

FRANCE

- The gap in GDP per capita relative to the leading OECD countries has stabilised since the mid-2000s at a sizeable level, reflecting weak employment rates for youth and older workers as well as short working time.
- The end-of-2010 pension reform and the 2012 elimination of the job-search exemption for older unemployed have significantly reduced disincentives to work at older ages. Labour taxes will be reduced by 6 percentage points on earnings up to 2.5 times the minimum wage, financed by spending cuts, and value-added tax and environmental tax increases. Incentives have been put in place to facilitate the emergence of high-quality universities and research centres.
- Combining enhanced active labour market policies with the reduction of employment protection for permanent contracts, adopting a more efficient tax structure and limiting the increase in the minimum wage would promote employment and improve job reallocations. Improving the quality of the education system is also critical to increasing both employment and productivity over time. Deregulation in the product markets could yield short-term gains in both labour productivity and labour utilisation.
- Improving education outcomes entails essentially increasing the performance of disadvantaged students, thus both boosting total income and lowering inequality. Reducing labour market duality would mostly benefit the low-skilled and youth, who are currently forced to assume a disproportionate share of the needed adjustment in the workforce. Shifting of the tax structure could be achieved in part by increasing environmental taxes, which would lower pollution and waste.

Growth performance indicators

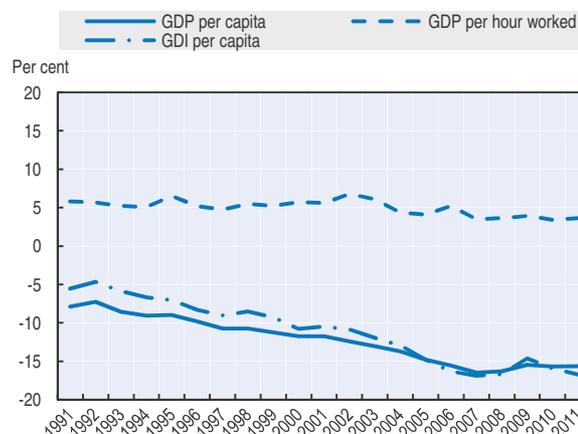
A. Average annual trend growth rates

Per cent

	2001-06	2006-11
Potential GDP per capita	0.9	0.7
Potential labour utilisation	0.0	-0.1
of which:		
Labour force participation rate	0.0	0.0
Employment rate ¹	0.0	-0.1
Potential labour productivity	0.9	0.8
of which:		
Capital intensity	0.4	0.5
Labour efficiency	0.0	-0.1
Human capital	0.5	0.5

B. The gap in GDP per capita widened before the recession

Gap to the upper half of OECD countries²



1. The employment rate is defined with respect to the economically active population and therefore captures the (inverse) changes in the structural unemployment rate.
2. Percentage gap with respect to the simple average of the highest 17 OECD countries in terms of GDP per capita, GDP per hour worked and GDI per capita (in constant 2005 PPPs).

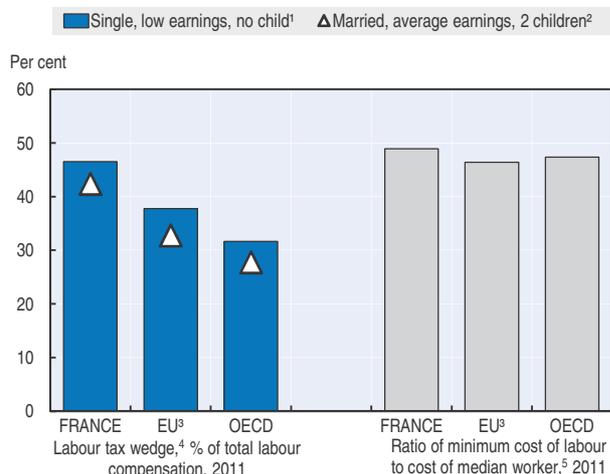
Source: OECD, National Accounts and OECD Economic Outlook 92 Databases.

StatLink  <http://dx.doi.org/10.1787/888932776523>

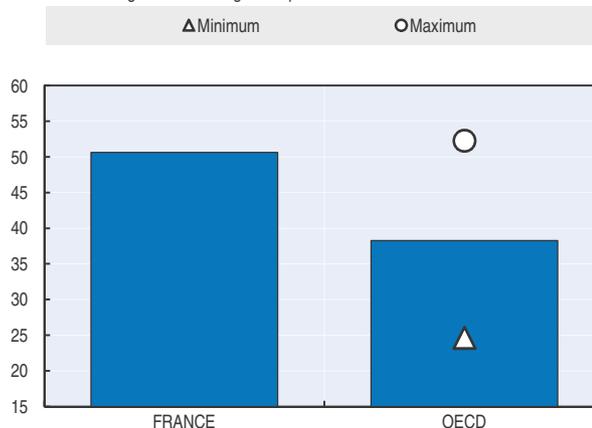
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Policy indicators

A. Labour taxes and minimum labour costs are relatively high

B. Socio-economic background influences student performance more than in most other OECD countries,⁶ 2009

Change in the reading score per unit of the socio-economic index



1. Low earnings refer to two-thirds of average earnings.
2. At 100% of the average worker earnings for the first earner. Average of three situations regarding the wage of the second earner (0%, 33% and 67% of average earnings).
3. Average of 21 EU countries members of the OECD.
4. Labour taxes include personal income tax and employee plus employer social security contributions and any payroll tax less cash transfers.
5. Exactly half of all workers earn less than the median wage for the OECD countries. The cost of labour is the sum of the wage level and the social security contributions paid by employers. The OECD average excludes some OECD countries which do not have a statutory minimum wage, as well as Mexico for which data are not available.
6. Defined as the estimated coefficient from the single bivariate regression of PISA reading performance of all participating students on their corresponding index of economic, social and cultural status (ESCS). Minimum and maximum represent the estimated coefficients for the countries which have the lowest and highest values respectively.

Source: OECD, OECD Employment Outlook, Taxing Wages and Education at a Glance Databases.

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Identifying Going for Growth 2013 priorities

Priorities supported by indicators

Reform job protection and strengthen active labour market policies. The deeply ingrained labour market duality reduces firms' ability to adapt to shocks, thus hindering productivity, and unfairly distributes the burden of adjusting the workforce to changes in activity.

Actions taken: The government intends to pass into law the agreement reached by social partners in January 2013, which would simplify part-time unemployment schemes, provide flexibility to adjust wages and working time to preserve jobs in downturns and ease regulation on collective dismissals.

Recommendations: Reduce the protection of permanent contracts (extend the trial period, broaden the definition of economic redundancy, shorten layoff and judicial procedures, reduce redeployment obligations) while reinforcing the link between benefits, job search and participation in enhanced active measures. Reform unemployment benefits to ensure they are generous in the short term, and less so later in the spell and for the older unemployed, while improving professional training.

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Shift the tax burden away from labour, and continue to reduce the minimum cost of labour. High labour taxes undermine both labour demand and supply, and the high relative minimum cost of labour reduces job opportunities, especially for youth and low-skilled workers.

Actions taken: Labour taxes will be reduced by 6 percentage points on earnings up to 2.5 times the minimum wage by 2014, financed by spending cuts, and VAT and environmental tax increases.

Recommendations: Allow the minimum cost of labour to fall relative to the median, especially for youth. In the medium term, reduce social security contributions further while cutting public spending and inefficient tax expenditures, and increasing environmental, real property and inheritance taxes.

***Improve equity and outcomes in primary and secondary education*.**¹ Education outcomes are average within the OECD on aggregate, but the dispersion and the impact of socio-economic background are large, weighing on employment, productivity and equity.

Recommendations: Combat school failure at an early stage, limit repetition drastically, and develop individualised instruction. Improve teachers' training by focusing on knowledge transmission and creativity, and boost incentives to attract high-quality teachers in disadvantaged schools.

Other key priorities

Reduce regulatory barriers to competition. Competition is restricted by the regulatory framework, hindering both productivity and employment.

Actions taken: No significant actions taken.

Recommendations: Reduce the regulations of professional services that go beyond the strict protection of users. Ease restrictions to price competition and to setting up of new stores in the retail sector. Remove regulatory entry barriers in potentially competitive segments of network industries.

Improve the quality and efficiency of tertiary education. The tertiary education system is segmented with universities contributing to high student drop-out rates and lacking funding despite their new, albeit limited, autonomy.

Actions taken: Increased public spending aims at promoting the emergence of top level universities.

Recommendations: Extend the autonomy of universities. Allow them to select students and raise tuition fees while providing student loans with income-contingent repayment and adjusting means-tested grants to ensure equitable access. Incorporate information on labour market prospects into career guidance, and expand vocational education to address skills mismatches.

1. New policy priorities identified in *Going for Growth 2013* (with respect to *Going for Growth 2011*) are preceded and followed by an “*”.

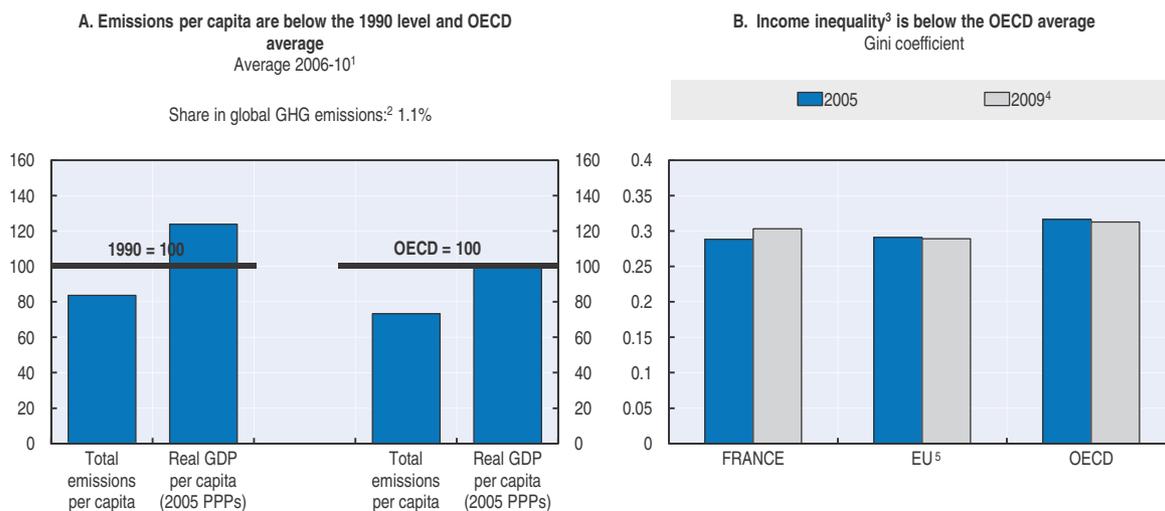
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Previous Going for Growth recommendation no longer considered a priority

Reduce disincentives to work at older ages. In order to reduce disincentives to pursue work activity at older ages, it was recommended to continue phasing out pathways to early retirement, to further increase the contribution period for full pension and to strengthen the return-to-work strategy based on job search requirements and other active measures.

Actions taken: The October 2010 pension reform – which included a two-year increase in the legal retirement age and an extension of the contribution period for a full pension in line with rising life expectancy – seems to be helping to change employers' and workers' attitudes towards working at older ages, and the employment rate of older workers has increased throughout the crisis. The job-search exemption for the older unemployed disappeared in January 2012; however, the generous unemployment insurance for this group and the mechanism for a mutually agreed separation in place since 2008 are liable to favour disguised early retirement.

Other dimensions of well-being: Performance indicators



1. Total GHG emissions including LULUCF in CO₂ equivalents (UNFCCC). The OECD average (excluding Chile, Israel, Korea and Mexico) is calculated according to the same definition.
2. Share in world GHG emissions is calculated using International Energy Agency (IEA) data and is an average of years 2005, 2008 and 2010.
3. Income inequality is measured by the Gini coefficient based on equivalised household disposable income for total population.
4. Data refer to 2010 for France.
5. Average of 21 EU countries members of the OECD.

Source: United Nations Framework Convention on Climate Change (UNFCCC) Database; OECD, Energy (IEA) Database and OECD Income Distribution Database, provisional data (www.oecd.org/social/inequality.htm).

StatLink  <http://dx.doi.org/10.1787/888932776561>