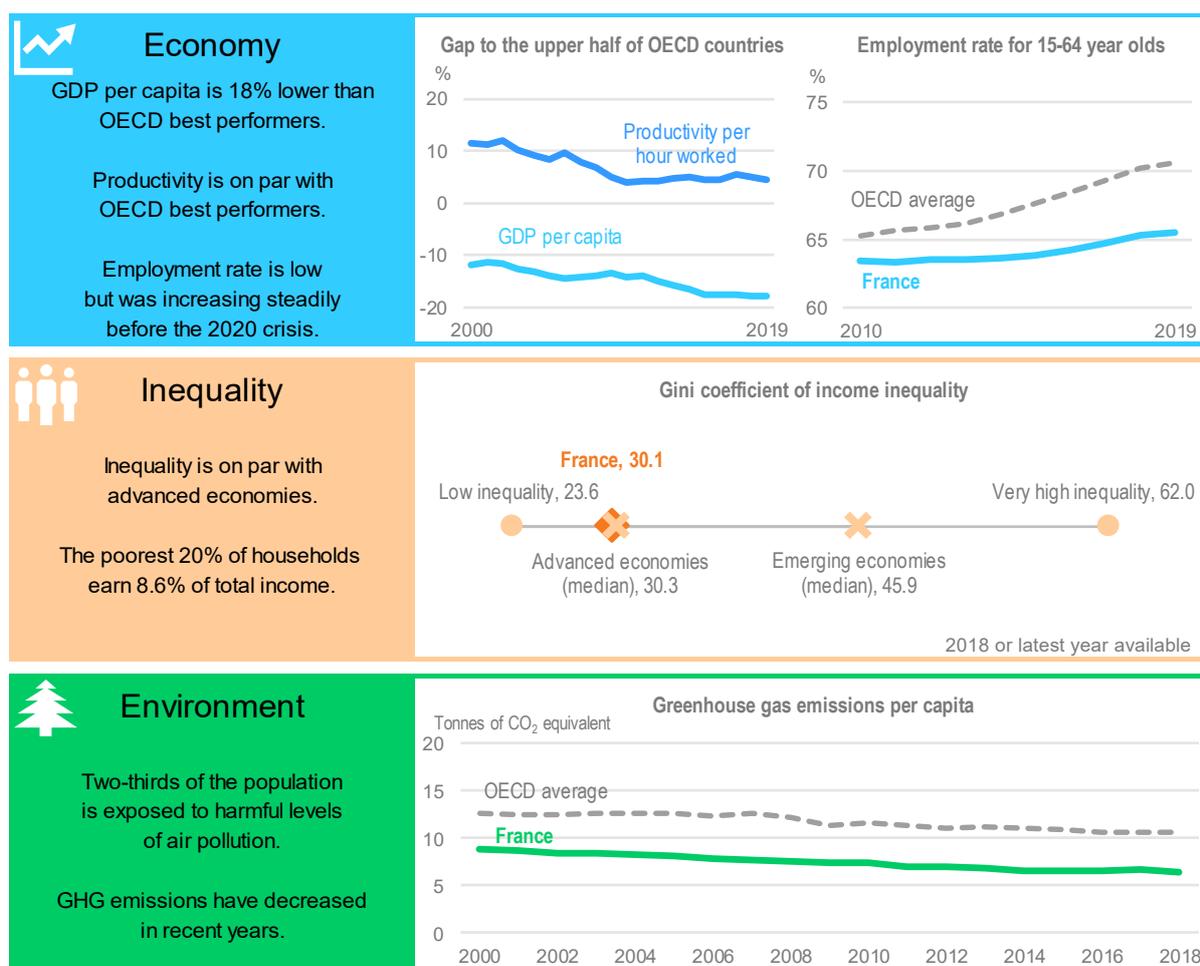


France

A slow and uneven recovery risks entrenching the initial negative distributional consequences of the COVID-19 crisis and widening inequalities of opportunities. The EUR 100 billion recovery plan targeting investment in skills and green technologies provides an opportunity to respond to some of the country's longstanding challenges.

Performance prior to the COVID-19 crisis



Economy: Percentage gap with respect to the population-weighted average of the highest 18 OECD countries in terms of GDP per capita (in constant 2015 PPPs).

Inequality: The Gini coefficient for disposable income measures the extent to which the distribution of disposable income among households deviates from perfect equal distribution. A value of zero represents perfect equality and a value of 100 extreme inequality.

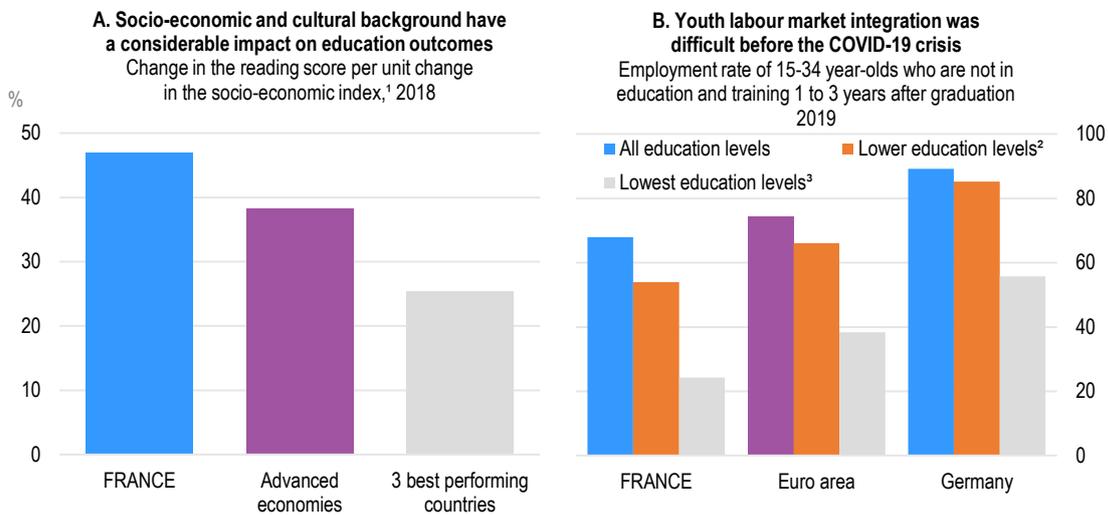
Environment: Greenhouse gas (GHG) emissions include emissions or removals from land-use, land-use change and forestry (LULUCF). A high exposure to air pollution refers to above 10 µg/m³ of PM_{2.5}.

Source: Economy: OECD, National Accounts, Productivity and Labour Force Statistics Databases; Inequality: OECD, Income Distribution Database and World Bank, World Development Indicators Database; Environment: OECD, Environment Database and United Nations Framework Convention on Climate Change (UNFCCC) Database.

Addressing skills and education gaps for a strong and inclusive recovery

Despite comprehensive support measures, the youth and low-skilled workers, the self-employed, those on short-term contracts and the unemployed have borne the brunt of the adjustment costs of the COVID-19 pandemic. **Improving further the equity and quality of education and training** would raise labour-market resilience. Particular focus should be given to low-skilled and long-term unemployed workers that prior to the crisis made much lower use of training. Ensuring wide access to retraining policies, as well as enforcing strong quality standards for lifelong training courses, would boost employment opportunities. As labour-market inequalities are enshrined from an early age and educational conditions remain unequal (Panel A), more funds should go to pre-schools and schools in disadvantaged neighbourhoods, with low-income households having a priority to formal childcare. Streamlining the schemes for helping young people to find jobs, ensuring career guidance takes place at schools from an early age, and involving social partners would also help the youth labour-market integration (Panel B).

Vulnerabilities and areas for reform



1. Defined as the estimated coefficient from the country-specific regression of PISA reading performance on corresponding index of economic, social and cultural status (ESCS). The ESCS is a composite score built by the indicators parental education, highest parental occupation and home possessions including books in the home via principal component analysis. The score has been transformed with zero being the score of an average OECD student and one being the standard deviation across equally weighted OECD countries.

2. Less than primary, primary, secondary and post-secondary non-tertiary education (levels 0-4).

3. Less than primary, primary and lower secondary education (levels 0-2).

Source: Panel A: OECD, PISA Database; Panel B: Eurostat (2020), Transition from education to work Database.

StatLink  <https://stat.link/wm8a7x>

With the gradual scaling back of short-time work schemes, temporary employees, younger and low-educated workers can suffer long-term scarring effects, exacerbating inequalities. **Reducing the use of short-term contracts**, widespread among these groups, would make the recovery more inclusive. Adjusting labour costs according to the duration of contracts, as foreseen, would reduce the excessive use of temporary contracts.

To boost business dynamism and help create jobs, **regulatory barriers should be reduced further**. Entry barriers, quotas and exclusive rights in regulated professions should be lowered, collective restructuring procedures reviewed and an independent impact assessment of draft laws and regulations on competition introduced. **Bringing forward green investments will make growth more sustainable**, as planned in the recovery plan. In the longer run, to improve the fiscal position and lower tax rates, particularly on labour, **improving the efficiency of public finances is needed**.

France: Summary of *Going for Growth* priorities and recommendations

2019-2020 Reforms	Recommendations
Education and skills: Improve the equity and quality of education and training	
<ul style="list-style-type: none"> <input checked="" type="checkbox"/> Class size for further grades have been halved in disadvantaged neighbourhoods in 2019-20. <input checked="" type="checkbox"/> Additional bonuses and subsidies are being made available in 2019-20 for pre-school institutions in disadvantaged neighbourhoods. <input checked="" type="checkbox"/> Bonuses for teachers affected to schools in disadvantaged neighbourhoods increased in September 2019. <input checked="" type="checkbox"/> Simplification measures for apprenticeships have been implemented in 2019. <input checked="" type="checkbox"/> Additional funding for training has been made available for low-skilled and unemployed workers through the 2020 recovery plan. 	<ul style="list-style-type: none"> <input type="checkbox"/> Speed up the development of additional childcare services for low-income households and in poor neighbourhoods <input type="checkbox"/> Ensure access to transparent information and effective monitoring of the quality of lifelong learning programmes through additional evaluations and strengthened counselling. <input type="checkbox"/> Streamline the schemes for helping young people to find jobs. <input type="checkbox"/> Ensure career guidance takes place at schools from an early age and involve social partners.
Labour market: Reduce further labour market segmentation	
<ul style="list-style-type: none"> <input checked="" type="checkbox"/> The ‘in-work benefit’ (Prime d’activité) increased in 2019. A project to reform and simplify social benefits has also been launched. <input checked="" type="checkbox"/> The 2019 reform of a large business tax credit has increased the targeting of social security cuts on low-wages. <input checked="" type="checkbox"/> The 2019 unemployment reform plans to calculate unemployment benefit using monthly wages over a 12-month period, reducing replacement rates for some workers on repeated short-term contracts. <input checked="" type="checkbox"/> The 2020 recovery plan introduced a temporary hiring subsidies for younger workers. 	<ul style="list-style-type: none"> <input type="checkbox"/> Ensure that the structuring of labour costs helps to reduce the excessive use of short-term contracts. <input type="checkbox"/> Once the recovery is firmly under way, restrict the possibility of receiving unemployment benefits during repeated periods of temporary employment and the reloading of rights over short employment spells.
Competition and regulation: Reduce regulatory barriers to competition	
<p>No action taken.</p>	<ul style="list-style-type: none"> <input type="checkbox"/> Review collective restructuring procedures and speed up court processes. <input type="checkbox"/> Provide small firms with extended hiring support programmes, notably for management skills and human resources development. <input type="checkbox"/> Ensure an independent impact assessment of draft laws and regulations on competition. <input type="checkbox"/> Reduce entry barriers, quotas and exclusive rights in regulated professions.
Environmental policy: Target more sustainable and greener growth	
<p>*New priority *</p>	<ul style="list-style-type: none"> <input type="checkbox"/> Better take into account environmental externalities in transport taxation and develop targeted measures for the most affected populations. <input type="checkbox"/> Strengthen the risk assessment of plant protection products, notably the effects of their interaction.

2019-2020 Reforms	Recommendations
Public governance: Improve the efficiency of public finances	
<input checked="" type="checkbox"/> In 2021, some distortionary business taxes will be permanently reduced.	<input type="checkbox"/> Once the recovery is firmly underway, build on expenditure reviews to reduce public spending. <input type="checkbox"/> Continue to extend the investment selection framework in place in the health sector to other sectors. <input type="checkbox"/> Reduce the use of exemptions and reduced rates that do not benefit the lowest-income households, and reduce tax rates. <input type="checkbox"/> Review pension penalties and bonuses to encourage an increase in the effective retirement age and gradual retirement. <input type="checkbox"/> Move towards a single pension system to improve labour mobility and lower management costs. <input type="checkbox"/> Allocate responsibilities of local infrastructure and urban planning to municipality groups to deal with environmental and other spillovers. <input type="checkbox"/> Streamline local government organisation by merging small municipalities.

Recent progress on structural reforms

The government pursued a broad reform agenda to improve the labour market, the education system and business taxation, as well as the pension system. The recovery plan rightly increases public spending in the short term to boost aggregate demand and tackle medium-term structural issues. The ongoing reform of unemployment insurance (legislated in July 2019) increased social security contributions and labour costs for short-term and derogatory contracts in some sectors. In 2021, the reform is set to reduce unemployment benefits for workers on repeated short-term contracts. In addition, class sizes for further grades have been halved in disadvantaged neighbourhoods. The recovery plan is set to streamline some distortionary business taxes in 2021. In 2019, the authorities have launched a systemic reform of pension schemes to move towards a single pension system and increase incentives to work longer, but the reform has yet to be legislated.