAs by 1.2 percentage points. Similarly, workers thinking that their manager does not pay attention to what they say are also in cells with lower conversions on average. Proxies associated with sanctions taken against workers in the company are other strong predictors of the lack of conversions.

While these estimates show correlations and not causal effects, they indicate that, on average, more conflictual and adversarial labor market cells feature fewer conversions of dismissals into SMAs. This pattern is consistent with the counterfactuals estimated in the HR director survey, according to which deliberate cost-seeking plays a large role in preventing conversions. Next, we zoom into a sharper

variation in conflict generated by a policy discontinuity as a second test.

6.2 Cooperative Pre-retirement Dismissals

Our second test uses a sharp variation in the degree of cooperation to complement the correlational evidence provided above. We identify plausibly less conflictual dismissals by focusing on dismissals that allow workers to use unemployment insurance benefits as a bridge into retirement (and compare them to control ages right before this policy discontinuity). Starting age 50, workers receive up to three years of benefits, over the period we study. The retirement age is around 61 (62) years over 2003-2006 (2011-2014). The exact retirement age depends on detailed labor market experience. Hence, a worker who is dismissed or separated by SMA at 58 (59) can retire early using UI as a bridge. This boost in the worker outside option generates a spike in separations at that age, as we show below. This spike is likely less conflictual and more cooperative for two reasons: either the spike masks a collusive quit, or the firm evidently and saliently minimizes dismissal costs for the worker. We expect those plausibly less conflictual dismissals to have a higher conversion share, showing up as a reduction in dismissals and a tantamount increase in SMAs post-reform.

Figure 11 plots annual separation shares by personal dismissal and SMA as a function of worker age at separation, using the MMO data, for pre- and post-reform years, sorted by distance to the regular retirement age (imputing 61 and 62 depending on the year). (Appendix Figure H.1 Panel (b) does so for total separation shares.) Pre-reform, the share of jobs dismissed is 1.3% between 13 and six years before retirement. A spike emerges three years before the retirement age, at 3.4%. We quantify cumulative annual excess dismissals and attribute them to the incentive variation in the running variable by using bunching methods (as in Saez, Schoefer, and Seim, 2024). Defining treatment as the three years around the cutoff (-4 to -2) and comparing them to younger control ages (-10 to -8), we estimate an excess dismissal share of 6.0% pre-reform (2004-2007).

Post-reform (2011-2014), this excess dismissal share decreased to 3.8%, shown in the figure along with the post-reform separation gradient. That is, post-reform, those plausibly less hostile dismissals into early retirement appear to have been reduced by more than a third. Instead, we observe a spike in SMAs post-reform. The excess SMA share is 2.3% in 2011-2014, essentially fully accounting for the 2.2 percentage point reduction in the dismissal share.[23] We quantify the conversion share for those excess dismissals at the early retirement margin using Equation (5) from Strategy 1, and find $\hat{\sigma}_{\text{Excess}} = \frac{0.060-0.038}{0.060} = 37\%$—much larger than the average conversion share of 12% in the economy. Hence, focusing on a subset of dismissals that is likely more cooperative and less conflictual, we confirm the role of conflict in blocking conversions.

6.3 Deliberate Cost Seeking in Dismissals Beyond SMAs

Our paper has provided evidence that points towards conflict playing a significant role in raising costs during dismissals, to the point of impacting the high-stakes choice of the separation mode. To provide

[23]Consistent with this result, Appendix Figure H.1 Panel (a) confirms that SMA take-up is larger among workers aged 58-62 years old than in the population, and the PD time series confirms that dismissals decreased more for that group after the SMA reform.

one additional check of how conflict might lead to other costly actions during dismissals besides this specific margin, we included the following question in our HR director survey: we ask the respondents to imagine that they need to ask a small favor of the last dismissed worker, for instance for a password or the location of a document, and to guess the likelihood that the worker would help. As a benchmark, we also ask them the same question about the last worker who *retired*.

Only 3% of HR directors think that the last dismissed worker would absolutely help with the small favor, compared to 50% for the last retiree. Figure 12 shows the full results. Hence, the mechanisms at play in the failure to converge on the least costly separation mode have the potential to trigger costly behavior and the breakdown of cooperation along various margins during dismissals, increasing the costs of job separations.

7 Conclusion

We have measured the share of dismissals for which firms and workers do not minimize separation costs, and identified the role of conflict behind this phenomenon. Our empirical design relied on the choice between personal dismissals and "separations by mutual agreement" (SMAs) in France. This latter mode of separation is cheaper (in terms of red tape costs to the firm, but also minimizing stigma to the worker, among other advantages) and enable flexible bargaining on the severance pay. Hence, in a basic model with efficient bargaining, all potential dismissals should end with an SMA. By contrast, in the data, we have shown that only 12% of potential dismissals are resolved through SMAs. Then, we have surveyed human resource directors in France to understand whether conflict plays a role, its drivers, and other factors preventing SMAs. A counterfactual estimated from the survey shows that three factors explain 63% of the remaining dismissals: hostility, firms' use of dismissals as a discipline device, and asymmetric beliefs about litigation outcomes. Those mechanisms show the large role played by the deliberate imposition of costs during dismissals. Specifically, absent these three factors, dismissals would be 62.7% lower in today's French labor market, and instead be resolved through more cooperative separations by mutual agreements. Consistent with this finding based on survey counterfactuals, we have shown evidence for this counterfactual in action, zooming into less conflictual subsets of the French labor market.

Our results have implications beyond the context of the choice of the separation mode (which we study because it provides us with a sharp test). First, conflict likely also increases costs on other margins than the choice we study and thereby can impact job turnover by increasing firing costs. Second, the hostility mechanism we identify provides a rationale for some employer behavior, for instance why some employers prefer to minimize advance notice during dismissals (or prevent workers on mandatory advance notice from coming in Bewley, 1999). Third, the discipline device mechanism shows that separation decisions involve considerations at the level of the firm, not only at the match level. Fourth, the low share of conversions we estimate indicates that dismissals observed in the economy are actual firm-initiated separations, with little room for firm-worker collusion for unemployment insurance (which would have been the first to convert). Fifth, hostility and the discipline device mechanism highlight a new side of employment protection regulations: either party may use, and amplify, the

costly aspects of the labor law to impose costs on one another.

Finally, the frictions we identify that curb the conversion of dismissals into SMAs also suggest policy remedies, which may also reduce conflict on other margins. For instance, to the degree that hostility emerges between the two sides because of the direct negotiation, a third-party mediator (involved already in the separation process, not only in the case of a litigation) may reduce such conflict. Asymmetric beliefs about labor court outcomes could also be reduced with legal advice from a neutral third party already during the dismissal and SMA discussion (such as a mandatory short consultation). Alternatively, increasing predictability about court outcomes could help align expectations. Our heterogeneity analyses suggest that the quality of manager-worker relations also mediates conflict, raising the question of which management and HR policies may curb conflict.

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Figures

Figure 1: Separation Processes for Personal Dismissals and SMAs

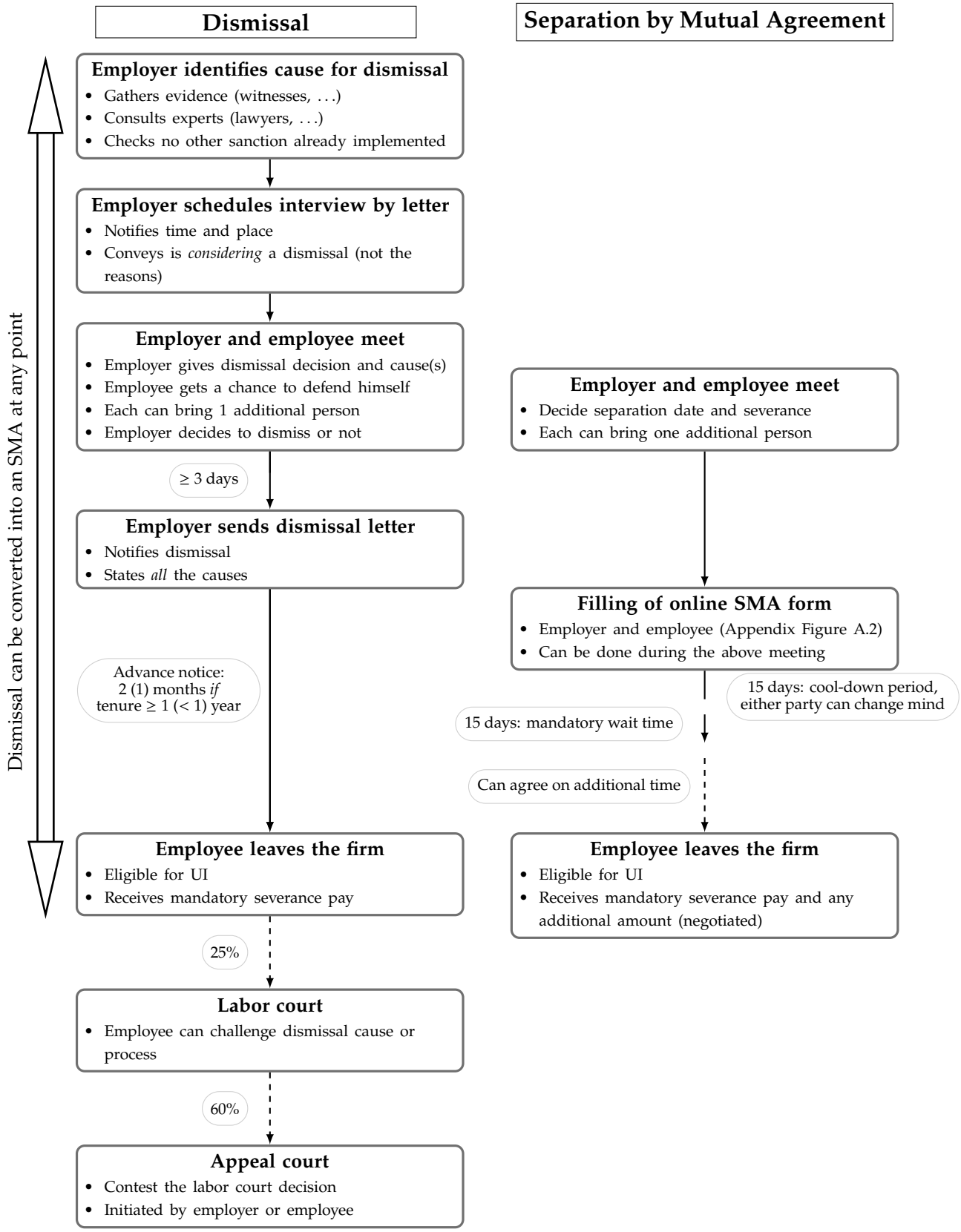
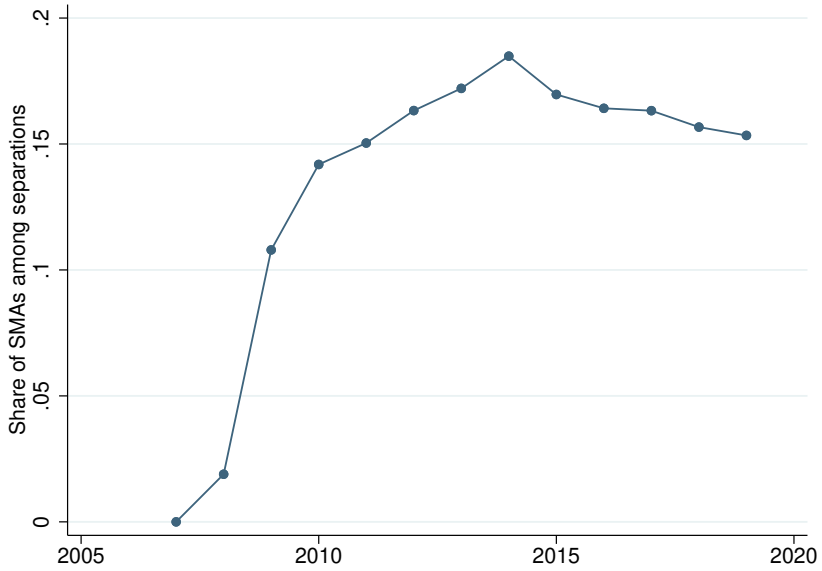
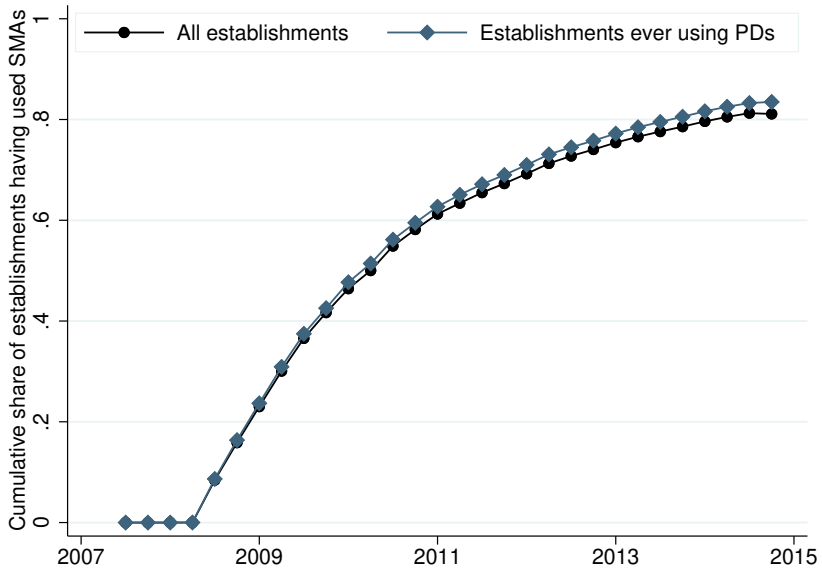


Figure 2: Take-up and Diffusion of Separations by Mutual Agreement

(a) Aggregate Time Series: Share of SMAs Among Total Separations

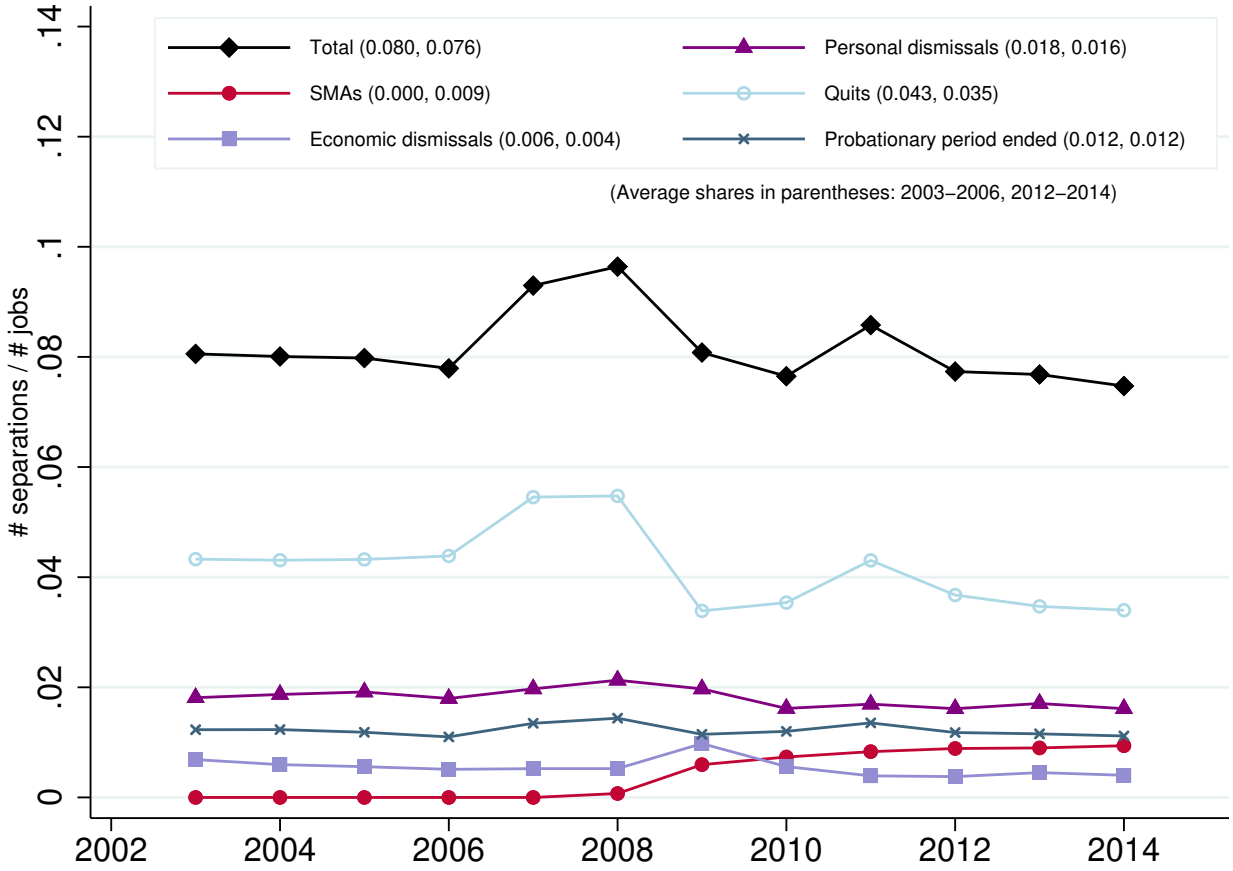


(b) Establishment-level Panel: Share of Establishments That Have Used SMAs



Notes: Panel (a) depicts the number of SMAs divided by total separations of open-ended contracts between 2007 and 2019. Total separations are the sum of quits, economic dismissals, personal dismissals and SMAs, computed from the MMO for the private sector. The data collection changed starting in 2015 (see Section 2.4). Panel (b) uses establishment-level panel data and depicts the cumulative share of establishments having used an SMA at least once. The sample is a balanced panel of the establishments in the MMO every year between 2008 and 2015 (using quarterly data). The black circles correspond to the shares for all establishments of this balanced panel. The blue diamonds consider the subset of establishments that ever use a personal dismissal between 2008 and 2015.

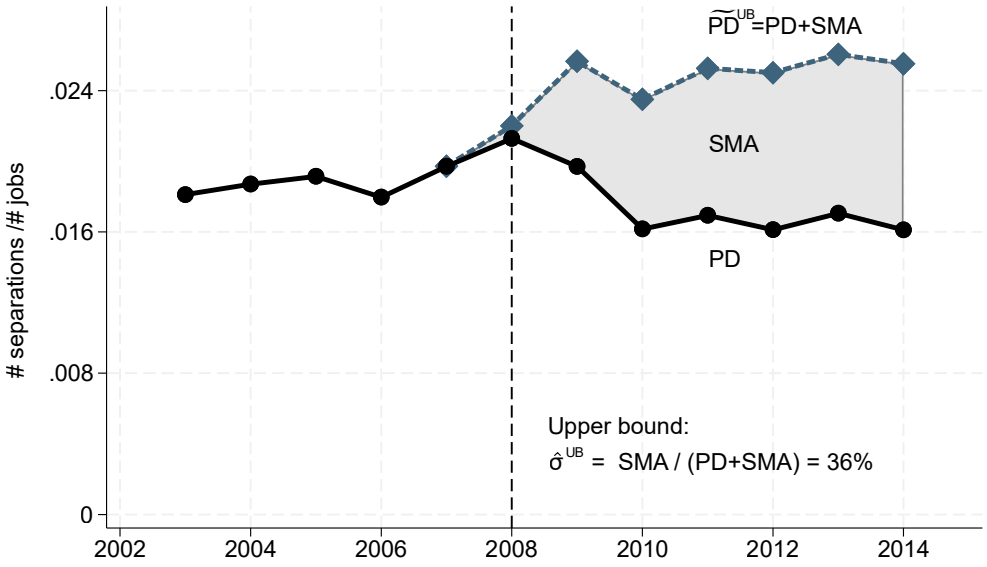
Figure 3: Time Series by Separation Type



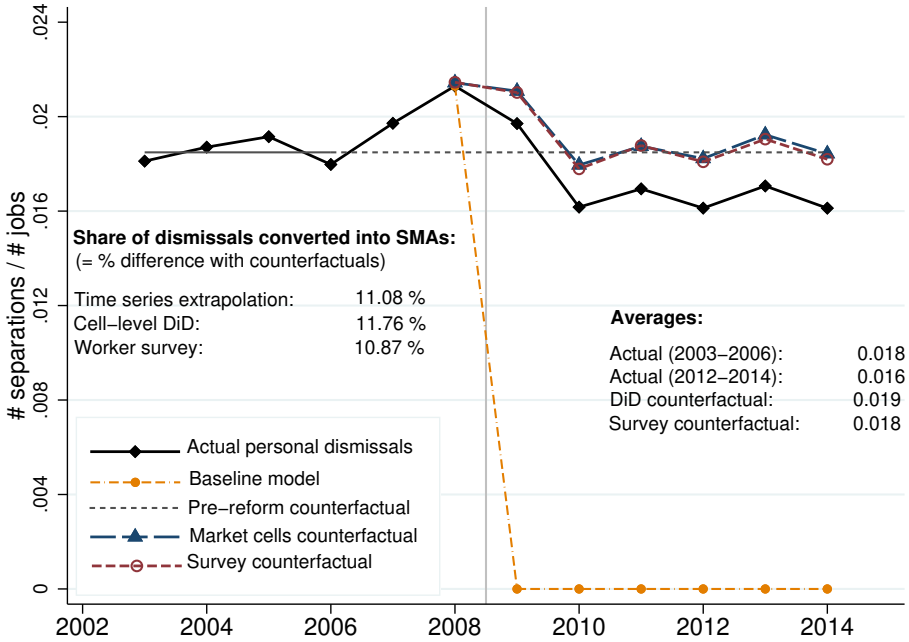
Notes: This figure depicts the number of open-ended contract separations (total and by type) divided by the number of permanent jobs, every year. The average shares for 2003-2006 and 2012-2014 are provided in parentheses. The number of separations is computed from the MMO and the number of jobs from the DADS. Since the number of permanent contracts in the stock of jobs is not directly observed, we approximate it by computing the difference between the number of jobs ever existing in the year and the number of fixed-term contract hires in that year. This method removes the many short-duration fixed-term contracts created every year and gives a better measure of permanent employment. The black line shows total separations, corresponding to the sum of all the other lines. Results are presented for establishments with at least 10 workers.

Figure 4: Estimation of the Share of Personal Dismissals Converted into SMAs

(a) Upper Bound for the Conversion Share



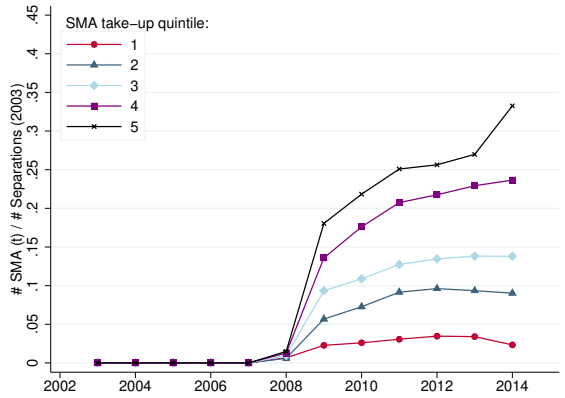
(b) Conversions of Personal Dismissals into SMAs: Three Estimates



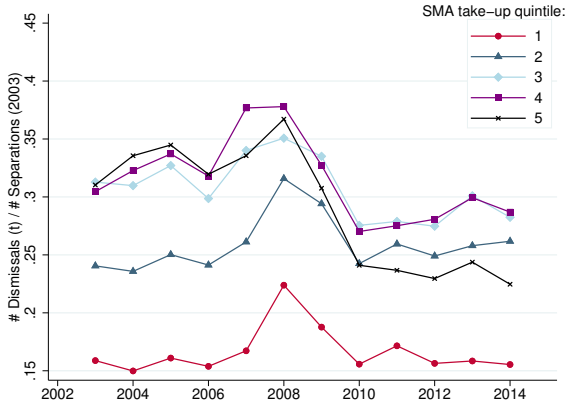
Notes: This figure illustrates the calculation of an upper bound for conversion of dismissals into SMAs, σ, (Panel (a)) and our three main estimates (Panel (b)). Panel (a) depicts the annual number of dismissals and the sum of dismissals and SMAs, which corresponds to the (implausibly high) counterfactual number of dismissals if *all* SMAs replaced dismissals, giving an upper bound for σ. These separations are normalized by employment in permanent jobs. Panel (b) depicts annual dismissals per permanent job (solid black line connecting diamonds) and several counterfactuals. The horizontal gray line shows the average ratio over 2003-2006, giving a counterfactual for the subsequent years. The dashed line with triangles plots the counterfactual dismissal share over 2008-2014 computed from the slope of the labor market cell-level regression of the dismissal growth rate on SMA take-up (−0.89 (Figure 5 Panel (c)) multiplied with the aggregate SMA time series (Figure 3). The dashed line connecting hollow circles plots the counterfactual computed from the SMA survey (i.e., assuming that 22% of SMAs are replacing a dismissal). The dashed line connecting circles indicates the prediction of σ equal to 100% obtained from the baseline model. The table on the left reports the σ estimates from the three strategies and the model prediction. Flows are computed from the MMO and permanent employment from the DADS (see the note of Figure 3 for details). Results are presented for establishments with at least 10 workers.

Figure 5: Differences-in-Difference Approach: Cell-level Analysis

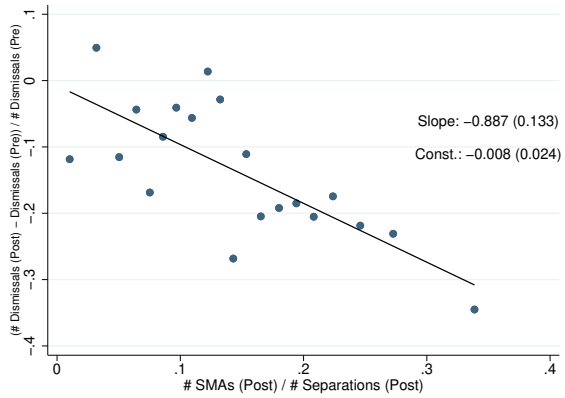
(a) SMAs



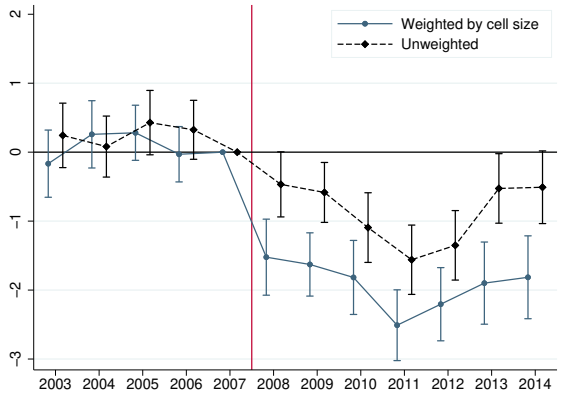
(b) Personal Dismissals



(c) SMA Take-up and Changes in Dismissals (Average)

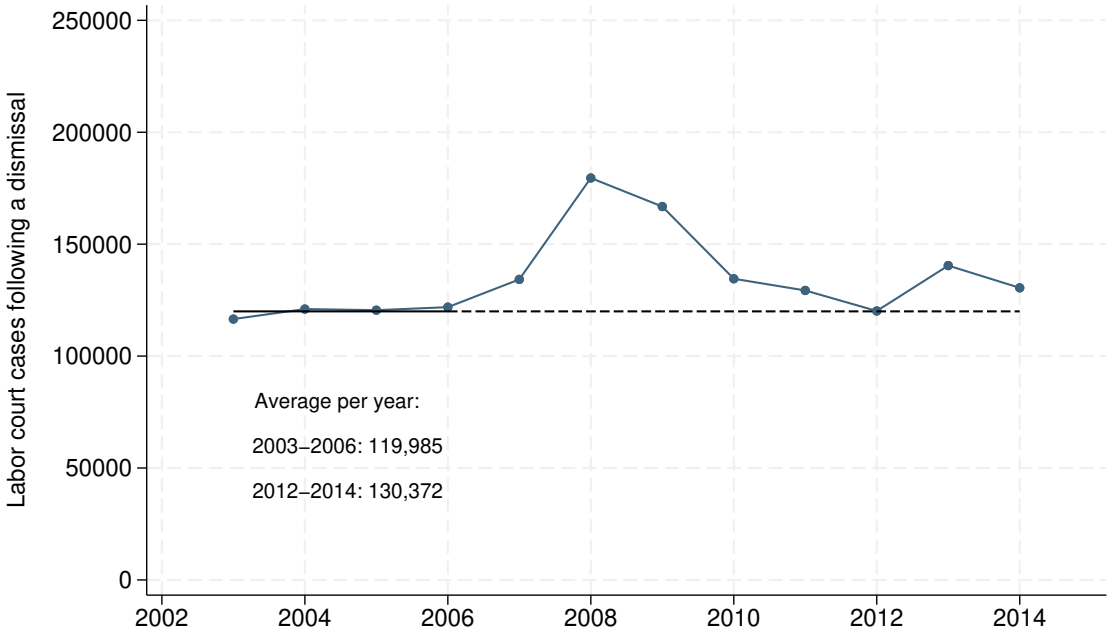


(d) SMA Take-up and Changes in Dismissals (Year-by-Year)



Notes: Panels (a) and (b) plot times series of SMAs and personal dismissals by quintile of SMA take-up. SMA take-up is the share of SMAs among separations, on average over 2012-2014. SMA take-up is measured at the cell level. There are 1,465 cells based on tenure, worker age, establishment size, industry, and occupation. Cells are grouped by quintile of SMA take-up. SMAs and dismissals every year are obtained by summing all the SMAs and dismissals of the cells in the corresponding quintile. They are then normalized by total quintile-level separations in 2003. Panels (c) and (d) are cell-level analyses (rather than quintile-level), and show the relationship between SMA take-up in 2012-2014 and changes in the number of personal dismissals over time across cells. Panel (c) is a binned scatterplot showing the correlation between the growth rate of the number of personal dismissal between 2003-2006 and 2012-2014 and SMA take-up over 2012-2014. Cells with fewer than 30 separations on average per year are excluded, as well as the top and bottom 5% in terms of growth of dismissals. Estimated parameters of an OLS regression of the growth in dismissals on SMA take-up from Equation (6) are reported, with robust standard errors in parentheses. Panel (d) plots the estimates of an event study specification, described in Footnote 16, in which the log number of personal dismissals is regressed on interactions between a set of year dummies and (constant) SMA take-up. The specification controls for year and cell fixed effects. Estimates are shown for both an unweighted specification and one in which cells are weighted by their size (number of separations). Standard errors are clustered at the cell level.

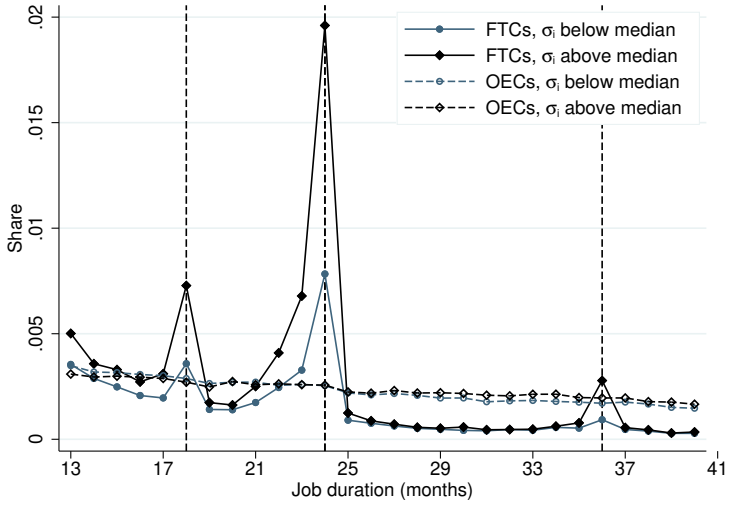
Figure 6: Labor Court Cases Following a Personal Dismissal



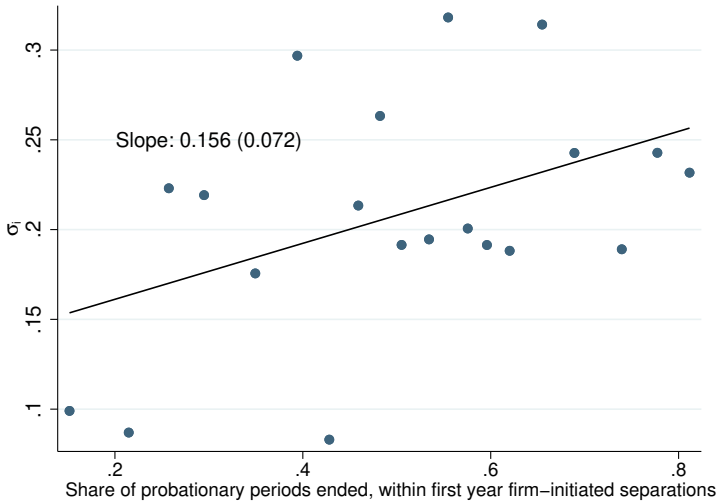
Notes: This figure depicts the number of judgments of labor court cases about personal dismissals (from Ministry of Justice data). Although the year indicates when the case was adjudicated, there can be a substantial delay between the dismissal and the date the case is brought to court, as well as between the date the case is brought to court and judged.

Figure 7: The Role of Dismissal Costs: Indirect Proxies From Firms' Avoidance Behavior of EPL

(a) Duration of Fixed-Term (and Open-Ended) Contracts By Conversion Share

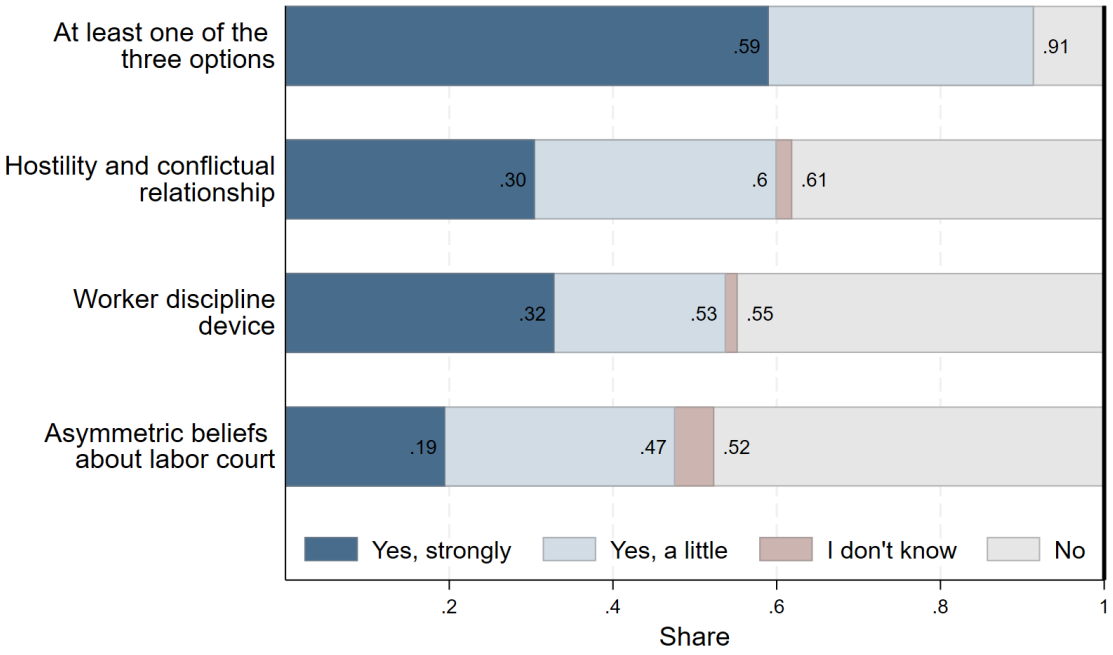


(b) Probationary Periods Ended, Among Firm-initiated Separations within First Year



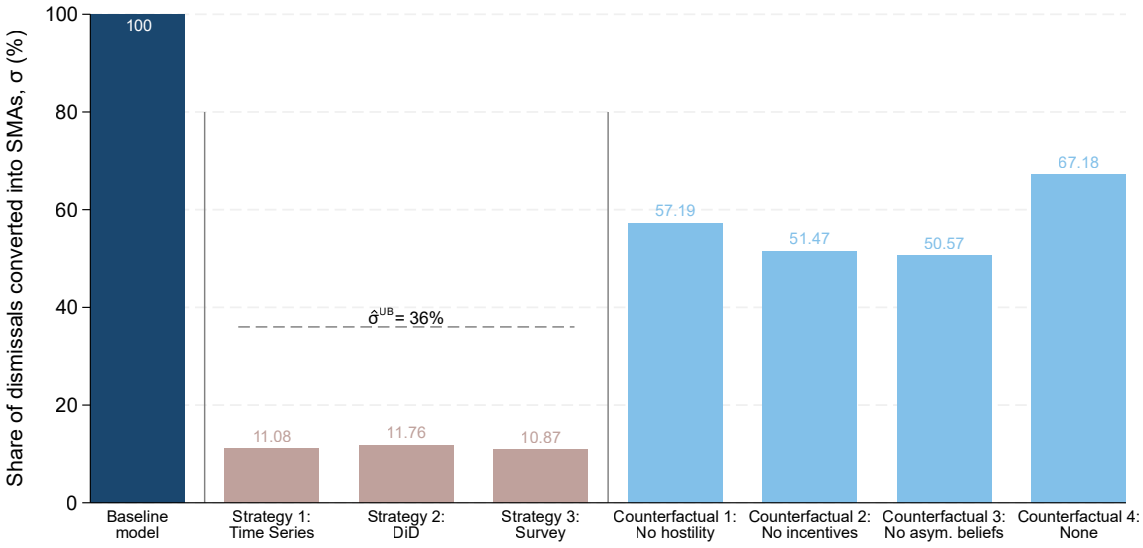
Notes: This figure studies the relationship between proxies for dismissal red tape costs, based on firms' avoidance of EPL in open-ended contracts, and the share of dismissals converted into SMAs. Panel (a) studies the use of fixed-term contracts (FTCs). It plots the distribution of the duration of fixed-term and open-ended contracts, in 2003-2006, i.e., pre-reform. It does so separately for labor market cells in which the σ_i (the conversion of dismissals into SMA) is below or above median. FTCs' maximum duration is 18 months for most cases, with some exceptions at 24 and 36 months. Panel (b) uses variation from separations during the probationary period (after which EPL applies in open-ended contracts). It presents a binned scatter plot of the cell-level σ and the use of terminations of probationary periods over 2003-2006 (defined as the share of permanent jobs terminated by end of the probationary period, among all firm-initiated, i.e., non-quit, separations within the first year). The estimated slope is reported, with robust standard errors in parentheses. Appendix Figure F.2 Panel (e) replicates this graph with an alternative probationary period use measure.

Figure 8: The Role of Conflict in Preventing Conversions of Dismissals into SMAs: Hostility, Discipline Device, and Asymmetric Beliefs



Notes: This figure reports on the responses to the question *"Take your time to answer the following three questions. In your opinion, could the reasons for not signing an SMA with the dismissed employee fall into these categories?"* Section 5.1 details how those three factors are introduced in the survey. Hostility refers to the option described as *"The situation was too tense or conflictual (on one side or both). For instance, the employer and the worker were in bad terms or the worker wanted to make things difficult for the company."* The worker discipline device has the following definition: *"Signing an SMA would have had a negative impact on other employees. For instance, to avoid having too many people ask for an SMA, or avoid giving the impression that the company rewards employees creating problems."* Asymmetric beliefs is described as: *"The company and the employee had different opinions on what might have happened in labor court. For instance, on the probability that the worker would go to court or on the amount decided by the judge."* Separately for each factor, respondents can indicate how important the mechanism was. The printed numbers show the cumulative shares. For instance, 60% of respondents indicate that hostility played a role in preventing the SMA (30% picked a small role and 30% a large role), 1% say they don't know if hostility played a role, and 39% indicate it played no role. Answers are obtained in our own HR director survey in 2024. The analysis sample contains 210 respondents.

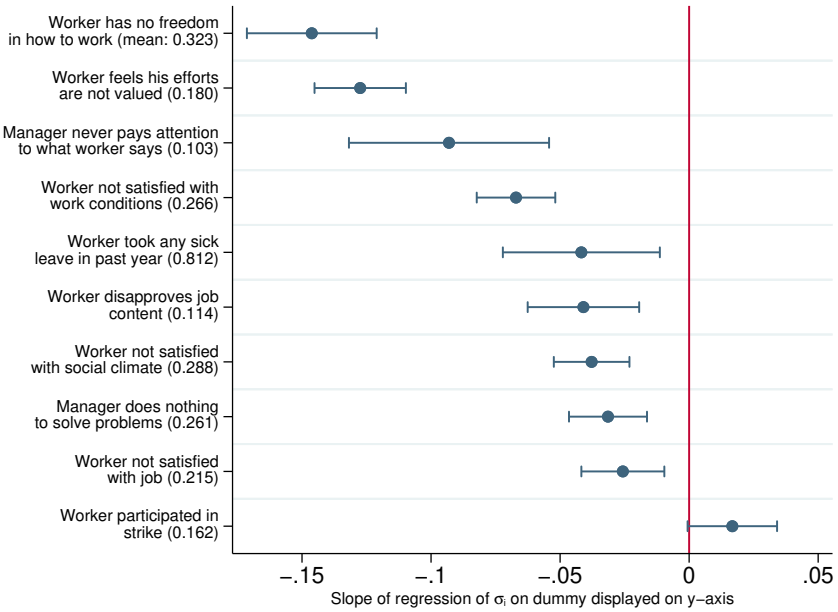
Figure 9: Estimates and Counterfactuals for the Share of Dismissals Converted into SMAs, σ



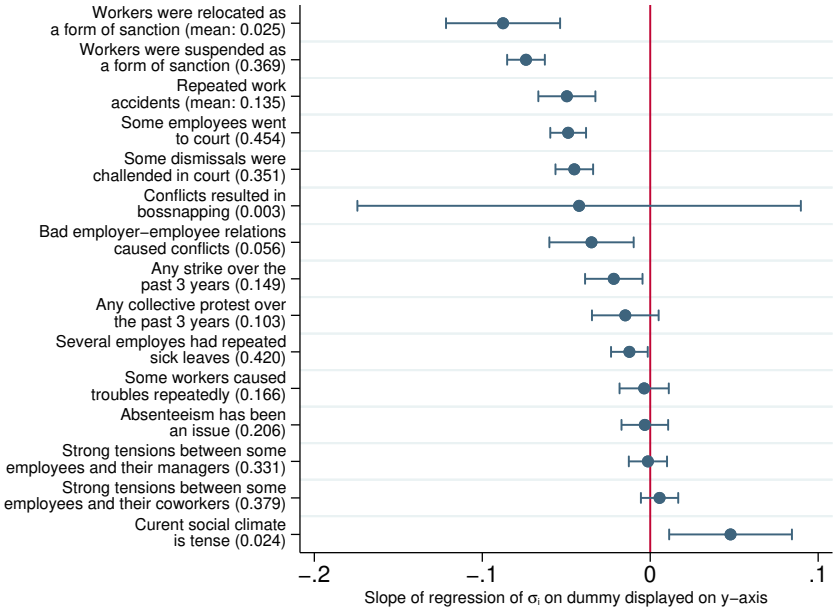
Notes: This figure depicts several estimates for the share of dismissals converted into SMAs, σ, as well as counterfactual estimates for σ under alternative scenarios. The first bar is the prediction of the standard model, described in Section 3.1. The three next bars plot our three empirical estimates of σ. The identification strategies are described in Section 4. $\hat{\sigma}^{UB}$ is the upper-bound we obtain assuming that all SMAs are conversions of dismissals (the computation is described in Section 4.2). The last four bars plot counterfactual estimates for σ under alternative scenarios, obtained from our own HR director survey in 2024 (data described in Section 5.1). The three first counterfactuals rely on asking HR directors to assume that hostility (or discipline device, or asymmetric beliefs) was completely absent during the last dismissal, and to estimate the conversion probability in that case. The last counterfactual is obtained from asking survey participants to imagine that all three factors were absent. We then obtain these counterfactual estimates from the following estimation: $\hat{\sigma}^{\text{No Z}} = \hat{\sigma} + (1 - \hat{\sigma}) \times \frac{1}{N} \sum_j \mathbb{P}_j(SMA^{\text{No Z}} = 1 | SMA = 0)$. For $\frac{1}{N} \sum_j \mathbb{P}_j(SMA^{\text{No Z}} = 1 | SMA = 0)$. We find (standard errors in parentheses) 51.35% (2.37%) for Z= hostility, 44.85% (2.40%) for Z= discipline device and 43.83% (2.35%) for Z=asymmetric beliefs. For all three mechanisms jointly absent, the average conversion probability is 62.70% (2.42%). For example, using the fact that $\hat{\sigma} = 12\%$, and $\frac{1}{N} \sum_j \mathbb{P}_j(SMA^{\text{No Hostility}} = 1 | SMA = 0) = 51.35\%$, we estimate a counterfactual conversion share of $12\% + 88\% \times 0.5135 = 57.19\%$ if hostility were not present during dismissals. The exact scenarios are presented in the questionnaire in Appendix J.

Figure 10: Proxies of Conflict and Conversions of Dismissals into SMAs

(a) Employee Proxies

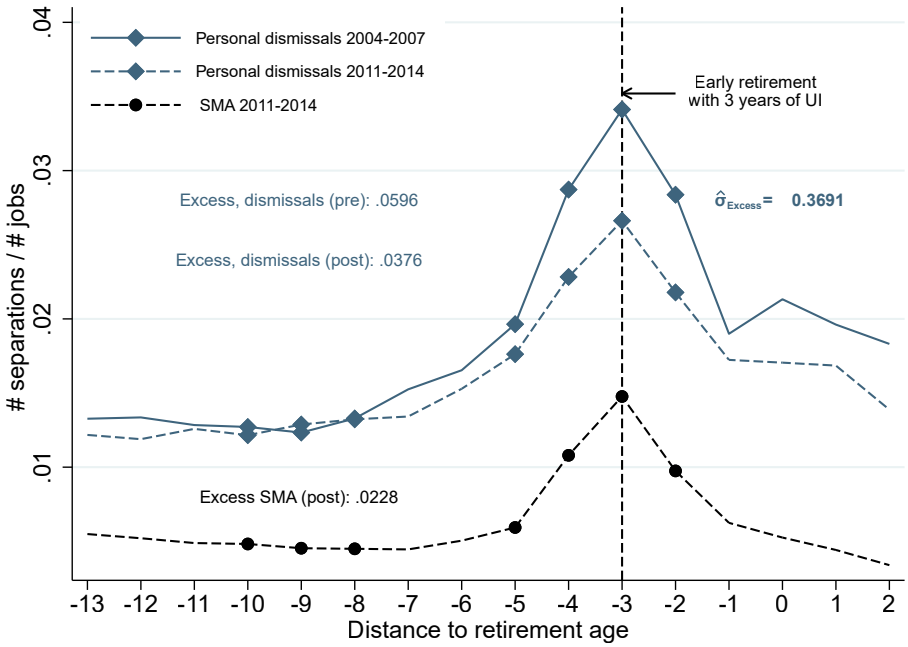


(b) Manager Proxies



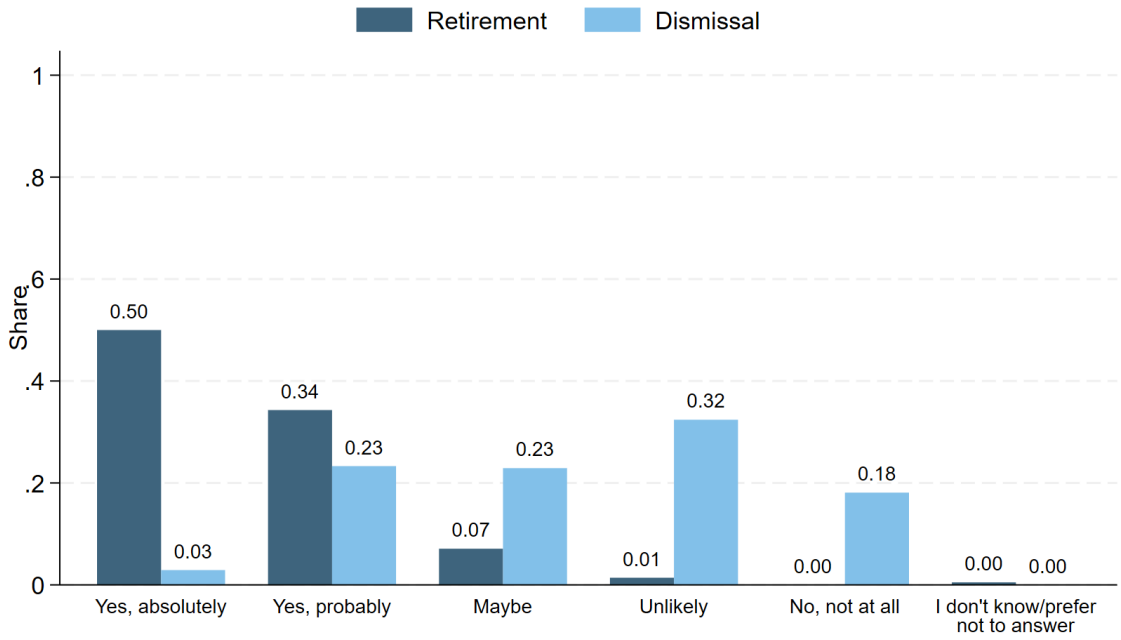
Notes: This figure plots results of regressions of $\sigma_i(j)$ (the cell-level conversion share) on a dummy variable for the conflict proxy defined in the left column, with the regression model given by Equation (10). The regression is estimated at the respondent level. For each worker or manager, the conflict dummy is obtained from the *Enquête Reponse* (2011 and 2017 survey waves pulled together). The corresponding $\sigma_i(j)$ is the one of the cell i, to which the employee or manager j belongs, computed from the MMO. Each estimate is obtained from a separate regression. 95% confidence intervals are reported based on robust standard errors.

Figure 11: Case Study of Conversion of Cooperative Dismissals: Early Retirement Age Discontinuity



Notes: This figure studies the role of cooperative dismissals for older workers at the margin of early retirement in generating conversions of dismissals into SMAs. It shows age discontinuities in dismissal-age profiles and split the sample into pre- and post-reform years. Over 2004-2007, retirement age is considered to be 61 and it is 62 over 2011-2014 to account for the progressive shift in average retirement age over time. For example, a distance to retirement age equal to -3 indicates that the workers are 58 before the reform and 59 after. The vertical line at -3 approximates at which age workers can receive 3 years of UI and then retire. The solid and dashed lines connecting diamonds show the dismissal shares, in 2004-2007 and in 2011-2014, respectively. The dashed line connecting circles plots the share of workers separated under SMA, over 2011-2014. Excess separations are the difference between the 4-year average separation rate from -5 to -2 (squared and circled) and the corresponding average from -10 to -8. Over 2004-2007, dismissals (as a share of the number of jobs) are higher by 6 percentage points around the ages at which workers can receive three years of UI and then retire. The conversion share for excess dismissals, $\hat{\sigma}_{\text{Excess}}$, is computed using Equation (5). Appendix Figure H.1 shows the time series of SMAs and dismissals by age groups (Panel (a)) and total separations by distance to retirement (Panel (b)).

Figure 12: Conflict in Dismissals: HR Directors' View on Whether a Former Employee Would Help with a Small Favor



Notes: This figure depicts the likelihood that a former employee of the company would help with a small low-cost favor. In the 2024 HR director survey, we ask *"If you now had to ask this [last] dismissed worker for a favor (information, a password, the location of a document,...), do you think he would help you?"*. We then ask about the same situation with the last retiree (*"Now think about the last retirement from the company (or the typical retirement). If you now had to ask the worker for a favor (information, a password, the location of a document, ...), do you think he would help you?"*). For instance, 50% of the directors think that the last retiree would absolutely help, while 3% say that the last dismissed worker would absolutely help with the favor. Averages are computed from 210 responses.

Tables

Table 1: Values in the Model

	Firm	Worker
Job continues	J^F	J^W
Quit	V	U
Dismissal	$V - f - c - \bar{s}$	$U + b + c + \bar{s}$
SMA	$V - \bar{s} - s^b$	$U + b + \bar{s} + s^b$
Difference between SMA and dismissal	$f - s^b + c$	$s^b - c$

Notes: This table shows the firm's and worker's payoffs associated with several decisions, for the model presented in Section 3.1. The first row shows the payoffs if the job continues. Rows 2-4 show the payoffs of a separation, for different separation modes. Finally, the last row shows the difference in payoffs between the SMA and the dismissal. That is, the firm has to pay an additional severance s^b with the SMA, but saves on dismissal costs f and c; the worker obtains the additional severance pay s^b but gives up the court compensation payment c.

Table 2: Reasons for Choosing the SMA and Counterfactual from the 2012 Survey of Workers that Separated by SMA in 2011

	Multiple answers?	Share
A. Counterfactual absent the SMA reform	no	
-Quit		0.40
-Job continuation		0.28
-Dismissal		0.22
-Other / does not know		0.10
B. Overall, the choice to terminate the contract was	no	
-A common choice		0.48
-The worker's choice		0.37
-The employer's choice		0.15
-Does not know		0.00
C. Reason to choose SMA over other separations	yes	
-Unemployment benefits		0.68
-Avoid a conflictual situation		0.58
-Framework (interview.. . .)		0.53
-Image for future employers		0.46
-Severance		0.37
-No choice		0.32
-Other		0.03
D. Reason why employer choose SMA over other separations	yes	
-Find a common solution		0.84
-Accepted worker's request		0.59
-Easy process		0.54
-Avoid labor court		0.47
-Preserve the reputation		0.36
-Reduce number of dismissals		0.17
-Other / does not know		0.05
E. Bargained during the employer-employee meeting	yes	
-Severance		0.53
-Separation date		0.51

Notes: This table presents results from the 2012 survey of workers who separated by mutual agreement in 2011. The sample size is 4,502 participants, and Section 2.4 provides additional details. The first column indicates questions asked and possible answers. For several questions (e.g., the reason to choose an SMA instead of another separation type) workers could provide more than one option. The last column indicates the share of workers who said yes to each particular option.

Table 3: HR Director Survey: Involvement in Dismissals and SMAs, and Dismissal Stigma

	Multiple answers?	Share
A. Participation in Dismissals		
In how many dismissals have you participated?	No	
1		0.03
2 to 5		0.19
5 to 20		0.32
More than 20		0.44
Don't wish to answer		0.01
How did you participate in the dismissal?	Yes	
I implemented the dismissal		0.95
I spoke with an expert (lawyer,...)		0.85
I negotiated with the employee		0.84
I decided the dismissal		0.78
Other, but I was familiar the case		0.03
Other, but I heard of the case from afar		0.01
Don't wish to answer		0.00
B. Knowledge of SMA		
How familiar are you with SMAs?	No	
I have already negotiated or implemented some		0.99
I have never directly implemented but I know it		0.01
I don't know what it is		0.00
Don't wish to answer		0.00
C. Recruiting Stigma		
Whom would you be more likely to hire:	No	
Both identically		0.49
The worker who signed an SMA		0.45
The dismissed worker		0.00
Don't wish to answer		0.06
D. Last Dismissal		
Was the relationship tense?	No	
Yes, even before the dismissal		0.60
Yes, it came up during the dismissal		0.12
No		0.27
Don't wish to answer		0.00
Was an SMA mentioned?	No	
No		0.46
Yes, by the employer		0.29
Yes, by both the employer and employee		0.14
Yes, by the employee		0.11
Don't wish to answer		0.00
E. Last SMA		
What would have happened if SMAs did not exist?	No	
The employee would have been dismissed		0.57
The employee would have quit		0.28
The employee would have remained at the firm		0.12
Don't wish to answer		0.03

Notes: This table presents responses to several questions in our 2024 survey of HR directors, for our main analysis sample of 210 respondents. These questions are asked in different blocks of the survey. Panel A depicts involvement in dismissals and those questions are asked at the very beginning, while Panel E on the last SMA is at the end of the questionnaire. The column "Multiple Answers?" indicate whether the participants could only pick one response or more than one. "Share" depicts the share of respondents who picked the option indicated in the first column. The exact questions asked are presented in the full questionnaire in Appendix J.

Table 4: Details on the Role of Hostility, Discipline Device, and Asymmetric Beliefs

	Selected First	Share
A. Hostility and conflictual relationship	0.39	
The employee wanted to make things difficult for the company		0.57
The employee was aggressive or angry		0.52
The relationship between the worker and the employer was very bad		0.51
The employee threatened the company with going to court, which was perceived as blackmail		0.23
Someone in the company wanted to make things difficult for the employee		0.05
The employer was aggressive or angry		0.01
B. Worker discipline device	0.43	
The dismissal shows other employees that the employer responds to the behavior and efforts of employees		0.79
The other employees would have found the SMA unfair		0.43
The dismissal discourages other employees from requesting SMAs		0.23
C. Asymmetric beliefs about labor court	0.18	
The worker overestimated his chances in labor court		0.66
The worker wanted to go to labor court to take revenge or out of pride		0.37
Mentioning the SMA would have been interpreted as a lack of cause for the dismissal		0.32
The threat of labor court was interpreted as blackmail		0.13
The employee went to labor court and it was unexpected		0.00

Notes: This table provides details behind the three main mechanisms under study (hostility, discipline device, asymmetric beliefs). Estimates are obtained using our 2024 HR director survey, for our main analysis sample of 210 respondents. First, survey respondents are asked to pick the mechanism that played the largest role in preventing the SMA during the last dismissal. Panels A, B, and C show the share of HR directors ranking each mechanism first. Second, conditional on the mechanism picked first, the respondent is asked to provide details explaining what happened exactly. The table depicts all the potential detailed situations presented to them, for all three mechanisms. For instance, 43% of respondents picked the discipline device mechanism as most important one among the three. Among those respondents, 79% indicate that the dismissal was not converted because dismissing the worker shows other employees that the employer is reacting to behavior and efforts. The exact questions asked are presented in the full questionnaire in Appendix J.

Online Appendix of:
Conflict in Dismissals

Pauline Carry and Benjamin Schoefer

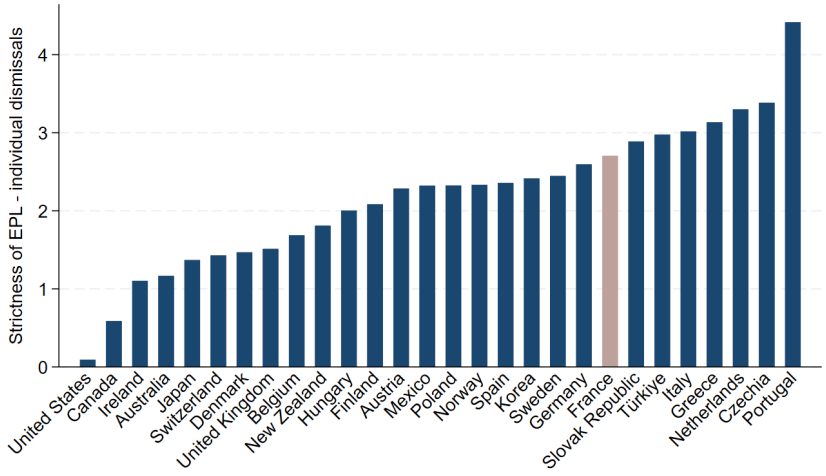
Contents

A Institutions: Additional Details

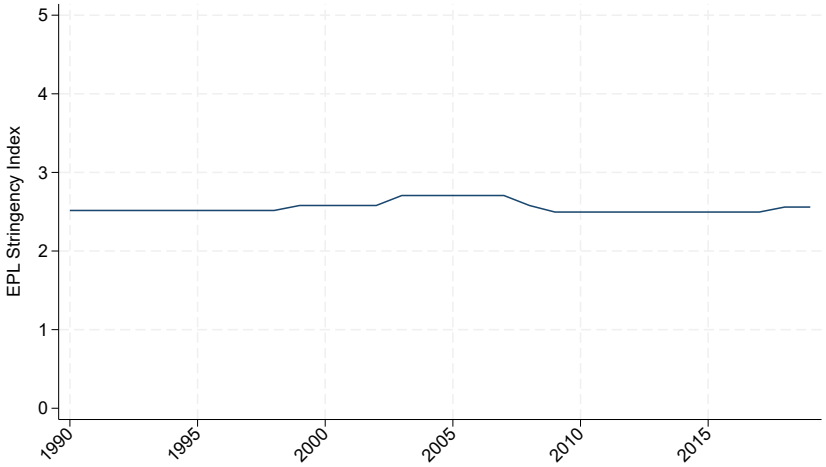
A.1 EPL Stringency (OECD Indicator)

Figure A.1: EPL Stringency

(a) Stringency of EPL in OECD Countries (2007)



(b) EPL Stringency for Personal Dismissals in France over Time



Notes: This figure depicts the country-level OECD indicators for the stringency of EPL regarding individual dismissals. The higher the value of the indicator, the more stringent the regulations for dismissals. Panel (a) compares France to other OECD countries in 2007. Panel (b) shows the value of the indicator for France from 1989 to 2019.

A.2 Labor Court Process and Pre-Trial Settlements

We summarize the main steps of a trial about a dismissal and the potential costs involved for the employee and the employer. More details on the process are provided in Cahuc, Carcillo, Patault, and Moreau (2024) and Desrieux and Espinosa (2019).

First instance. A worker considering suing her employer for wrongful dismissal will first make a case at the *Prud'hommes* council, which is the first instance labor court in France. At this stage, the judges

are a mix of employers and employees, not professional lawyers. Both the worker and the employer can go to the first instance trial without a lawyer. Desrieux and Espinosa (2019) estimate that in 62% of *Prud'hommes* cases between 1998 and 2012, the dismissal was ruled as wrongful by the judges. In that case, judges can offer the worker the possibility to decide between a reinstatement in the firm and an severance. Because of delays of judgment or for other reasons, the reinstatement option is rarely taken by workers. Judges will also decide if the firm has to reimburse the unemployment benefits that were paid to the worker after the dismissal, as well as the legal fees incurred by the worker. When the worker loses her case, the judges decide if she has to pay the employer's legal fees.

Appeal process. Both the employer and the employee can appeal the case, independently of who won in first instance. Cahuc, Carcillo, Patault, and Moreau (2024) find that about 60% to 67% of cases were appealed between 2004 and 2013 and that only 44% of the first instance decisions are confirmed by appeal courts. Contrary to the first instance, judges in appeal court are magistrates. During the appeal process, the firm and the worker must have a lawyer representing them. When a case is appealed, the decision of first instance is suspended until the appeal decision is made. Cahuc, Carcillo, Patault, and Moreau (2024) have analyzed decisions in appeal courts and find that, on average, firms have to pay the worker 29,260.39 Euros (equivalent to 10.58 months of salary) at the end of the appeal process.

Pre-trial settlements. During the trial process, the employee and the employer have to meet with a court mediator, to try to negotiate a pre-trial settlement. This happens before the first instance decision is reached. Desrieux and Espinosa (2019) document that the share of court cases that reaches this kind of settlement is low: it is equal to 10% of trial cases in 2004 and 5.5% in 2013. Most of the decrease in the success rate of pre-trial settlements took place between 2009 and 2011, which coincides with the introduction of SMAs. This suggests that the few dismissal cases that were initially able to reach a settlement are more likely to use an SMA instead, but we have not studied this aspect in detail because of the vast majority of dismissals that fail to reach an SMA (or a pre-trial settlement).

2017 labor court reform. In September 2017, the French government introduced a scale for dismissals judged as wrongful in labor court. This means that, if a judge considers the dismissal wrongful, the amount of money the employer has to pay the worker has to comply with a minimum and a maximum (that depend on the monthly wage and tenure). This reform was introduced to reduce the uncertainty associated with labor court cases (hence it might increase information and align beliefs about court outcomes). However, as shown by Cahuc, Carcillo, Carry, Moreau, and Patault (2024a), this reform had the unintended effects of increasing total compensation in court, as well as the variance of compensation. This is because the 2017 reform only regulated the compensation for wrongful dismissals. But the law does not regulate the compensation for a dismissal that is associated with harassment or discrimination, for instance. As a result, workers are more likely to challenge the dismissal on additional grounds after the reform, and they appear to have received higher and more variable total compensation payments, potentially due to continued judge discretion.

A.3 SMA Online Form

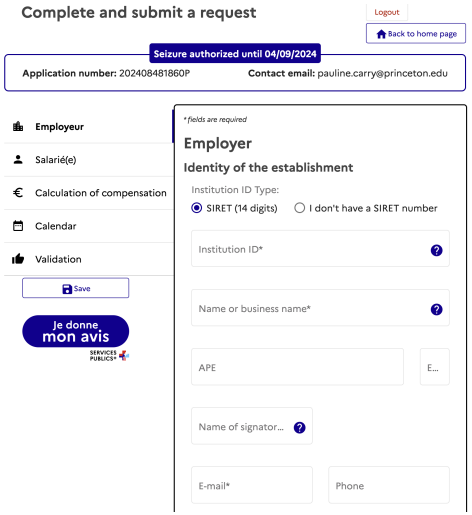
To sign a separation by mutual agreement (SMA), the employer and the employee have to fill out a form. Since 2022, the paper form has been replaced by a similar online form on a dedicated SMA platform (*TéléRC* website).[24] Figure A.2 shows screenshots of all the steps of the SMA online form (translated into English by the authors). The form is composed of four parts. The first part regards firm information (establishment identification number, email of contact person, phone number,...). The second part is about the employee (name, occupation, contact information). The third part determines

[24]https://www.telerc.travail.gouv.fr/accueil

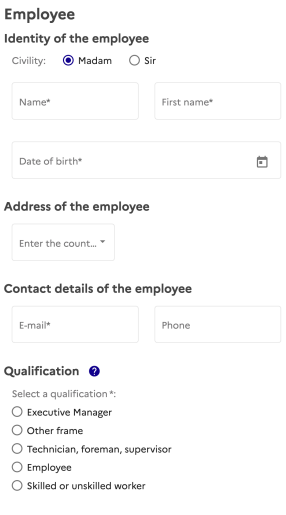
the severance pay. The form requires to fill monthly earnings and tenure, and the form automatically calculates and fills in the legal minimum severance, which is equal to the one in the dismissal case (and it is impossible to move to the next step of the form if the bargained severance is not at least the legal minimum). The last part is about the separation date. The required fields are the date of the meeting and the separation date (again, the online platform will automatically check that the mandatory one month notice period is satisfied).

Figure A.2: Online SMA Form (Translated into English)

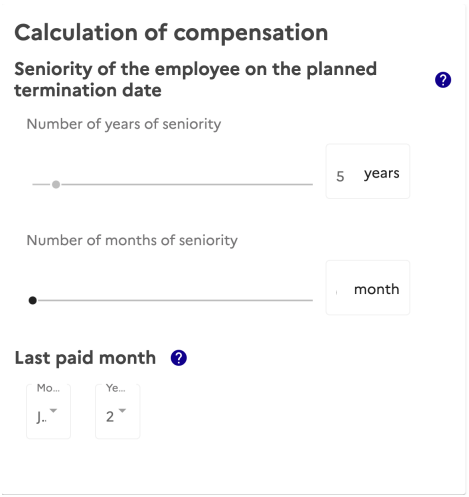
(a) Part 1: Employer



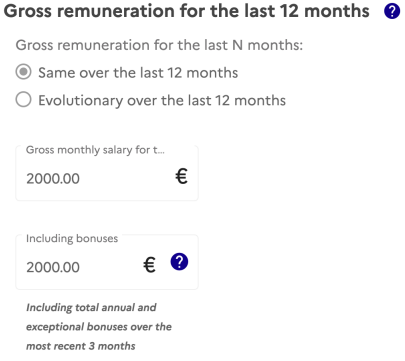
(b) Part 2: Employee



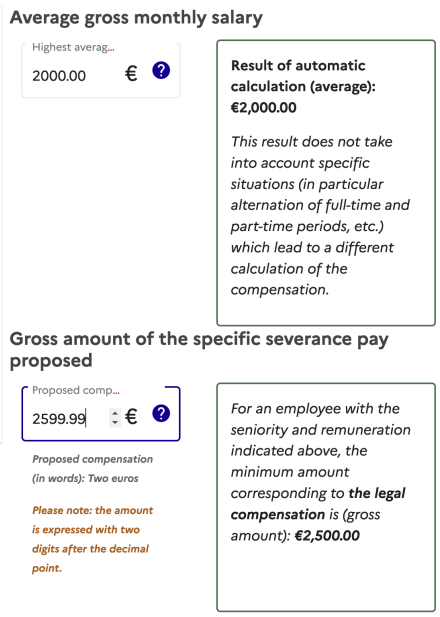
(c) Part 3: Severance (1/3)



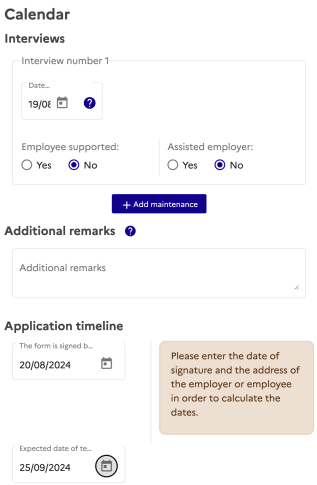
(d) Part 3: Severance (2/3)



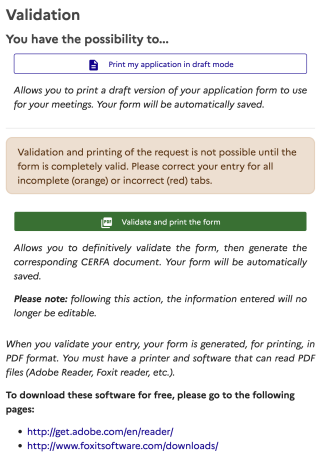
(e) Part 3: Severance (3/3)



(f) Part 4: Separation Date



(g) Validation



A.4 Fiscal Regime of Severance Payments

We now describe the tax treatment of severance pay, which differed across the years.

2008-2012. Between the introduction of SMAs in 2008 and the end of 2012, severance payments of personal dismissals and SMAs are subject to similar fiscal regimes. In both cases, the severance pay is usually exempt from income taxes and most payroll taxes. The reason is that most separations fall below the annual cutoff for exemption for such payments. We describe those cutoffs below.

Payments received by workers on top of their wage can be subject to three kinds of taxes or contributions: (i) income tax, (ii) social security contributions, and (iii) generalized social contributions (CSG).

(i) The worker has to pay the income tax only on the part of the severance that is above the maximum of (a) twice the annual gross earnings (over the 12 months before the separation) and (b) half the amount of the total severance pay. This exemption from income tax is at most equal to 199,659 euros in 2009 and 263,952 euros in 2023.

(ii) The exemption from social security contributions is the same as the one from income tax, described in (i). It is at most equal to 66,553 euros in 2009 and 87,984 euros in 2023.

(iii) The part of the severance pay exempt from the CSG is the minimum between (a) the amount exempted from social security contributions, defined in (ii) and (b) the mandatory legal severance in case of a dismissal. Over that period, the CSG tax rate is about 7.5%.

Severance payments are entirely subject to (ii) and (iii) when the amount is above 343,080 euros in 2009 and above 439,920 euros in 2023.

Consider an example. Table C.1 indicates that the median mandatory severance pay is 0.6 of the monthly wage and the median discretionary severance is 0, over 2013-2015. The median monthly wage is equal to 1,834.90 euros. For a worker with this severance and this wage, we can compute:

- The maximum amount of severance with no income tax: max(2x12x1834.9, 0.5x0.6x1834.9) = 44,037.6 euros.
- The maximum amount of severance with no social security contributions: 44,037.6 euros.
- The maximum amount of severance with no CSG: 1100.94 (i.e., the mandatory severance payment, 0.6 of the monthly wage).

Hence, this median worker will pay no tax nor social contributions.

2013-2022. Starting 2013, the severance pay in case of an SMA becomes subject to an additional tax, paid by employers. This tax, called the "*forfait social*," covers payments that are not subject to social contributions, made from firms to workers. The tax rate is 20%. Hence, from 2013, employers must pay this tax on the share of the severance that is exempt from social security contributions. This tax does not apply to severance payments for dismissals. (Since we do not see a break in conversions after 2013, and since this asymmetric treatment was not present before, we find it unlikely that this factor contributes significantly to the absence of conversions.)

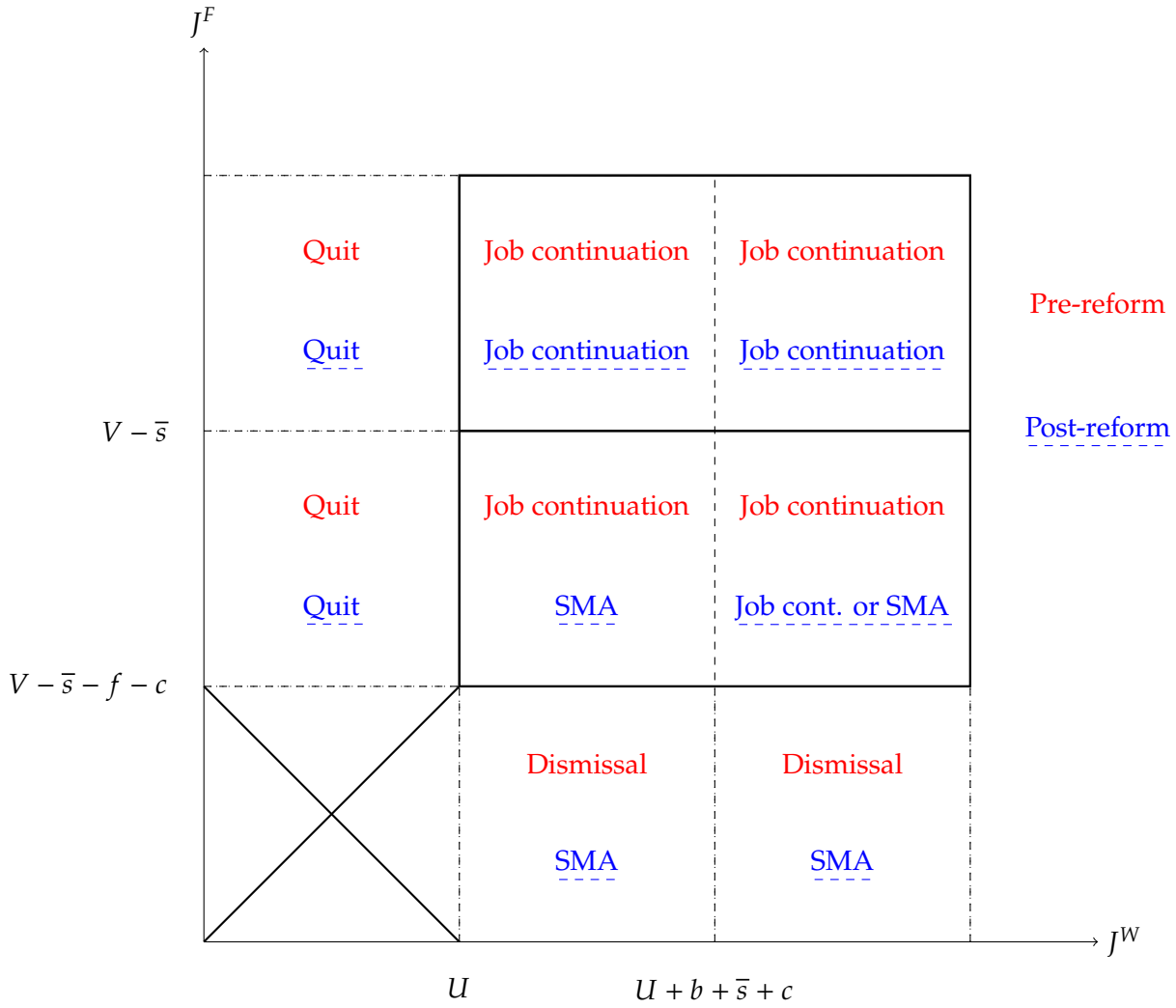
As an example, the median SMA severance over 2013-2015 is equal to 1,100.94 euros (Table C.1). For this median SMA, the employer has to pay 220.19 euros in taxes.

The 20% employer tax covers all SMAs in which the worker does not go directly into retirement. For an SMA signed with a worker retiring, the tax rate is 50%.

2023 onward. In 2023, the French government has harmonized the tax paid by employers on severance packages between workers going into retirement and workers not going into retirement. Starting 2023, the tax rate is 30% for all workers. It is still paid only on the share of the severance that is exempt from social contributions.

B Conceptual Framework: Details

Figure B.1: Job Outcomes Pre-reform and Post-reform



Notes: This figure depicts the potential turnover outcomes of a job depending on the firm and worker values, for the model presented in Section 3. The x-axis is the value of the job to the worker, and the cutoffs presented show the values of the outside options (unemployment without benefits, or unemployment with benefits, severance and labor court transfer). The y-axis shows the value of the job to the firm. The intersections of cutoff values on those two axis define several areas, associated with outcomes pre- (in red) and post-reform (in blue, underlined). The bottom left zone is crossed because we assume for tractability that only one shock at a time can happen (hence, the firm and the workers cannot both unilaterally decide to separate at the same time).

C SMA Survey: Additional Results

Table C.1: Severance Pay and Job Characteristics in SMA Records

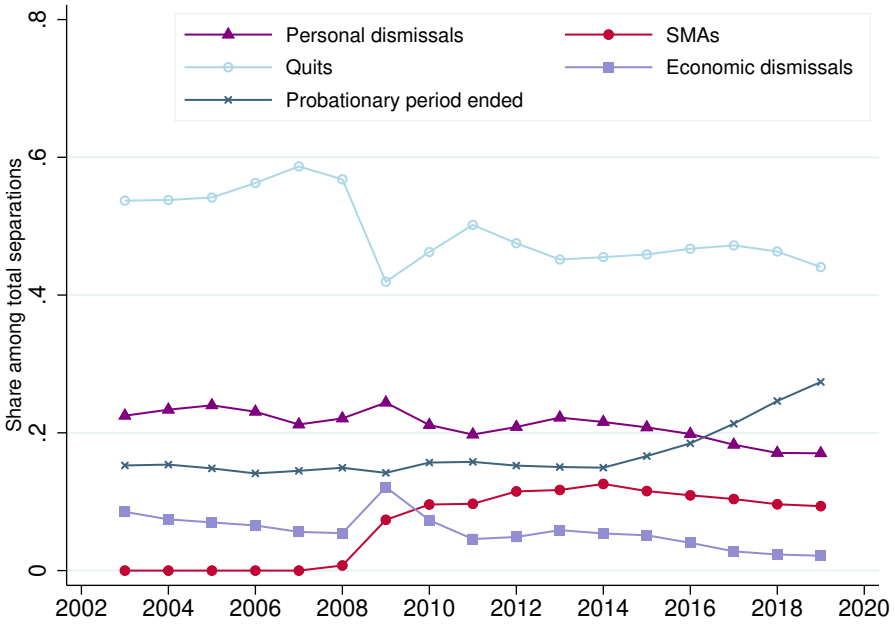
		2011	2012 survey	2013-2015
A. Minimum legal severance				
	Mean	1.2	1.2	1.1
	SD	1.7	1.7	1.7
	p25	0.3	0.3	0.3
	p50	0.6	0.6	0.6
	p75	1.2	1.3	1.2
B. Discretionary severance				
	Mean	1.7	0.8	0.5
	SD	2.4	2.8	1.9
	p25	0.0	0.0	0.0
	p50	0.0	0.0	0.0
	p75	0.3	0.4	0.2
C. Total severance				
	Mean	1.8	1.9	1.6
	SD	3.3	3.7	2.8
	p25	0.3	0.4	0.3
	p50	0.8	0.8	0.7
	p75	1.8	1.9	1.6
D. Tenure				
	Mean	61.0	62.7	59.4
	p50	36.0	38.0	34.0
E. Monthly wage				
	Mean	2015.2	2083.6	2039.3
	p50	1751.0	1792.2	1834.9
N		164829	4288	854469

Notes: This table presents moments from the distribution of severance pays for separations by mutual agreements. The severance pay is in share of the gross monthly wage. Panel A indicates the mandatory minimum severance that firms have to pay, computed from Equation (1). Panel B. shows the severance pay that workers get on top of the mandatory minimum. Panel C indicates the total severance (Panel A + Panel B). The first column is for SMAs signed in 2011. The second column corresponds to the SMAs signed in 2011 that were matched with the 2012 worker survey. The last column combines administrative records of SMAs from 2013, 2014 and 2015 together.

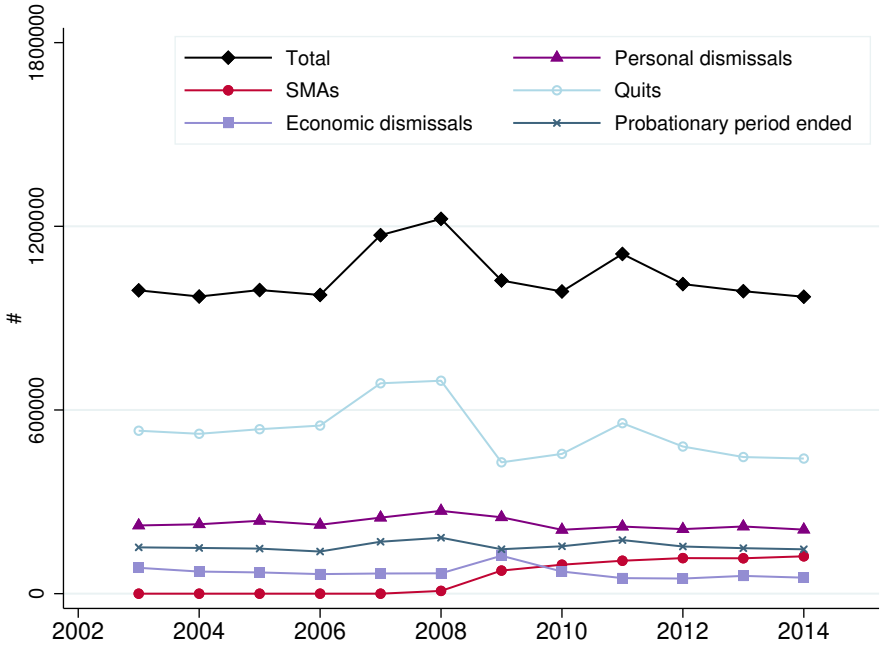
D Additional Facts, Results and Robustness Checks

Figure D.1: Time Series Robustness, *Mouvements de Main d'Oeuvre*

(a) Separation Shares, Longer Period

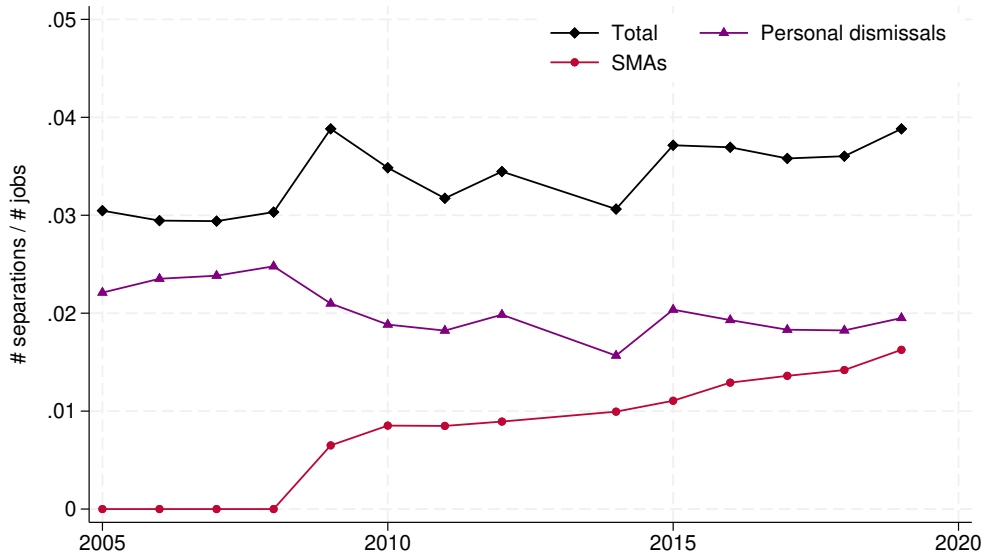


(b) Separation Counts



Notes: This figure depicts the evolution of separations, by type. Panel (a) shows, for each separation type, the share among total separations until 2019. Starting 2015, a change in the data collection mode affects the total volume of separations measured. Panel (b) plots the number of separations per year and per type, until 2014. It is the counterpart of Figure 3, except that separations are now not divided by employment. Both panels are computed in the MMO. Results are presented for establishments with at least 10 workers.

Figure D.2: Time Series Robustness, Labor Force Survey

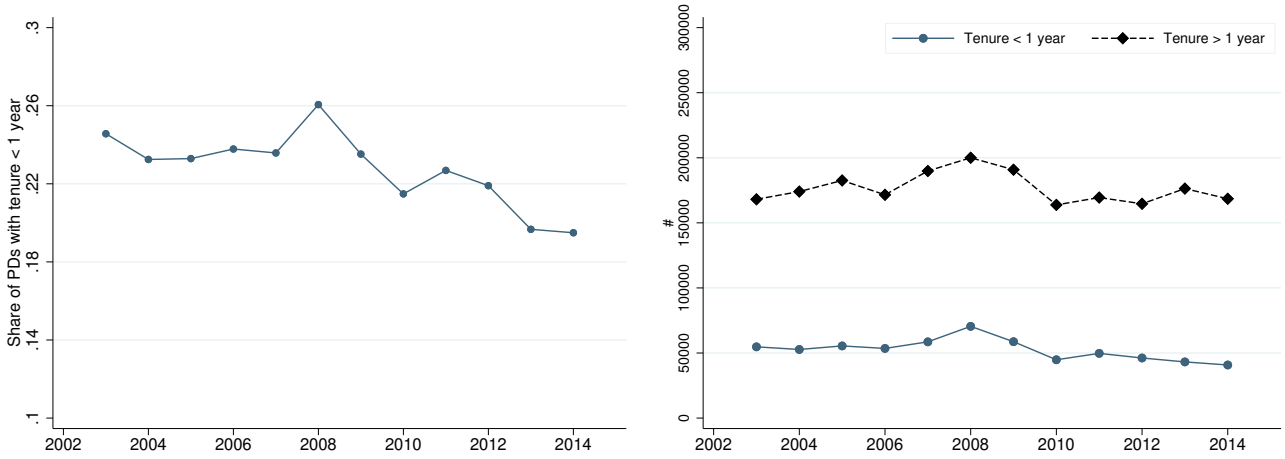


Notes: This figure plots the ratio between separations (by mode of separation) and employment, every year, computed from the Labor Force Survey. Separations are identified from the panel nature of the data. Workers who indicate a change in situation between two waves of the survey are asked the separation mode for the last job. This question is absent in 2013.

Figure D.3: Personal Dismissals by Tenure

(a) Share of Personal Dismissals with Tenure Below 1 Year

(b) Number of Personal Dismissals

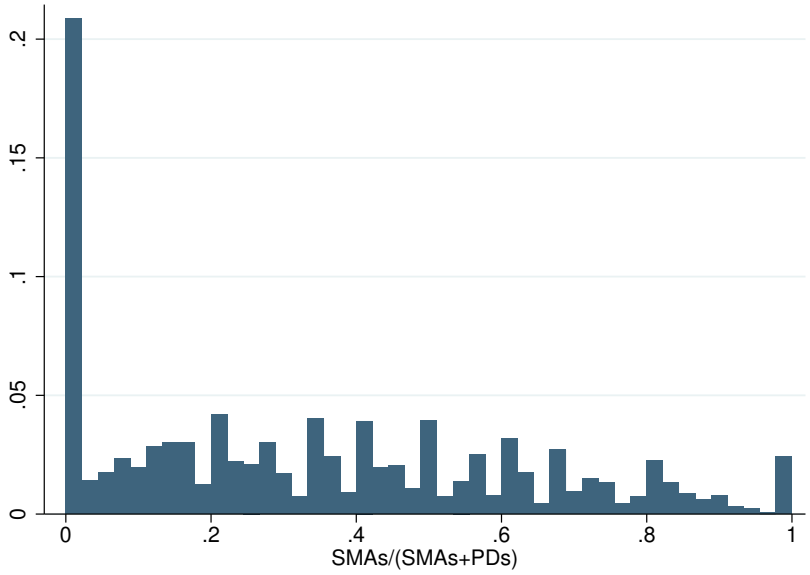


Notes: This figure shows the evolution of personal dismissals by tenure. Panel (a) depicts the share of personal dismissals for workers with tenure below 1 year, among all personal dismissals. Panel (b) shows the number of personal dismissals, separately for tenure below and above 1 year. Both panels are computed in the MMO. Results are presented for establishments with at least 10 workers.

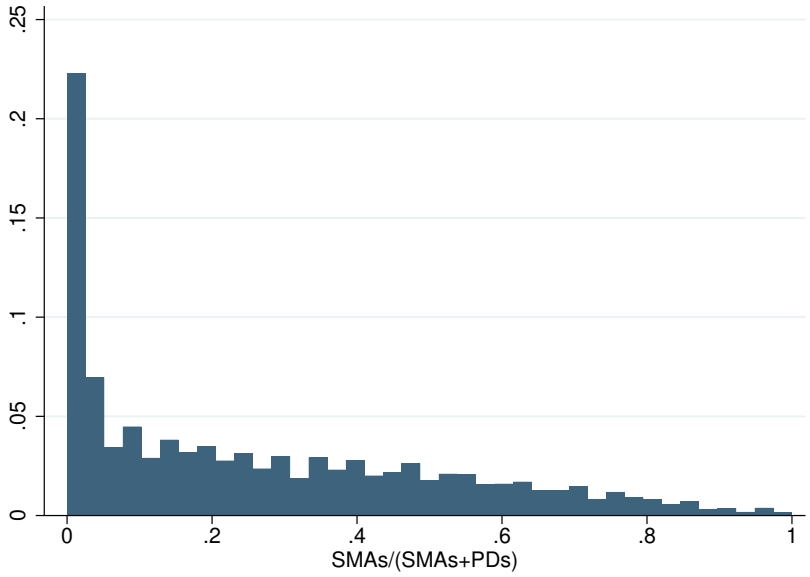
E Additional Heterogeneity Results

Figure E.1: Take-up and Diffusion of Separations by Mutual Agreement

(a) Establishments for which SMA+PD ≥5 in 2011-2014

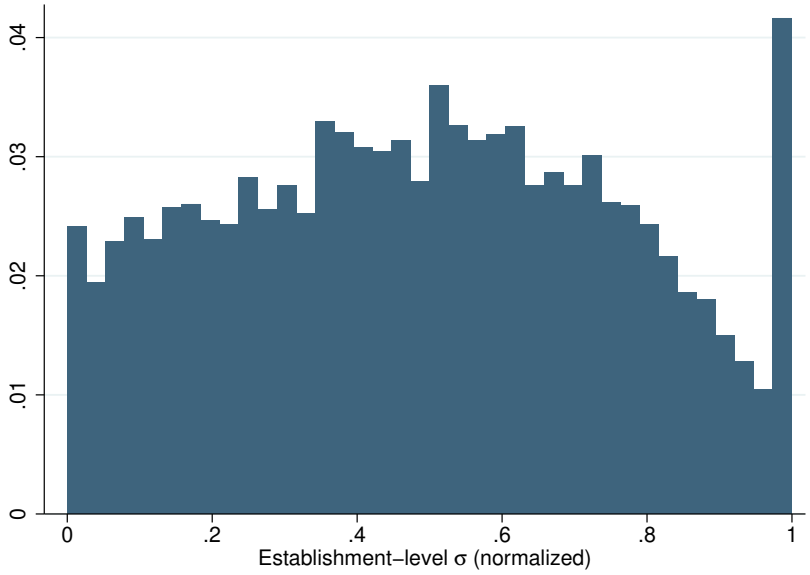


(b) Establishments for which SMA+PD ≥20 in 2011-2014



Notes: This figure shows the distribution of the establishment-level ratio between the number of SMAs and the sum of SMAs and personal dismissals (PDs), over 2011-2014. It does so separately for establishments for which the sum of SMAs and PDs for 2011-2014 is at least equal to 5 (Panel (a)) and for establishments for which this number is at least equal to 20 (Panel (b)). Those ratios are computed in the MMO on private sector establishments.

Figure E.2: Establishment-level conversion share, σ



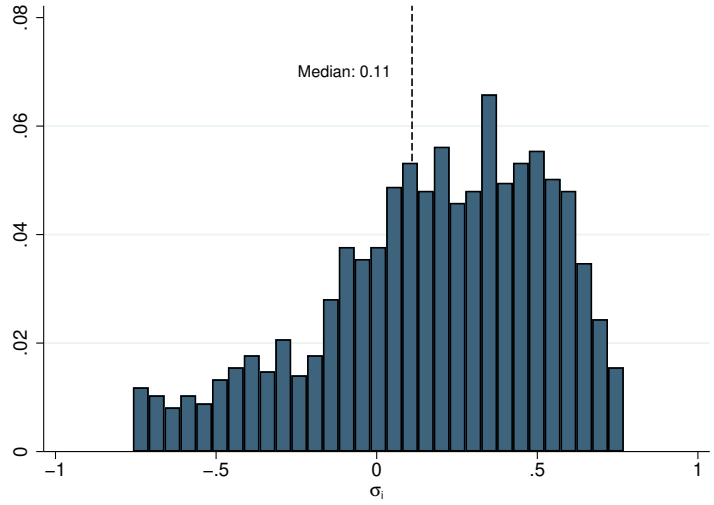
Notes: The figure plots the distribution of the within-establishment share of dismissals converted into SMA, estimated from Equation (5). PD use at each period is normalized by employment in that period (measured as the reference size, provided in the MMO), so that we plot $\frac{\frac{PD_{\text{Pre}}}{Emp_{\text{Pre}}} - \frac{PD_{\text{Post}}}{Emp_{\text{Post}}}}{\frac{PD_{\text{Pre}}}{Emp_{\text{Pre}}}}$. The pre-period is 2003-2006 and the post-period is 2011-2014.

Table E.1: Characteristics of Personal Dismissals and SMAs

	PD pre (#)	PD take-up pre	PD post (#)	PD growth $(-\sigma_i)$	SMA (#)	SMA take-up
A. Age						
<27	50,362	0.18	43,246	-0.14	19,420	0.08
27-33	44,430	0.25	36,723	-0.17	27,221	0.15
33-43	61,280	0.30	52,835	-0.14	35,689	0.17
>43	71,077	0.42	77,796	0.09	34,734	0.16
B. Tenure						
<12 months	53,271	0.22	44,092	-0.17	16,466	0.08
12-31 months	57,256	0.29	51,696	-0.10	30,561	0.15
31-74 months	56,294	0.29	50,950	-0.09	35,161	0.17
>74 months	55,525	0.37	62,093	0.12	34,031	0.18
C. Establishment size						
<73	109,540	0.24	94,607	-0.14	76,262	0.16
73-150	37,288	0.30	36,125	-0.03	17,269	0.13
150-339	39,897	0.33	37,255	-0.07	13,360	0.12
>339	40,424	0.34	39,280	-0.03	10,173	0.08
D. Industry						
Construction	18,598	0.28	19,298	0.04	12,401	0.18
Finance, insurance, housing	8,848	0.27	8,009	-0.09	5,782	0.17
Food and accommodation	13,875	0.13	18,498	0.33	7,047	0.07
Info. and communication	10,929	0.27	7,008	-0.36	8,055	0.17
Manufacturing	48,781	0.30	31,611	-0.35	21,874	0.17
Other services	4,929	0.22	5,529	0.12	6,099	0.18
Retail	48,982	0.28	44,501	-0.09	26,206	0.15
Transport	18,024	0.29	19,772	0.10	6,356	0.11
E. Occupation						
HS blue collars	53,494	0.27	50,050	-0.06	22,179	0.13
LS blue collars	36,126	0.35	38,268	0.06	7,772	0.08
LS white collars	63,737	0.23	67,655	0.06	34,222	0.12
Managers	37,603	0.30	26,225	-0.30	29,451	0.19
Technicians	36,189	0.28	25,068	-0.31	23,441	0.19

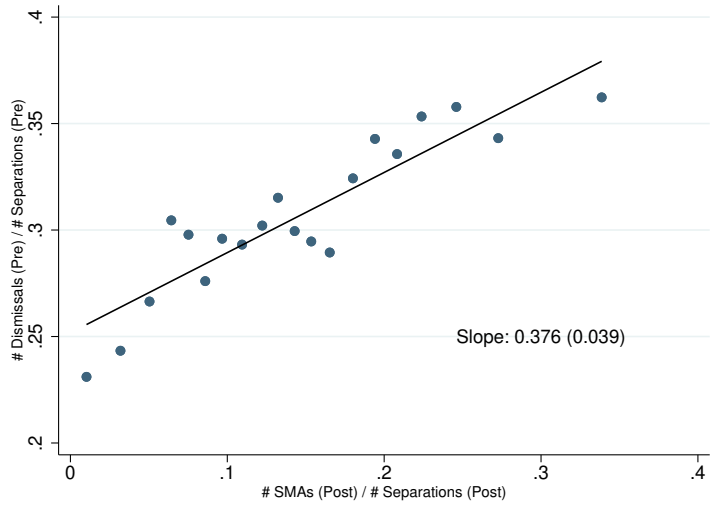
Notes: The table presents turnover statistics by characteristics of workers and firms, using the groupings we cross when constructing labor market cells. The first, third and fifth columns present numbers of separations (personal dismissals or SMAs) on average per year. All columns for the pre-reform period are averages over 2003-2006 and the columns for the post-reform are for 2012-2014. "PD take-up pre" indicates the share of personal dismissals among total separations in 2003-2006. "SMA take-up" is the share of SMAs among total separations in 2012-2014. "PD growth" is the growth rate of the number of personal dismissals between 2003-2006 and 2012-2014, which is also an estimate of the negative of σ_i, as defined by Equation (5).

Figure E.3: Distribution of Labor Market Cell-level σ



Notes: This figure plots the distribution of σ_i at the cell level. There are 1,465 cells based on tenure, worker age, establishment size, industry, and occupation. Cells with fewer than 30 separations on average per year are excluded, as well as observations in the top and bottom 5% in terms of growth of dismissals.

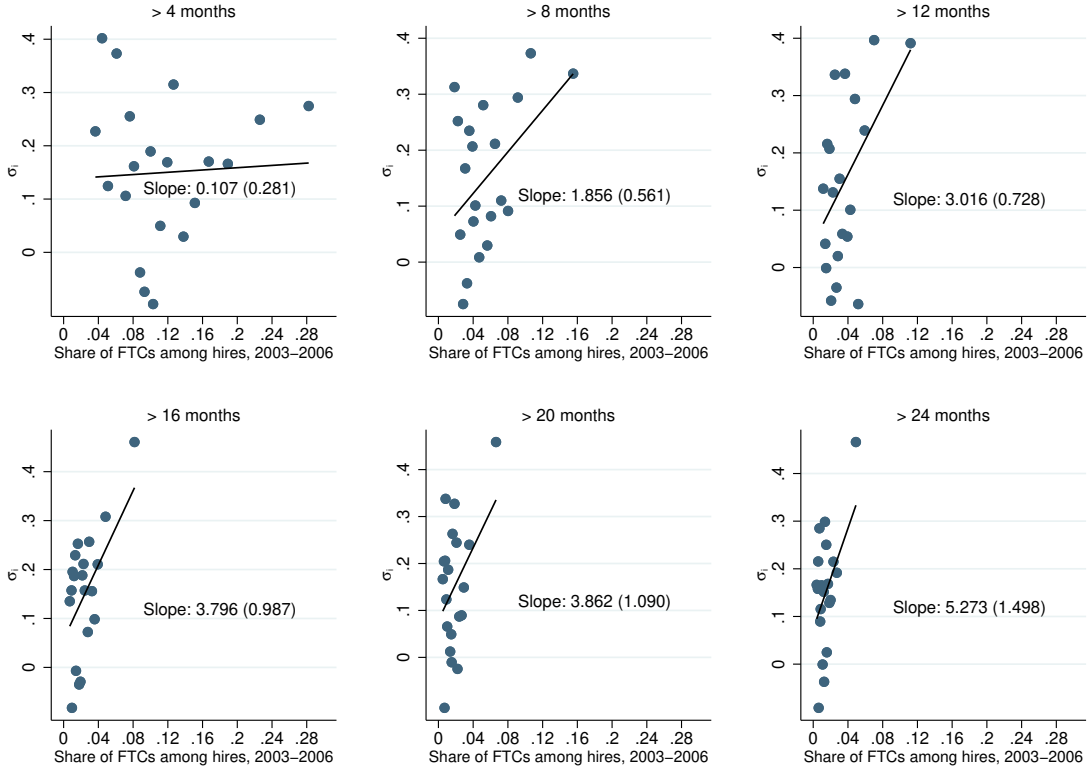
Figure E.4: Pre-reform Use of Personal Dismissals and Post-reform SMA Take-up



Notes: This figure presents a binned scatterplot of the share of personal dismissals among separations in 2003-2006 on the share of SMAs among separations in 2012-2014, at the labor market cell level (here binned into 20 groups). There are 1,465 cells based on tenure, worker age, establishment size, industry and occupation. Cells with fewer than 30 separations on average per year are excluded, as well as top and bottom 5% growth of dismissals. The estimated slope of a regression of the dismissal share on SMA take-up is reported, with robust standard errors in parentheses.

F Additional Results on Dismissal Red Tape Costs

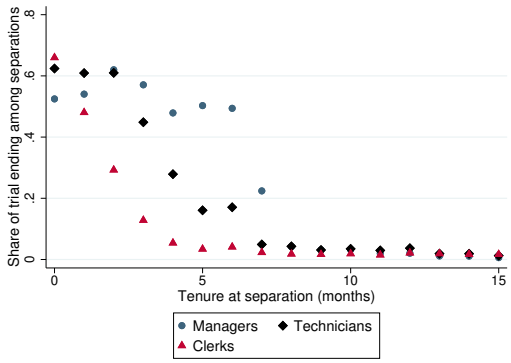
Figure F.1: Fixed-Term Contracts Duration and Conversion Share



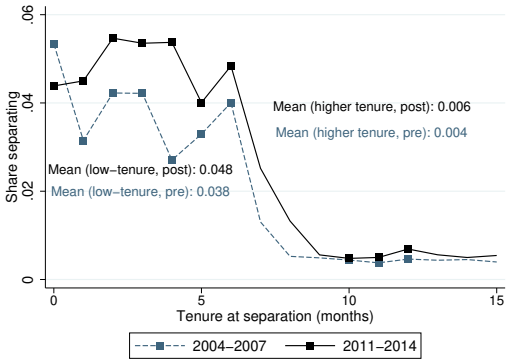
Notes: This figure presents binned scatterplots of σ_i (the estimated share of dismissals converted into SMAs) on the share of fixed-term contracts among total hires (measured in 2003-2006) at the labor cell level (here binned into 20 groups). Each panel reports this relationship for fixed-term contracts lasting over varying durations defined in the panel title. Estimates of the slope of a regression of σ_i on the FTC share are reported, with robust standard errors in parentheses.

Figure F.2: Probationary Period Threshold and Firm-initiated Separations of Low-tenure Jobs

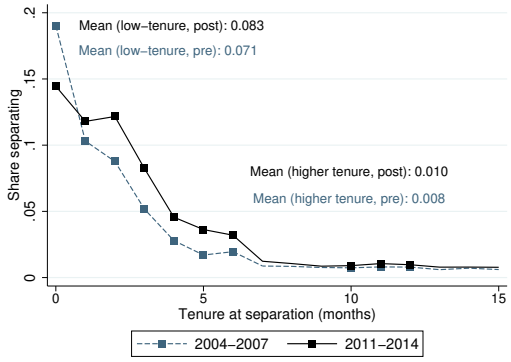
(a) Probationary Periods Ended



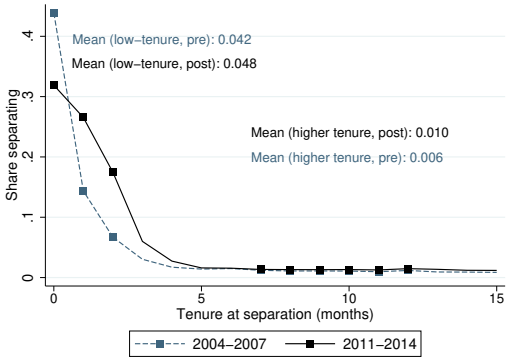
(b) Managers



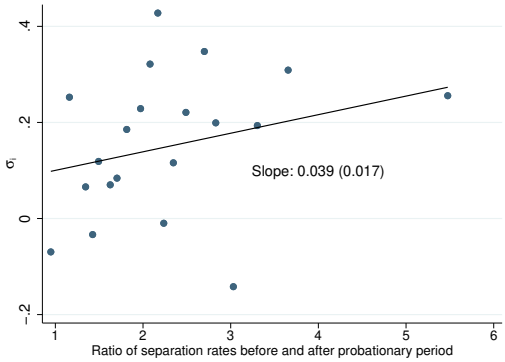
(c) Skilled Technicians



(d) Clerks and Blue Collars



(e) Ratio of Separation Rates Before and After Probationary Period



Notes: The figure presents additional results on a red tape cost proxy from firms' probationary period use. Panel (a) shows the share of probationary periods ended by employers among all separations of OECs, by tenure, in 2004-2007. We distinguish between managers, technicians and clerks and blue collars as the legal maximum duration of probationary periods varies by occupation (eight months for managers, six for technicians and four for clerks and blue collars). Panels (b), (c) and (d) plot the number of *non-quit* separations divided by the number of jobs by tenure, by occupation. The dashed lines show the shares in 2004-2007 and the solid lines in 2012-2014. The squares show observations used to compute the average firm-initiated separation rates for different ranges of tenure. Non-quit separations comprise probationary periods ended, personal and economic dismissals, and SMAs. Separations and employment by tenure are computed in the MMO. Results are presented for establishments with at least 10 workers. Panel (e) is a binned scatterplot that shows the correlation between the cell-level conversion share σ and the ratio of separation rates during and after the probationary period (over 2003-2006). The periods defining the two components of the ratio are depicted as squares in Panels (b-d). The slope is estimated from a regression of cell-level σ on the variable described on the x-axis. Robust standard errors are provided in parentheses.

G Additional Details: Survey of HR Directors

This appendix provides additional details on our survey of HR directors, which we ran between June and September 2024.

G.1 Sample and Quality Checks

We begin with a sample of 473 Qualtrics survey responses from HR directors, gathered mostly through direct outreach via email, and complemented with LinkedIn messaging. We restrict the sample using a set of filters to exclude low-quality responses and to focus on the relevant population. Those filters are described below.

Survey completion. Respondents who did not complete the full survey are excluded from the analysis sample. See Figure G.1 for the evolution of completion rates by question. Of the 473 initial respondents, 74 (15.6%) did not finish the survey. 399 remain.

Quality. To improve the quality of our sample, we exclude responses that are likely to have been completed inaccurately or inattentively. In addition to implementing a standard attention check question administered two thirds into the survey, we exclude respondents who complete the survey overly quickly, respondents with obvious patterns in their responses (always selecting the first, last, or "don't know" option), and those with internally inconsistent responses. Of the 399 participants who completed the survey, 70 (18%) fail at least one quality check, leaving 329.

Below, we describe step by step how each of these filters were implemented:

- Attention check: two thirds through the survey, respondents were asked in a relatively lengthy question to respond "333" when asked their favorite number (see questionnaire in Appendix J). 44 respondents not passing this attention check are excluded from the analysis, leaving 355.
- Internal consistency: respondents were at one point asked to identify which of the three mechanisms they found most important. At another point, they were asked to rank the importance of all three mechanisms from not at all important to very important. If the mechanism indicated as the single most important question (one-choice only) does not weakly dominate the other two in the ranking question, the respondent is excluded from the analysis. Of the 355 responses remaining, 26 (7.5%) have such inconsistent responses. 329 remain.
- Systematic response patterns: respondents exhibiting systematic response patterns (i.e., consistently selecting the first, last, or "don't know") are excluded. We define those systematic patterns as responding first, last, or don't know more than 15 times out the 23 questions. Of the 329 remaining respondents, none meet this definition.
- Survey completion time: respondents taking less than 2 minutes to complete the survey are excluded from the analysis. Of the 323 responses remaining, none meet this definition.

Targeting. We also employ several filters to identify the population of interest. Specifically, we exclude respondents not directly involved in dismissals, those from the public sector, and those who recall a dismissal for serious or gross misconduct. Of the 329 responses left after, 119 (38%) fall outside the target population. This leaves the final sample of 210.

Details on these exclusions are provided below:

- Implemented dismissal: only participants who have directly participated in implementing a dismissal over the past ten years are included in the sample. Of the 329 participants remaining, none are excluded for this reason.
- Private sector employment: respondents were asked to indicate whether their company is public or private. Only respondents indicating they work in the private sector are included in the analysis. Of the 329 participants remaining, 13 (4%) are excluded for this reason. 316 remain.
- Recall of recent dismissal: respondents are included only if they recalled a recent dismissal not due to serious or gross misconduct (*faute grave/faute lourde*). Of the 316 remaining participants 106 (34%) are excluded for this reason.

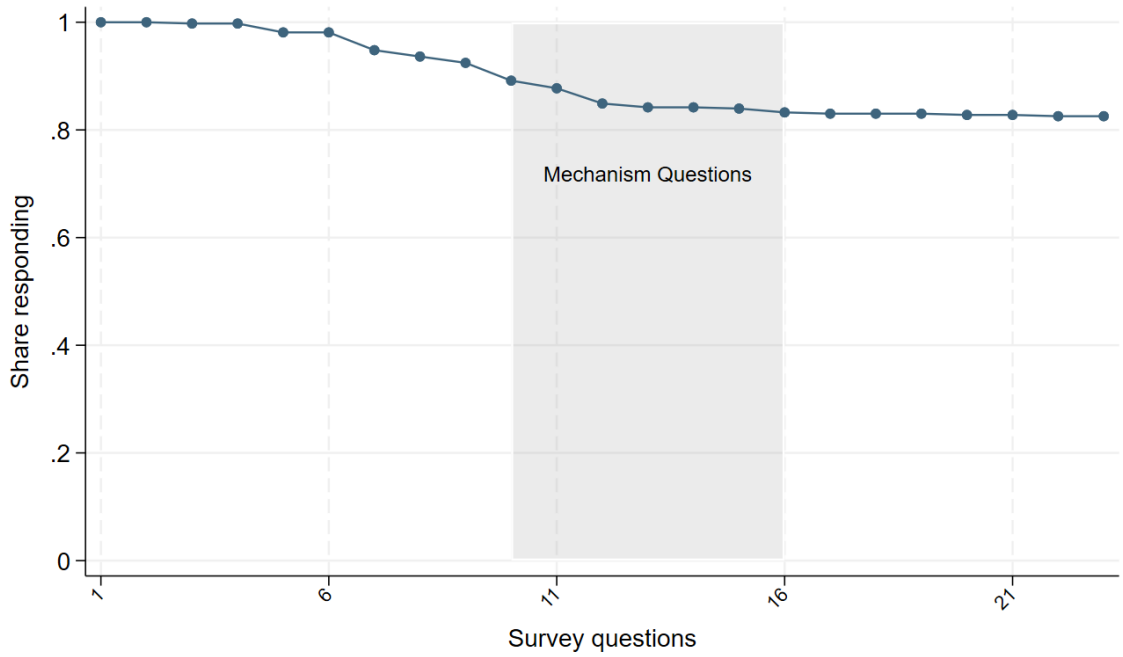
Restricting our sample using these filters leaves us with an analysis sample of 210 observations.

Table G.1: HR Director Survey - Summary Statistics

	Full Sample	Analysis Sample	Admin Data
A. Respondent information			
Employer sector			
In the private sector	0.95	1.00	
In the public sector	0.05	0.00	
Don't wish to answer	0.01	0.00	
Firm size			
1-9 employees	0.02	0.01	0.08
10-49 employees	0.10	0.07	0.20
50-500 employees	0.43	0.39	0.33
More than 500 employees	0.44	0.53	0.39
Don't wish to answer	0.00	0.00	
Participated in (non-economic) dismissal in the last 10 years			
Yes	0.93	1.00	
No	0.06	0.00	
Don't wish to answer	0.01	0.00	
B. Last dismissal			
Dismissal was for serious misconduct or gross misconduct			
No	0.67	1.00	
Yes	0.33	0.00	
Don't wish to answer	0.01	0.00	
Employee tenure at the time of dismissal			
Less than 1 year	0.06	0.04	0.08
Between 1 and 3 years old	0.38	0.40	0.37
Between 3 and 10 years old	0.35	0.34	0.41
Over 10 years	0.19	0.20	0.23
Don't wish to answer	0.02	0.02	
Employee's ocupation			
Managers and higher intellectual professions	0.62	0.68	0.40
Employees	0.20	0.20	0.33
Intermediate professions	0.09	0.07	0.13
Workers	0.09	0.05	0.15
Don't wish to answer	0.01	0.01	
Dismissed employee went to labour court			
No, it's unlikely to happen	0.63	0.66	
Yes	0.16	0.14	
No, but it will likely happen	0.17	0.16	
Don't wish to answer	0.04	0.04	
C. Quality Checks			
Partial completion	0.16	0.00	
Took less than 2 minutes to respond	0.08	0.00	
Failed attention check	0.09	0.00	
Logically inconsistent responses	0.07	0.00	
Excessive first responses	0.00	0.00	
Excessive don't know responses	0.00	0.00	
N	473	210	

Notes: This table reports on the main characteristics of the respondents in our 2024 survey of HR directors. The exact questions asked are presented in the full questionnaire, in Appendix J. We provide information on the survey respondents (the type of company they work at and involvement in dismissals) and on the last dismissal they implemented. This is because several of our results will be based on the reason for not using an SMA during the last dismissal. Table 3 provides more details on the respondents' involvement in separations. The column "Full sample"" shows the statistics for all directors who started filling our questionnaire, independently from completion or any characteristics. The column 'Analysis Sample' is the subset of HR directors we kept for our analysis, based on filters described above (Appendix G.1). Finally, the column "Admin data" shows the distribution of characteristics in the population of dismissals, computed in the MMO on average over 2012-2014.

Figure G.1: Survey Completion Rate by Question



Notes: This figure depicts the survival curve throughout the questionnaire sent to HR directors in 2024. Each dot provides the share of respondents responding to the question numbered on the x-axis, among respondents starting the questionnaire. The sample includes HR directors in the private sector who have been involved in at least one dismissal.

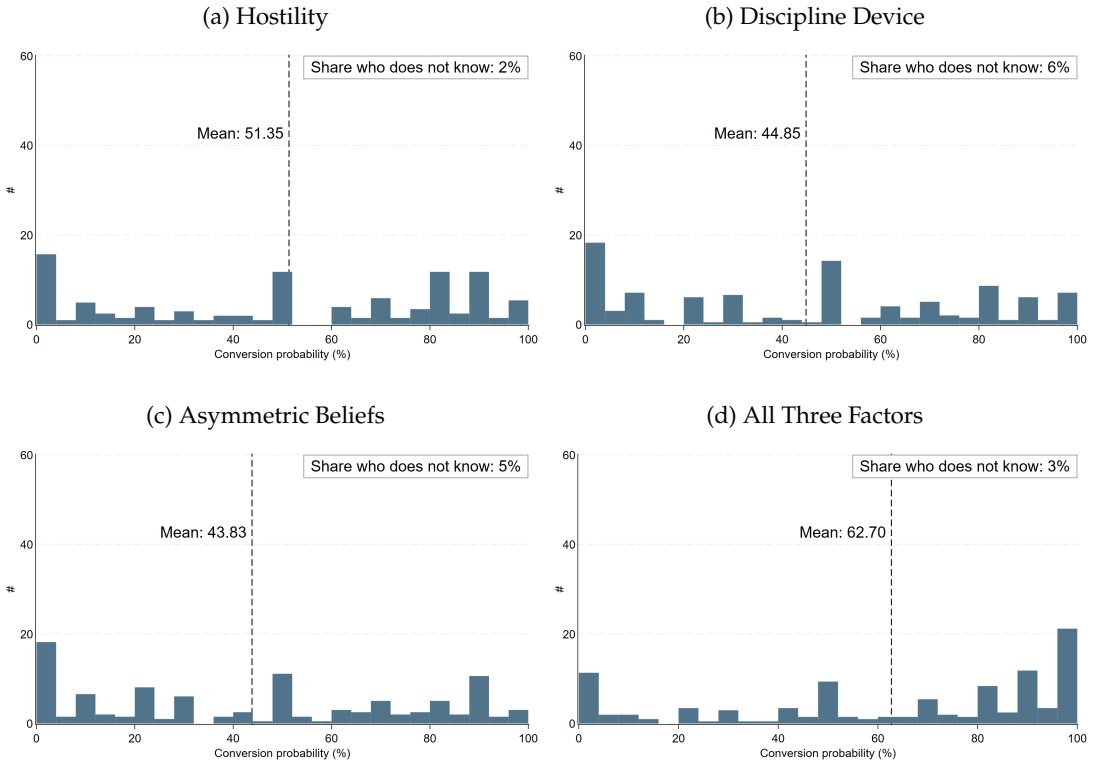
G.2 Additional Survey Evidence

Table G.2: Correlation Between the Probabilities of Conversion Across the Four Counterfactual Scenarios

	Hostility	Discipline device	Asymmetric beliefs	All three
Hostility	1.00			
Discipline	0.57	1.00		
Beliefs	0.76	0.59	1.00	
All three	0.77	0.66	0.68	1.00

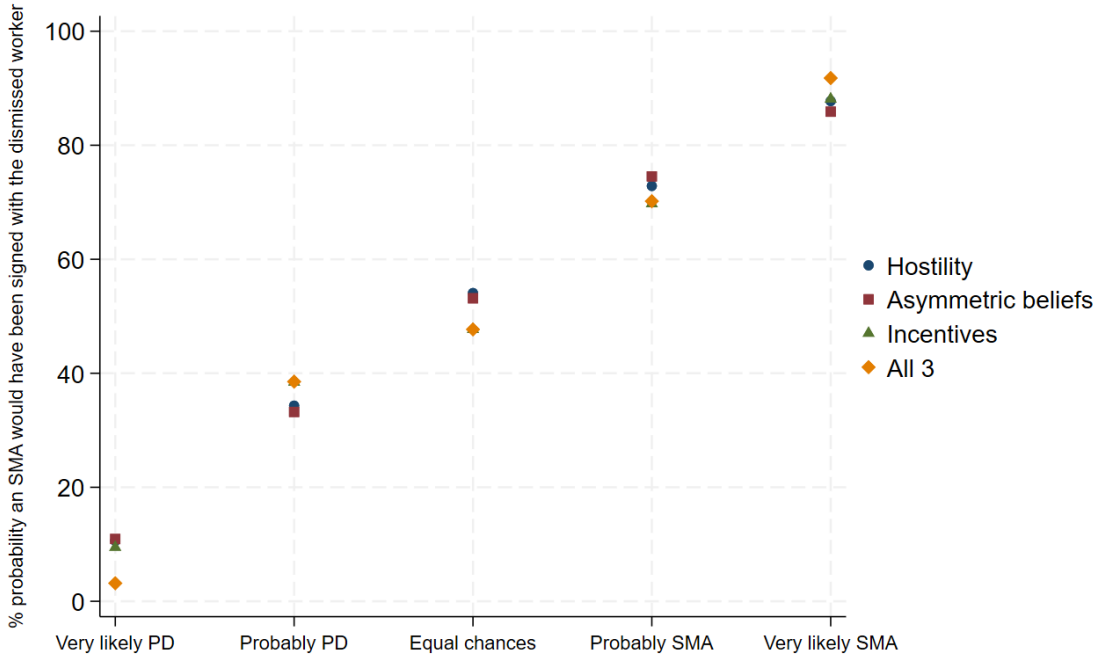
Notes: This table shows the correlations between the probabilities of conversion of the last dismissal into an SMA, for different counterfactual scenarios. The probabilities are individual-level responses given by HR directors in the 2024 survey. We present them with counterfactual situations (for instance, hostility being absent in the last dismissal), and ask about the probability the job would have ended with an SMA. We then compute the average of those, for all four scenarios, $\frac{1}{N}\sum_j \mathbb{P}_j(SMA^{\text{No Z}} = 1|SMA = 0)$, to obtain four counterfactual estimates of σ. For instance, the second row indicates a correlation of 0.57 between the probability of conversion if hostility were absent during the last dismissal, and the probability of conversion if the discipline device mechanism were absent. The last row shows correlations between the conversion probability if all three factors were absent, and scenarios in which one factor at a time is removed.

Figure G.2: Distribution of Conversion Probabilities in the Four Scenarios



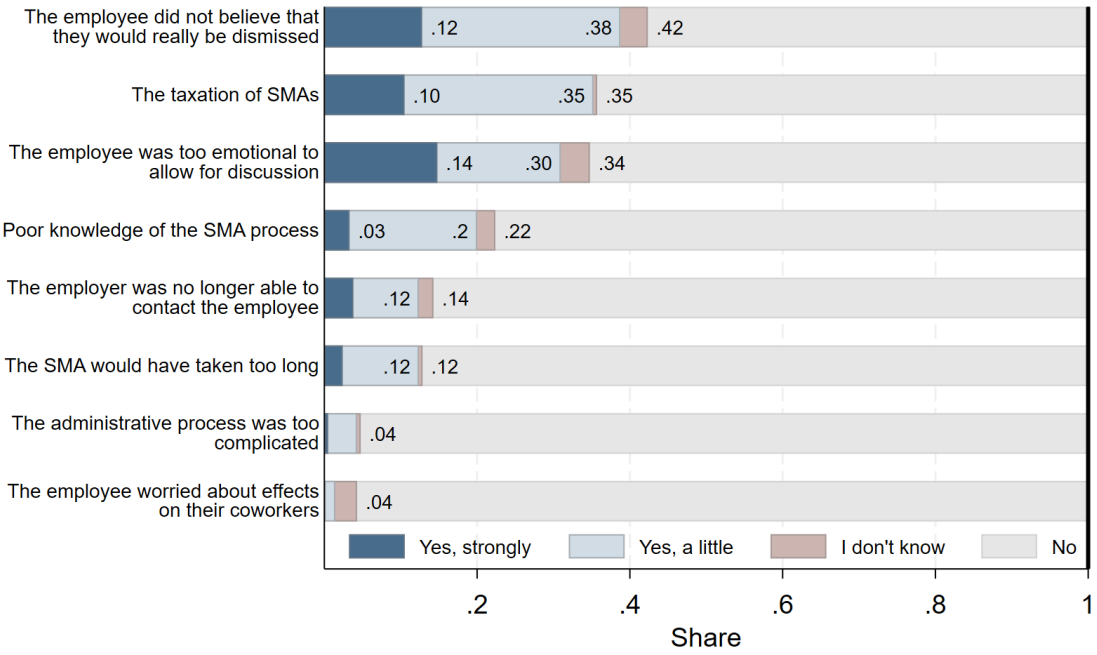
Notes: This figure depicts the distribution of the probabilities the last dismissal would have ended as an SMA, in four counterfactual situations, $\frac{1}{N}\sum_j \mathbb{P}_j(SMA^{\text{No Z}} = 1|SMA = 0)$. In the first three panels, respondents are asked what would be the probability that the last dismissal would have ended with the SMA, if a given factor were absent. The last one corresponds to a scenario in which all three factors are absent. These probability responses are obtained from the 2024 HR director survey. The exact phrasing of the alternative scenarios is presenting in the full questionnaire in Appendix J.

Figure G.3: Correlation Between Categories and Numerical Conversion Probabilities in the Survey



Notes: This figure reports the correlation between categories and numerical probabilities of conversion, for the four counterfactual scenarios presented to HR directors in the 2024 survey. Respondents are presented with situations in which they are asked to assume that one of the factors (or all three) were absent during the last dismissal. They are asked what would have been the outcome—SMA or personal dismissal—, and the possible answers are summarized on the x-axis. We then ask them, for each of those scenarios, what is the probability that an SMA would have been signed with the dismissed worker. For this second question, they can move a slider between 0 and 100% (or tick a box "*I don't know*"). They are presented with four scenarios. The exact description is provided in the full questionnaire, in Appendix J.

Figure G.4: Role of Other Potential Mechanisms in Preventing Conversions into SMAs

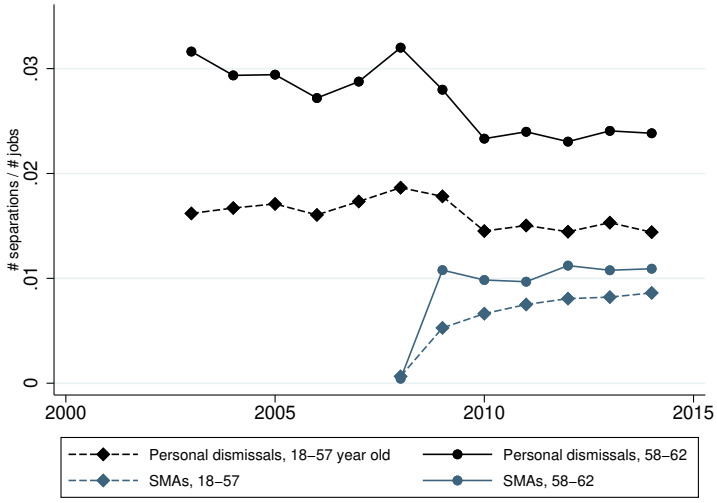


Notes: This figure depicts response to the question *"Did any of those factors explain why an SMA was not signed with the last dismissed worker?"* for additional mechanisms on top of the three main ones we study. Separately for each, respondents can indicate whether the mechanism played a strong role, a small role, no role, or if they do not know. The printed numbers show the cumulative shares. For instance, 38% of respondents indicate that the fact the employee did not believe in the dismissal played a role (a strong role in 12%, and a small one in 26%). Answers are obtained in the HR director survey in 2024. The analysis sample contains 210 respondents.

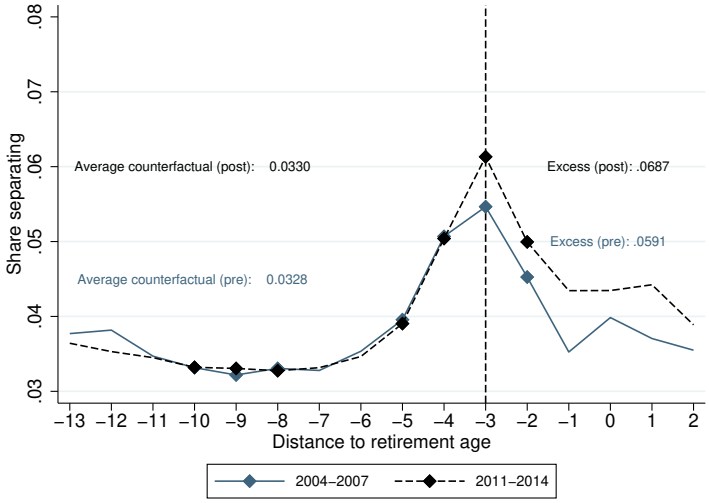
H Additional Results on the Mechanisms: Less Conflict at Bridge into Early Retirement

Figure H.1: Dismissals, SMAs and Separations around Early Retirement Age Discontinuity

(a) Time Series: Personal Dismissals and SMAs by Age Groups



(b) Age Gradients: Total Separations



Notes: This figure studies the role of cooperative dismissals for workers at the margin of early retirement in generating conversions of dismissals into SMAs. Panel (a) provides time series evidence, showing the share of workers separated by personal dismissal and mutual agreement, separately for workers younger than 57 and older than 57. Workers older than 62 are excluded. The flows are computed in the MMO and employment by age from the DADS. Results are presented for establishments with at least 10 workers. Panels (b) zooms into age discontinuities in separation-age profiles and splits the sample into pre- and post-reform years. It plots the share of workers separating in 2004-2007 and in 2011-2014, by gap between retirement age and age at separation. Over 2004-2007, retirement age is considered to be 61 and it is 62 over 2011-2014 to account for the progressive shift in average retirement age over time. For example, a distance to retirement age equal to -3 indicates that the workers are 58 before the reform and 59 after. The vertical line at -3 shows at which age workers can receive three years of UI and then retire. The solid and dashed lines connecting diamonds show the separation shares, in 2004-2007 and in 2011-2014, respectively. Excess separation shares are the difference between the 4-year average separation share from -5 to -2 (diamonds) and the corresponding average from -10 to -8. Over 2004-2007, separation shares are higher by 6 percentage points around the period workers can receive three years of UI and retire. Figure 11 shows the excess separations for dismissals and SMAs separately.

I Beyond Dismissals: Quits and Collusion for UI

Quits. Among the large share of SMAs that are unaccounted for, quits are likely a large share (besides substitutions for job continuations, i.e., generating additional separations). Indeed, 40% of the workers who separated by mutual agreement in 2011 (see Table 2) state that they would have *quit* absent the SMA. 37% of workers say that it was they, rather than the employers, that initiated the SMA. Moreover, the aggregate time series of quits (see Figure 3) show a decrease post-SMA introduction. Quits (as a share of employment) are 18.6% lower over 2012-2014, compared to 2003-2006.

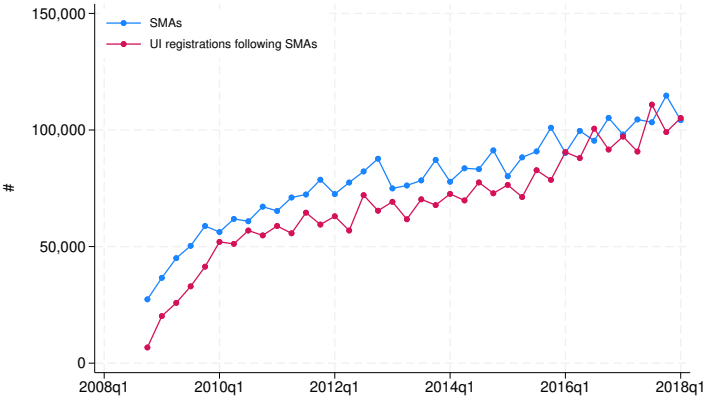
The UI motive. The main motivation behind conversions of quits into SMAs is likely the SMA keeping the worker eligible for UI, which is forgone with a quit. To gauge the potential relevance of UI, we check post-separation outcomes of workers separated in an SMA. Indeed, Figure I.1 Panel (a) shows that nearly all SMAs are followed by UI collection—a property that therefore plausibly holds for the subset that converted quits as well. The figure plots the time series of registrations with the unemployment agency (Pôle Emploi) following an SMA along with total SMAs.

Panel (b) draws on the LFS and shows the share of individuals that are nonemployed following a quit, dismissal, and SMA, with the caveat that the panel is quarterly. At about 80%, SMAs are essentially just as likely to go into nonemployment as dismissals (90%), and much more likely than quits—whose nonemployment share indeed fell from about 40% to 20% following the introduction of the SMAs. To improve on the quarterly nature of the LFS, Panel (c) provides spell-level data on unemployment (UI) duration, showing that SMAs feature similar survival curves as dismissals (computed from the FH-DADS). Table 2 clarifies that indeed 68% of workers report UI eligibility as a reason to choose the SMA over another separation (presumably mostly a quit, as eligibility for UI is already granted with the dismissal). Overall, the fact that most SMAs go into nonemployment (and UI) opens the door to UI eligibility underlying the conversion of quits to SMAs. This fact also rejects the idea (part of the original policy motivation, see Section 2.2) that SMAs would facilitate job-to-job transitions, with workers either having lined up or lining up a job.

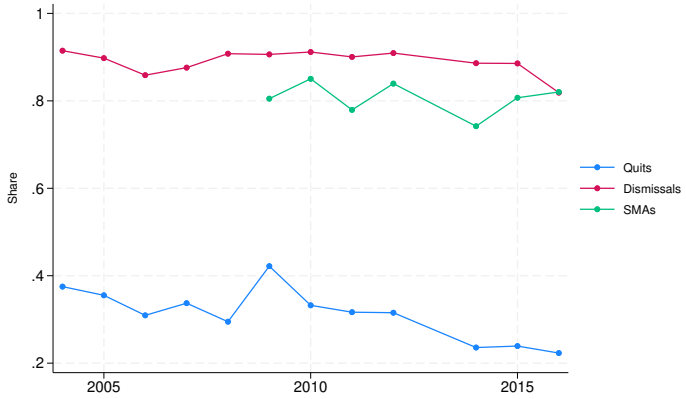
Cooperation at the quit margin. In most cases in the model in Section 3 and as illustrated specifically Figure B.1, the firm should refuse to sign off on an SMA when the worker would otherwise quit. However, quit conversions into SMAs can occur if the worker can make side payments to the firm (i.e., $s^b < 0$), e.g., to offset the mandatory severance pay $\bar{s}$. (There is no UI experience rating in France, see Section 2.) This payment can be monetary or other, unmodeled margins of adjustment, such as quasi-transfers (e.g., unpaid labor) or an SMA may facilitate, e.g., productivity increases (e.g., the worker agreeing to train the replacement worker, staying on call, adjusting the termination date,...). Our result on the positive correlation between additional days and extra several pay, depicted in Figure I.2 (obtained from SMA administrative records), suggests that such patterns may be important.

Figure I.1: Unemployment after SMAs

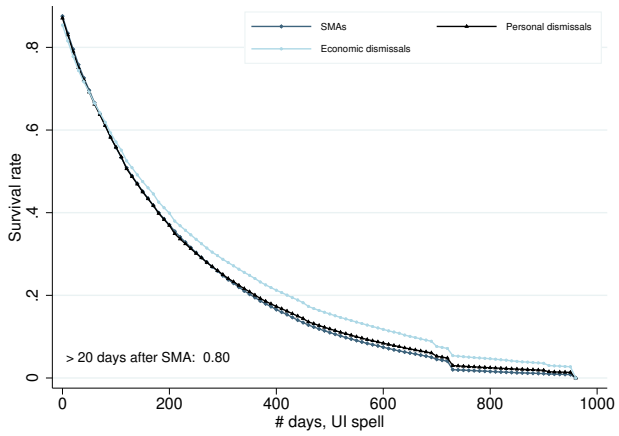
(a) Number of SMAs and Post-SMA UI Registration



(b) Non-employment Probability after Separation



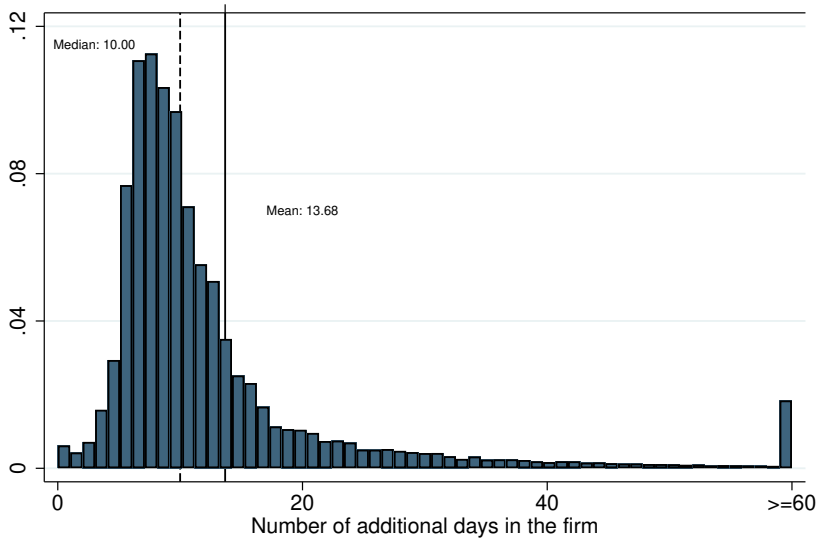
(c) Duration of Unemployment Spells



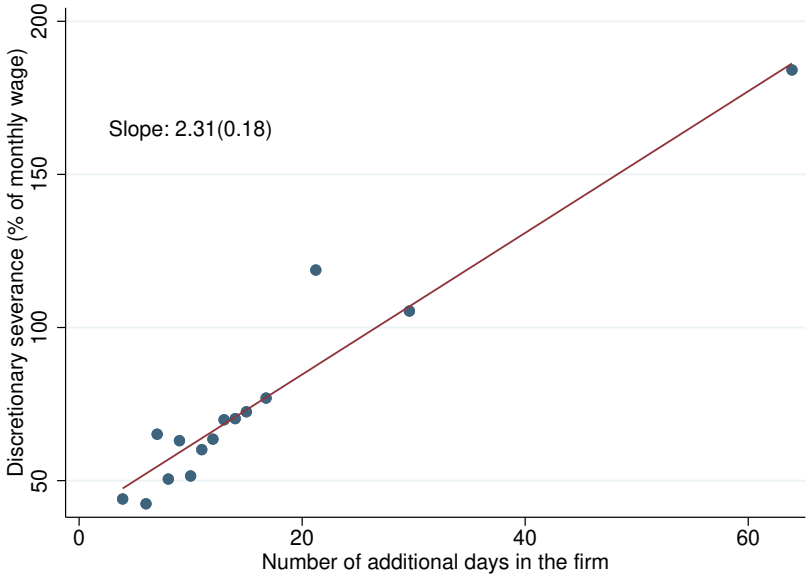
Notes: The figure highlights the prevalence of unemployment receipt following SMAs. Panel (a) depicts the quarterly number of SMAs as well as the number of registrations to the unemployment agency (Pôle Emploi) following an SMA. Numbers are computed from DARES and FH data. Panel (b) shows the share of workers who are not employed in the quarter following a separation, by separation type (computed in the Labor Force Survey). Each line plots the share of workers unemployed or out of the labor force among all workers separated through a given separation type. For example, in 2009, 80% of workers separated with a mutual agreement are not employed in the following quarter. Panel (c) plots the survival curve of UI spells, after a dismissal or an SMA. This graph has been computed using the FH-DADS from 2008 to 2012. We do not detail data sources in Panel (a) and (c) in the main text data section.

Figure I.2: Number of Additional Days Between End of Notice Period and Separation, for SMAs

(a) Distribution of the Number of Days



(b) Correlation with Discretionary Severance



Notes: Panel (a) depicts the distribution in the number of days the job continues after reaching the end of the notice period. The notice period is equal to 1 month (15 days to retract the SMA + 15 days for the local authority to approve). The exact end date of the notice period and the exact end date of the job are reported in the SMA administrative records. Panel (b) plots the correlation between the number of additional days, shown on Panel (a), and the discretionary severance. The discretionary severance is as a share of gross monthly wage and is equal to 0 if the worker receives exactly the legal minimum severance. The slope of a regression of the discretionary severance on the number of additional days is 2.31, meaning that one more day in the firm is associated with a severance higher by 2.31% of the monthly wage. Robust standard errors are reported in parentheses. Both panels are computed from the administrative SMA records for 2013, 2014 and 2015.

J Survey Questionnaire

Welcome!

We are a team of researchers from Princeton University and UC Berkeley. We study opinions on the French labour market and its regulations.

Privacy:

Your responses are anonymous and no identifiable data will be collected or shared. You may refuse to participate or leave the survey at any time. We include options that allow you to decline to answer for most questions.

By continuing the survey by clicking the button below, you grant us permission to include your responses in the processing.

Survey content and duration:

This survey consists of a maximum of 33 questions and takes 5–10 minutes to complete.

Results of the study:

If you would like to receive the results of this work, you can register via the link received by message.

If you have any questions, concerns, or complaints, or if you believe that this research has affected you in any way, please contact Pauline Carry at pauline.carry@princeton.edu or Benjamin Schoefer at schoefer@berkeley.edu.

We are very grateful for your time and help! You can start the survey by clicking on the button below.

Pauline Carry and Benjamin Schoefer

This survey has been reviewed by the Human Research Protection Program at the University of Berkeley and determined to be exempt from the IRB in accordance with US 45 CFR 46. This survey is GDPR compliant.

Are you willing to participate?

- ◯ Yes
- ◯ No

Bienvenue!

Welcome! Nous sommes une équipe de chercheurs de l'Université de Princeton et de l'Université de Berkeley. Nous étudions les opinions sur le marché du travail français et ses régulations.

Confidentialité:

Vos réponses sont anonymes et aucune donnée identifiable ne sera collectée ou partagée. Vous pouvez refuser de participer ou quitter l'enquête à tout moment. Nous incluons des options qui vous permettent de refuser de répondre pour la plupart des questions.

En poursuivant l'enquête en cliquant sur le bouton ci-dessous, vous nous accordez la permission d'inclure vos réponses dans le traitement.

Contenu et durée de l'enquête:

Cette enquête comprend au maximum 33 questions et prend 5 à 10 minutes à compléter.

Résultats de l'étude:

Si vous souhaitez recevoir les résultats de ce travail, vous pouvez vous inscrire via le lien reçu par message.

Si vous avez des questions, des préoccupations ou des plaintes, ou si vous pensez que cette recherche vous a affecté de quelque manière que ce soit, veuillez contacter Pauline Carry à l'adresse pauline.carry@princeton.edu ou Benjamin Schoefer à l'adresse schoefer@berkeley.edu.

Nous vous sommes très reconnaissants pour votre temps et votre aide! Vous pouvez débuter l'enquête en cliquant sur le bouton ci-dessous.

Pauline Carry et Benjamin Schoefer

Cette enquête a été examinée par le Programme de protection de la recherche humaine de l'Université de Berkeley et déterminée comme exemptée de l'IRB conformément à la réglementation US 45 CFR 46. Cette enquête est conforme à la RGPD.

Acceptez-vous de participer?

- ◯ Oui
- ◯ Non

Page Break

Is your employer primarily. . .
- ◯ In the private sector
- ◯ In the public sector
- ◯ I don't know / don't wish to answer

How big is the company?
- ◯ 1–9 employees
- ◯ 10–49 employees
- ◯ 50–500 employees
- ◯ More than 500 employees
- ◯ I don't know / don't wish to answer

Votre employeur est-il principalement. . .
- ◯ Dans le secteur privé
- ◯ Dans le secteur public
- ◯ Je ne sais pas / ne souhaite pas répondre

Quelle est la taille de l'entreprise?
- ◯ 1–9 salariés
- ◯ 10–49 salariés
- ◯ 50–500 salariés
- ◯ Plus de 500 salariés
- ◯ Je ne sais pas / ne souhaite pas répondre

Page Break

In the last 10 years, have you ever participated in the (non-economic) dismissal of an employee on a permanent contract?
- ◯ Yes
- ◯ No
- ◯ I don't know
- ◯ I don't wish to answer

Au cours des 10 dernières années, avez-vous déjà participé au licenciement (non-économique) d'un salarié en CDI?
- ◯ Oui
- ◯ Non
- ◯ Je ne sais pas
- ◯ Je ne souhaite pas répondre

Page Break

Approximately how many (non-economic) dismissals have you been involved in?
- ◯ 1
- ◯ 2 to 5
- ◯ 5 to 20
- ◯ More than 20
- ◯ I don't know / don't wish to answer

À combien de licenciements (non-économiques) avez-vous participé, environ?
- ◯ 1
- ◯ 2 à 5
- ◯ 5 à 20
- ◯ Plus de 20
- ◯ Je ne sais pas / ne souhaite pas répondre

How did you participate in the dismissal(s)?
(Several answers possible.)
- ☐ I have decided the dismissal
- ☐ I negotiated with the employee
- ☐ I have implemented the dismissal
- ☐ I spoke with an expert (lawyer, . . .)
- ☐ Other, but I know the case well
- ☐ Other, I have heard of it from afar
- ☐ I don't wish to answer

Comment avez-vous participé au(x) licenciement(s)?
(Plusieurs réponses possibles.)
- ☐ J'ai décidé un licenciement
- ☐ J'ai négocié avec un salarié
- ☐ J'ai mis en place le licenciement
- ☐ J'ai échangé avec un expert (avocat, . . .)
- ☐ Autre, mais je connais bien le cas
- ☐ Autre, j'en ai entendu parler de loin
- ☐ Ne souhaite pas répondre

Page Break

Are you familiar with the SMA?
- ◯ I don't know what it is
- ◯ I have already negotiated or implemented some
- ◯ I've never implemented one but I know what it is
- ◯ I don't wish to answer

Etes-vous familier avec la rupture conventionnelle?
- ◯ Je ne sais pas ce que c'est
- ◯ J'en ai déjà négocié ou implémenté
- ◯ Je n'en ai jamais implémenté mais je sais ce que c'est
- ◯ Ne souhaite pas répondre

Page Break

Think about the most recent non-economic dismissal of a permanent employee in which you participated. If possible, consider the termination of a worker who had at least one year of seniority.

Was it a dismissal for serious misconduct or gross misconduct?

- ◯ Yes
- ◯ No
- ◯ I don't know / don't wish to answer

Pensez au plus récent licenciement non-économique d'un travailleur en CDI auquel vous avez participé. Si possible, pensez au licenciement d'un travailleur qui avait au moins un an d'ancienneté.

Était-ce un licenciement pour faute grave ou faute lourde?

- ◯ Oui
- ◯ Non
- ◯ Je ne sais pas / ne souhaite pas répondre

Page Break

Was the relationship between the employer and the dismissed worker tense or adversarial?

- ◯ Yes, and already before the dismissal decision
- ◯ Yes, it started during the dismissal
- ◯ No
- ◯ I don't know / don't wish to answer

Est-ce que la relation entre l'employeur et le travailleur licencié était tendue ou conflictuelle?

- ◯ Oui, et déjà avant la décision de licenciement
- ◯ Oui, c'est apparu pendant le licenciement
- ◯ Non
- ◯ Je ne sais pas / ne souhaite pas répondre

Page Break

Has this tense relationship affected. . .

(Several answers possible.)

- ☐ Communication?
- ☐ The employee's performance?
- ☐ The organization of the transition for the employer?
- ☐ The implementation of the dismissal?
- ☐ The morale of other employees?
- ☐ The presence of the dismissed employee in his or her position?
- ☐ Something else? [Open Text Box]
- ☐ None
- ☐ I don't know / don't wish to answer

Est-ce que cette relation tendue a affecté. . .

(Plusieurs réponses possibles.)

- ☐ La communication?
- ☐ La performance du salarié?
- ☐ L'organisation de la transition pour l'employeur?
- ☐ La mise en œuvre du licenciement?
- ☐ Le moral d'autres salariés?
- ☐ La présence du salarié licencié à son poste?
- ☐ Autre chose? [Open Text Box]
- ☐ Aucun
- ☐ Je ne sais pas / ne souhaite pas répondre

Page Break

In the context of this dismissal, has the SMA ever been mentioned?

- ◯ Yes, by the employer
- ◯ Yes, by the worker
- ◯ Yes, by the employer and the worker
- ◯ No
- ◯ I don't know / don't wish to answer

Dans le cadre de ce licenciement, est-ce que la rupture conventionnelle a déjà été évoquée?

- ◯ Oui, par l'employeur
- ◯ Oui, par le travailleur
- ◯ Par l'employeur et le travailleur
- ◯ Non
- ◯ Je ne sais pas / ne souhaite pas répondre

Page Break

Whether it was mentioned or not, why do you think an SMA was not signed with this employee?

[Open Text Box]

Qu'elle ait été évoquée ou non, pourquoi une rupture conventionnelle n'a-t-elle pas été signée avec ce salarié, selon vous?

[Open Text Box]

Page Break

Take your time to answer the following three questions. In your opinion, could the reasons for not signing an SMA with the dismissed employee fall into these categories?

	Yes, strongly	**Yes, a little**	**No**	**I don't know / doesn't wish to answer**
The situation was too tense or conflictual (on one side or both). For example: The employee and the employer were on bad terms. The employee wanted to make things difficult for the company.	○	○	○	○
The company and the employee had different opinions on what might happen in labor court. For example, on: Whether the employee would actually go to labor court. The likelihood of the employee winning at the labor court and the amount decided by the judge.	○	○	○	○
Signing an SMA would have had a negative impact on other employees. For example, to avoid: Having too many employees requesting an SMA. Giving the impression that the company rewards problematic employees.	○	○	○	○

Prenez votre temps pour répondre aux 3 questions suivantes. Est-ce que les raisons expliquant pourquoi une rupture conventionnelle n'a pas été signée avec le salarié licencié pourraient entrer dans ces catégories, selon vous?

	Oui, de façon importante	**Oui, un peu**	**Non**	**Je ne sais pas / ne souhaite pas répondre**
La situation était trop tendue ou conflictuelle (d'un seul côté ou des deux). Par exemple: Le salarié et l'employeur étaient en mauvais termes. Le salarié voulait rendre les choses difficiles pour l'entreprise.	○	○	○	○
L'entreprise et le salarié avaient des opinions différentes sur ce qui pourrait arriver aux prud'hommes. Par exemple, sur: Le fait que le salarié aille effectivement aux prud'hommes. La probabilité que le salarié gagne au prud'hommes et le montant décidé par le juge	○	○	○	○
Signer une rupture conventionnelle aurait eu un impact négatif sur les autres salariés. Par exemple, pour éviter: D'avoir trop de salariés réclamant une rupture conventionnelle. De donner l'impression que l'entreprise récompense les salariés qui posent problème.	○	○	○	○

Page Break

Among these factors, which one seems the most important to you to explain why an SMA was not signed?

- ◯ **The situation was too tense or conflictual (on one side or both).** For example: The employee and the employer were on bad terms. The employee wanted to make things difficult for the company.
- ◯ **The company and the employee had different opinions on what might happen in labor court.** For example, on: Whether the employee would actually go to labor court. The likelihood of the employee winning at the labor court and the amount decided by the judge.
- ◯ **Signing an SMA would have had a negative impact on other employees.** For example, to avoid: Having too many employees requesting an SMA. Giving the impression that the company rewards problematic employees.

Parmi ces facteurs, lequel vous semble le plus important pour expliquer pourquoi une rupture conventionnelle n'a pas été signée?

- ◯ **La situation était trop tendue ou conflictuelle (d'un seul côté ou des deux).** Par exemple: Le salarié et l'employeur étaient en mauvais termes. Le salarié voulait rendre les choses difficiles pour l'entreprise.
- ◯ **L'entreprise et le salarié avaient des opinions différentes sur ce qui pourrait arriver aux prud'hommes.** Par exemple, sur: Le fait que le salarié aille effectivement aux prud'hommes. La probabilité que le salarié gagne au prud'hommes et le montant décidé par le juge
- ◯ **Signer une rupture conventionnelle aurait eu un impact négatif sur les autres salariés.** Par exemple, pour éviter: D'avoir trop de salariés réclamant une rupture conventionnelle. De donner l'impression que l'entreprise récompense les salariés qui posent problème.

If picked 'The situation was too tense or conflictual" as the most important factor:

Which situations best describe what happened?

(Several answers possible.)

- ☐ The employee was aggressive or angry.
- ☐ The employer was aggressive or angry.
- ☐ The relationship between the worker and the employer was very bad.
- ☐ The employee threatened to take the company to labor court, which was perceived as blackmail.
- ☐ The employee wanted to make things difficult for the company.
- ☐ Someone in the company wanted to make things difficult for the employee.

Quelles situations décrivent au mieux ce qui s'est passé?

(Plusieurs réponses possibles.)

- ☐ Le salarié était agressif ou en colère.
- ☐ L'employeur était agressif ou en colère.
- ☐ La relation entre le travailleur et l'employeur était très mauvaise.
- ☐ L'employé a menacé l'entreprise d'aller aux prud'hommes, ce qui était perçu comme du chantage.
- ☐ Le salarié voulait rendre les choses difficiles pour l'entreprise.
- ☐ Quelqu'un dans l'entreprise voulait rendre les choses difficiles pour le salarié.

If picked "The company and employee had different expectations" as the most important factor:

Which situations best describe what happened?

(Several answers possible.)

- ☐ The employee went to labor court and it was unexpected.
- ☐ Mentioning an SMA would have been interpreted as a lack of cause for the dismissal.
- ☐ The threat of labor court was interpreted as blackmail.
- ☐ The worker overestimated their chances in labor court.
- ☐ The worker wanted to go to labor court for revenge or out of pride.

Quelles situations décrivent au mieux ce qui s'est passé?

(Plusieurs réponses possibles.)

- ☐ Le salarié est allé aux prud'hommes et c'était inattendu.
- ☐ Évoquer la rupture conventionnelle aurait été interprété comme un manque de cause pour le licenciement.
- ☐ La menace des prud'hommes était interprétée comme du chantage.
- ☐ Le travailleur surestimait ses chances aux prud'hommes.
- ☐ Le travailleur voulait aller aux prud'hommes pour se venger ou par fierté.

If they answered "Signing an SMA would have had a negative impact on other employees", then ask:

Which situations best describe what happened?

(Several answers possible.)

- ☐ The dismissal shows other employees that the employer responds to the behavior and efforts of employees.
- ☐ Other employees would have found the SMA unfair.
- ☐ The dismissal discourages other employees from requesting SMAs.

Quelles situations décrivent au mieux ce qui s'est passé?

(Plusieurs réponses possibles.)

- ☐ Le licenciement montre aux autres salariés que l'employeur réagit au comportement et aux efforts des salariés.
- ☐ Les autres salariés auraient trouvé la rupture conventionnelle injuste.
- ☐ Le licenciement décourage d'autres salariés de demander des ruptures conventionnelles.

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We will now ask you what might have happened if the situation had been different.

Scenario 1:

Now suppose that we eliminate everything related to the factor "The situation was too tense or conflictual (on one side or both)." That is, the employee and the employer were on good terms at the time of dismissal and no one was hostile. In this case, would the permanent contract have ended with a dismissal or with an SMA?

- ◯ Very likely still a dismissal
- ◯ Probably a dismissal
- ◯ The dismissal and SMA would have had equal chances
- ◯ Probably an SMA
- ◯ Very likely an SMA
- ◯ I don't know

In this hypothetical situation, what would have been the probability that the employment would end by SMA?

(You can choose any number between 0 and 100. For example, 100 means that an SMA would have been signed, 0 means that it would always have been a dismissal, and 50 indicates that both modes of separation would have had equal chances.)

- ◯ I don't know/I don't wish to answer

0 100

Nous allons maintenant vous demander ce qui aurait pu se passer si la situation avait été différente.

Scénario 1:

Supposez maintenant que l'on élimine tout ce qui relève du facteur "La situation était trop tendue ou conflictuelle (d'un seul côté ou des deux)". C'est-à-dire que le salarié et l'employeur étaient en bons termes au moment du licenciement et que personne n'était hostile. Dans ce cas, est-ce que le CDI se serait terminé plutôt par un licenciement ou une rupture conventionnelle?

- ◯ Très certainement toujours par licenciement
- ◯ Probablement par licenciement
- ◯ Le licenciement et la rupture conventionnelle auraient eu autant de chances
- ◯ Probablement par rupture conventionnelle
- ◯ Très certainement par rupture conventionnelle
- ◯ Je ne sais pas

Dans cette situation hypothétique, quelle aurait été la probabilité que l'emploi se termine par rupture conventionnelle?

(Vous pouvez choisir n'importe quel nombre entre 0 et 100. Par exemple, 100 signifie qu'une rupture conventionnelle aurait été signée, 0 signifie que cela aurait toujours été un licenciement, et 50 indique que les deux modes de séparation auraient eu autant de chances.)

- ◯ Je ne sais pas / ne souhaite pas répondre

0 100

Scenario 2:

Going back to the real context of the dismissal, now suppose that we eliminate everything related to the factor "The company and the employee had different opinions on what might happen in labor court." That is, the employee and the employer had the same opinion of the risk of labor court. In this case, would the permanent contract have ended with a dismissal or with an SMA?

- ◯ Very likely still a dismissal
- ◯ Probably a dismissal
- ◯ The dismissal and SMA would have had equal chances
- ◯ Probably an SMA
- ◯ Very likely an SMA
- ◯ I don't know

In this hypothetical situation, what would have been the probability that the employment would end by SMA?

(You can choose any number between 0 and 100. For example, 100 means that an SMA would have been signed, 0 means that it would always have been a dismissal, and 50 indicates that both modes of separation would have had equal chances.)

- ◯ I don't know/I don't wish to answer

0 100

Scénario 2:

Revenons au contexte réel du licenciement, et supposez maintenant que l'on élimine tout ce qui relève du facteur "L'entreprise et le salarié avaient des opinions différentes sur ce qui pourrait arriver aux prud'hommes". C'est-à-dire que le salarié et l'employeur avaient la même opinion du risque de prud'hommes. Dans ce cas, est-ce que le CDI se serait terminé plutôt par un licenciement ou une rupture conventionnelle?

- ◯ Très certainement toujours par licenciement
- ◯ Probablement par licenciement
- ◯ Le licenciement et la rupture conventionnelle auraient eu autant de chances
- ◯ Probablement par rupture conventionnelle
- ◯ Très certainement par rupture conventionnelle
- ◯ Je ne sais pas

Dans cette situation hypothétique, quelle aurait été la probabilité que l'emploi se termine par rupture conventionnelle?

(Vous pouvez choisir n'importe quel nombre entre 0 et 100. Par exemple, 100 signifie qu'une rupture conventionnelle aurait été signée, 0 signifie que cela aurait toujours été un licenciement, et 50 indique que les deux modes de séparation auraient eu autant de chances.)

- ◯ Je ne sais pas / ne souhaite pas répondre

0 100

Scenario 3:

Going back to the real context of the dismissal, now suppose that we eliminate everything related to the factor "Signing an SMA would have had a negative impact on other employees." That is, it would be possible to sign an SMA but other employees would not be aware. In this case, would the permanent contract have ended with a dismissal or with an SMA?

- ◯ Very likely still a dismissal
- ◯ Probably a dismissal
- ◯ The dismissal and SMA would have had equal chances
- ◯ Probably an SMA
- ◯ Very likely an SMA
- ◯ I don't know

In this hypothetical situation, what would have been the probability that the employment would end by SMA?

(You can choose any number between 0 and 100. For example, 100 means that an SMA would have been signed, 0 means that it would always have been a dismissal, and 50 indicates that both modes of separation would have had equal chances.)

- ◯ I don't know/I don't wish to answer

0 100

Scénario 3:

Revenons au contexte réel du licenciement, et supposez maintenant que l'on élimine tout ce qui relève du facteur "Signer une rupture conventionnelle aurait eu un impact négatif sur les autres salariés". C'est-à-dire qu'il serait possible de faire une rupture conventionnelle mais les autres salariés ne seraient pas au courant. Dans ce cas, est-ce que le CDI se serait terminé plutôt par un licenciement ou une rupture conventionnelle?

- ◯ Très certainement toujours par licenciement
- ◯ Probablement par licenciement
- ◯ Le licenciement et la rupture conventionnelle auraient eu autant de chances
- ◯ Probablement par rupture conventionnelle
- ◯ Très certainement par rupture conventionnelle
- ◯ Je ne sais pas

Dans cette situation hypothétique, quelle aurait été la probabilité que l'emploi se termine par rupture conventionnelle?

(Vous pouvez choisir n'importe quel nombre entre 0 et 100. Par exemple, 100 signifie qu'une rupture conventionnelle aurait été signée, 0 signifie que cela aurait toujours été un licenciement, et 50 indique que les deux modes de séparation auraient eu autant de chances.)

- ◯ Je ne sais pas / ne souhaite pas répondre

0 100

Scenario 4:

Now consider the dismissal and eliminate all 3 factors mentioned previously. We now assume that the employee and the employer were on good terms, they had the same opinion of the risk of labor court, and other employees would not have been aware of the SMA. In this case, would the permanent contract have ended with a dismissal or with an SMA?

- ◯ Very likely still a dismissal
- ◯ Probably a dismissal
- ◯ The dismissal and SMA would have had equal chances
- ◯ Probably an SMA
- ◯ Very likely an SMA
- ◯ I don't know

In this hypothetical situation, what would have been the probability that the employment would end by SMA?

(You can choose any number between 0 and 100. For example, 100 means that an SMA would have been signed, 0 means that it would always have been a dismissal, and 50 indicates that both modes of separation would have had equal chances.)

- ◯ I don't know/I don't wish to answer

0 100

Scénario 4:

Considérons maintenant le licenciement et éliminons tous les 3 facteurs mentionnés précédemment. Nous supposons donc maintenant que le salarié et l'employeur étaient en bons termes, ils avaient la même opinion du risque de prud'hommes et les autres salariés n'auraient pas étés au courant de la rupture conventionnelle. Dans ce cas, est-ce que le CDI se serait terminé plutôt par un licenciement ou une rupture conventionnelle?

- ◯ Très certainement toujours par licenciement
- ◯ Probablement par licenciement
- ◯ Le licenciement et la rupture conventionnelle auraient eu autant de chances
- ◯ Probablement par rupture conventionnelle
- ◯ Très certainement par rupture conventionnelle
- ◯ Je ne sais pas

Dans cette situation hypothétique, quelle aurait été la probabilité que l'emploi se termine par rupture conventionnelle?

(Vous pouvez choisir n'importe quel nombre entre 0 et 100. Par exemple, 100 signifie qu'une rupture conventionnelle aurait été signée, 0 signifie que cela aurait toujours été un licenciement, et 50 indique que les deux modes de séparation auraient eu autant de chances.)

- ◯ Je ne sais pas / ne souhaite pas répondre

0 100

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Do these other factors explain why an SMA agreement was not signed with the dismissed worker?

	Yes, strongly	**Yes, a little**	**No**	**I don't know / doesn't wish to answer**
The announcement of the dismissal caused an emotional shock and the worker was too sad to discuss	◯	◯	◯	◯
The employee feared that the SMA would impact the job stability of their colleagues	◯	◯	◯	◯
Poor knowledge of the SMA process	◯	◯	◯	◯
The SMA administrative process is too complicated	◯	◯	◯	◯
The SMA would have taken too long	◯	◯	◯	◯
The employer could no longer contact the employee	◯	◯	◯	◯
The taxation of the SMA	◯	◯	◯	◯
Until the moment of their actual departure, the worker did not believe they would really be dismissed	◯	◯	◯	◯

Est-ce que ces autres facteurs expliquent pourquoi une rupture conventionnelle n'a pas été signée avec le travailleur licencié?

	Oui, de façon importante	**Oui, un peu**	**Non**	**Je ne sais pas / ne souhaite pas répondre**
L'annonce du licenciement a engendré un choc émotionnel et le travailleur était trop triste pour discuter	◯	◯	◯	◯
Le salarié craignait que la rupture conventionnelle impacte la stabilité de l'emploi de ses collègues	◯	◯	◯	◯
Mauvaise connaissance du processus de rupture conventionnelle	◯	◯	◯	◯
Le processus administratif de rupture conventionnelle est trop compliqué	◯	◯	◯	◯
La rupture conventionnelle aurait pris trop de temps	◯	◯	◯	◯
L'employeur n'arrivait plus à contacter le salarié	◯	◯	◯	◯
La fiscalité de la rupture conventionnelle	◯	◯	◯	◯
Jusqu'au moment de son départ effectif, le travailleur ne croyait pas qu'il serait vraiment licencié	◯	◯	◯	◯

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Is there another reason that we have not mentioned that explains why an SMA was not signed?

[Open Text Box]

Est-ce qu'il y a une autre raison que nous n'avons pas évoquée qui explique pourquoi une rupture conventionnelle n'a pas été signée?

[Open Text Box]

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Did the dismissed employee go to labor court?

- ◯ Yes
- ◯ No, but it will probably happen
- ◯ No, it is unlikely to happen
- ◯ I don't know / don't wish to answer

Le salarié licencié est-il allé aux prud'hommes?

- ◯ Oui
- ◯ Non, mais cela va surement arriver
- ◯ Non, c'est peu probable que cela arrive
- ◯ Je ne sais pas / ne souhaite pas répondre

What was the employee's seniority at the time of dismissal, approximately?

- ◯ Less than 1 year
- ◯ Between 1 and 3 years
- ◯ Between 3 and 10 years
- ◯ More than 10 years
- ◯ I don't know / don't wish to answer

Quelle était l'ancienneté du salarié lors du licenciement, environ?

- ◯ Moins de 1 an
- ◯ Entre 1 et 3 ans
- ◯ Entre 3 et 10 ans
- ◯ Plus de 10 ans
- ◯ Je ne sais pas / ne souhaite pas répondre

What was the socio-professional category of the dismissed employee?

- ◯ Craftsmen, shopkeepers and CEO
- ◯ Managers and higher intellectual professions
- ◯ Intermediate professions
- ◯ Low-skill white collars
- ◯ Blue collars
- ◯ I don't know / prefer not to answer

Quelle était la catégorie socio-professionnelle du salarié licencié?

- ◯ Artisans, commerçants et chefs d'entreprise
- ◯ Cadres et professions intellectuelles supérieures
- ◯ Professions intermédiaires
- ◯ Employés
- ◯ Ouvriers
- ◯ Je ne sais pas / ne souhaite pas répondre

Page Break

In surveys like this one, it sometimes happens that participants do not read the questions carefully and "click" quickly through the questionnaire. As a result, there are many random answers that distort the study results. To show that you are reading our questions carefully, we ask you to indicate 333 as the answer to the following question. What is your favorite number?

[Open Text Box]

Dans des enquêtes comme celle-ci, il arrive parfois que des participants ne lisent pas attentivement les questions et "cliquent" rapidement à travers le questionnaire. Par conséquent, il y a de nombreuses réponses aléatoires qui faussent les résultats de l'étude. Afin de montrer que vous lisez nos questions attentivement, nous vous demandons d'indiquer 333 comme réponse à la question suivante. Quel est votre nombre préféré?

[Open Text Box]

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If you now had to ask this dismissed worker for a favor (information, a password, the location of a document,...), do you think he would help you?

- ◯ Yes, absolutely
- ◯ Probably, yes
- ◯ Maybe
- ◯ Unlikely
- ◯ No, not at all
- ◯ I don't know / don't wish to answer

Si vous deviez maintenant demander une faveur à ce travailleur licencié (une information, un mot de passe, la localisation d'un document,...) pensez-vous qu'il vous aiderait?

- ◯ Oui, absolument
- ◯ Probablement, oui
- ◯ Peut être
- ◯ Peu probable
- ◯ Non, pas du tout
- ◯ Je ne sais pas / ne souhaite pas répondre

Now think about the last retirement from the company (or the typical retirement). If you now had to ask the worker for a favor (information, a password, the location of a document, ...), do you think he would help you?

- ◯ Yes, absolutely
- ◯ Probably, yes
- ◯ Maybe
- ◯ Unlikely
- ◯ No, not at all
- ◯ I don't know / don't wish to answer

Pensez maintenant au dernier départ à la retraite de l'entreprise (ou au départ à la retraite typique). Si vous deviez maintenant demander une faveur au travailleur (une information, un mot de passe, la localisation d'un document, ...) pensez-vous qu'il vous aiderait?

- ◯ Oui, absolument
- ◯ Probablement, oui
- ◯ Peut être
- ◯ Peu probable
- ◯ Non, pas du tout
- ◯ Je ne sais pas / ne souhaite pas répondre

Page Break

Imagine you are recruiting for a position and have 2 potential candidates identical on paper. One has recently been dismissed and the other has signed an SMA. Which one would you be more inclined to offer an interview to?

- ◯ The dismissed worker
- ◯ The worker who signed an SMA
- ◯ Both equally
- ◯ I don't know / don't wish to answer

Imaginez que vous recrutez pour un poste et avez 2 candidats potentiels et identiques sur papier. L'un a récemment été licencié et l'autre a signé une rupture conventionnelle. Auquel seriez-vous plus enclin à proposer un entretien?

- ◯ Le travailleur licencié
- ◯ Le travailleur qui a signé une rupture conventionnelle
- ◯ Les deux de façon identique
- ◯ Je ne sais pas / Ne souhaite pas répondre

Page Break

Now think about the last SMA you implemented or negotiated. In your opinion, if the SMA did not exist, what would have happened to that job?

- ◯ The employee would have quit
- ◯ The employee would have been dismissed
- ◯ The employee would have remained employed in the company
- ◯ I don't know / don't wish to answer

Pensez maintenant à la dernière rupture conventionnelle que vous avez implémentée ou négociée. Selon vous, si le dispositif de rupture conventionnelle n'existait pas, que serait-il advenu de cet emploi?

- ◯ Le salarié aurait démissionné
- ◯ Le salarié aurait été licencié
- ◯ Le salarié serait resté en emploi dans l'entreprise
- ◯ Je ne sais pas / Ne souhaite pas répondre

Page Break

The survey is now over. We greatly appreciate you taking the time to complete it. We will read your responses carefully. Do you have any comments or feedback on the survey or the topic?

[Open Text Box]

L'enquête est maintenant terminée. Nous vous sommes très reconnaissants d'avoir pris le temps d'y répondre. Nous allons lire vos réponses avec grande attention. Avez-vous des commentaires ou retours à nous faire sur l'enquête ou le sujet?

[Open Text Box]

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Your participation in the survey has been successfully recorded. Thank you very much for your participation!

If you would like to receive a copy of the research article containing the results, you can sign up on a list at this link:

Votre participation à l'enquête a bien été enregistrée. Un grand merci pour votre participation !

Si vous souhaitez recevoir une copie de l'article de recherche comportant les résultats, vous pouvez vous inscrire sur une liste sur ce lien:

Online Appendix References

Cahuc, Pierre, Stéphane Carcillo, Pauline Carry, Flavien Moreau, and Bérengère Patault. 2024a. "Evaluation de l'impact du barème d'indemnisation du licenciement sans cause réelle et sérieuse." Rapport, France Stratégie.

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