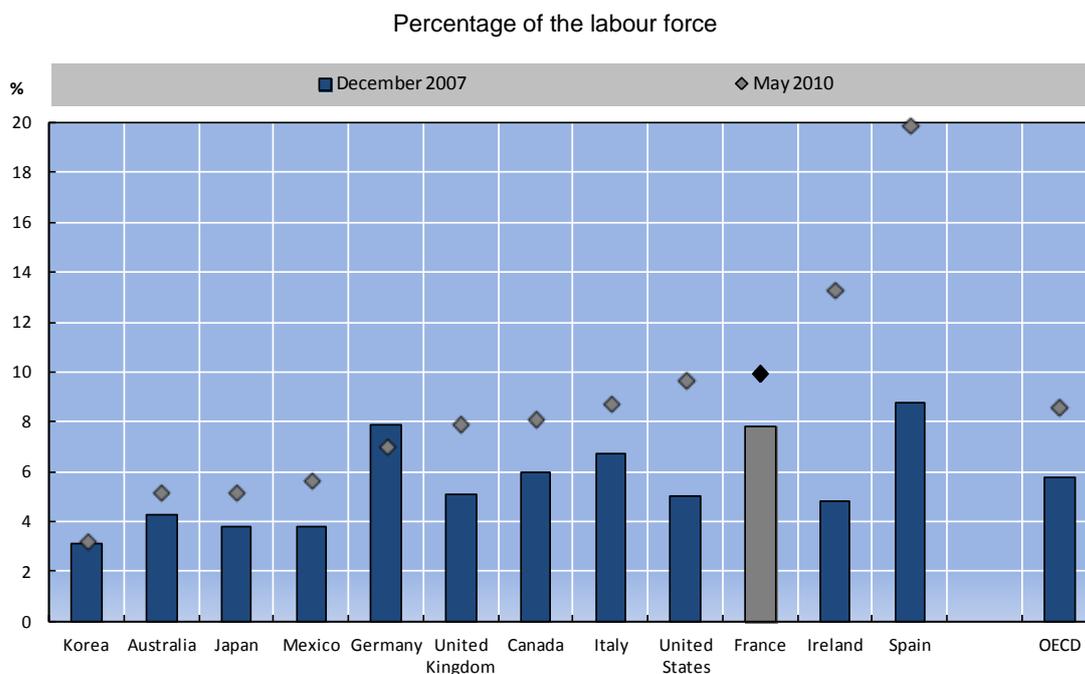




Employment Outlook 2010 – How does FRANCE compare?

Since the onset of the global crisis, unemployment rate in France increased by 2.1 percentage points between December 2007 and May 2010, a milder increase compared to the OECD average (2.8 percentage points). France was, however, starting from an unfavourable position, and today 9.9% of the labour force are unemployed, that is, 1.3% more than the OECD average. As in all member states, youth (aged 15-24 years) and the low-skilled have borne the largest brunt of the current jobs crisis: youth unemployment rate has increased by 4.3 percentage points since the end of 2007 to reach 22.6% in May 2010, and that of the low-skilled has risen by 4 percentage points in two years time, attaining 15.3% by end 2009.

Unemployment rates in December 2007 and May 2010 in selected countries



Note : Final month available for the United Kingdom is March 2010.

Source : OECD Main Economic Indicators.

The recovery is on the way, and according to the OECD latest projections, unemployment would start to recede to reach 9.5% by end 2011. This is at any rate a mild jobs recovery. Like in the case of many partner countries facing severe budget deficits, France is already thinking of scaling down a number of measures which were taken to sustain employment growth during the crisis. Nevertheless, in the face of high unemployment, it is important that resources allocated to employment policies enable to accompany efficiently the recovery: in March 2010, 38% of unemployed were jobless for one or more years,

representing 3.7% of the labour force and one of the highest rates of long-term unemployment rates in the OECD. Besides, the chances of finding a job diminish as the duration of unemployment lengthens. Employment policy should be centred on measures that have proven to be effective, and target demographic groups that are most vulnerable.

Short-time work schemes have been one of the main measures introduced to minimise job losses, and to a large extent they have been successful. They have helped to preserve about 20 000 jobs since the beginning of the crisis in France, claims the OECD report. In March 2010, more than 200 000 persons were on short-time work schemes. Although such measures may be effective in preserving jobs during the downturn, they are less suitable to promote job creation in the recovery and may only artificially prolong unsustainable jobs. When the recovery gathers pace, employment policy should then shift towards more effective measures such as hiring subsidies for the long-term unemployed and other vulnerable groups - such as youth - and the use of short-time work schemes should not be extended.

Many employment support measures were focused on the non-market sector. With the recovery, a shift towards private sector employment should be considered. In 2009, the number of subsidized jobs in the non-market sector grew by 32.1%, while subsidized jobs in the private sector fell by 4.6%. In the most acute phase of the crisis, public sector job creation is justified: it helps to avoid the increased insecurity for the unemployed with little chances of finding employment in the private sector, such as the low-skilled, who are highly affected by economic downturns. The alternative is to increase substantially the training available to the unemployed, a difficult goal for the short-term if the quality of training offered is to be maintained. Direct job creation programmes in the public sector are a useful complement. However, evaluations show that these types of jobs do not constitute stepping stones to unsubsidised employment in the private sector. Active labour market policies should be refocused on job-subsidies in the private sector, as soon as possible. In this regard, the termination of the programme "zéro charges" at the end of June, seems premature. This measure, introducing full exemption of employer social security contributions for one year, for small firms hiring a worker on minimum wage, was a clear success: 1 million new hirings since its creation in 2008. A refocus of the scheme on the most vulnerable job seekers would have been preferable to a total withdrawal. The recent announcement of the introduction of a similar measure for the unemployed aged above 55 years goes along these lines.

Supporting youth employment is a priority, particularly for the most disadvantaged among them. In the past, France has often resorted to new large-scale measures on non-market employment and whose effectiveness was far from being proved. This experience was not repeated in this crisis. The subsidies in place to support the development of internship contracts, allowing youth to gain work experience while studying, have been good initiatives. Various evaluations show that alternate training is one of the most effective measures to integrate relatively low-skilled youth. The bottom line is that companies are reluctant to hire young apprentices with no qualifications. Apprenticeship subsidies should be more focused on this most disadvantaged group. It is expected that a number of measures introduced during the crisis, including the "zéro charges pour les apprentis", will be withdrawn at the end of the year. Again, a focus on the most disadvantaged youth, rather than a total withdrawal would be preferable.

OECD Employment Outlook 2010 is available to journalists on the **password-protected** website or on request from the **Media Relations Division**. For further comment on France, journalists are invited to contact Stefano Scarpetta (tel: +33 1 45 24 19 88 or e-mail: stefano.scarpetta@oecd.org) or Anne Saint-Martin (tel: +33 1 45 24 85 90 or e-mail: anne.saint-martin@oecd.org) from the OECD Employment Analysis and Policy Division. For further information: www.oecd.org/els/employment/outlook.