

FRANCE

- The gap in GDP per capita relative to the leading OECD countries remains sizeable, reflecting low employment rates of young and older people as well as low hours worked.
- The tax burden on labour has been significantly reduced through a tax credit and a reduction of social contributions in 2013-14, and further social contributions cuts are targeted at low and medium wages. In the area of professional training, additional funds have been earmarked to low-skilled and unemployed workers.
- Allowing for more flexible open-ended contracts and enhancing active labour market policies is needed to tackle labour market duality and improve job reallocations. Shifting the financing of some spending items from social contributions to other tax bases, simplifying the tax system and eliminating tax loopholes would promote employment and competitiveness. Reducing educational inequalities and improving skills throughout the working life would also increase employment and labour productivity.
- Further efforts to provide individualised support for pupils with difficulties, a simplification of the professional training system and improved guidance and support for low-skilled workers and the unemployed would enhance productivity, employment and equity.

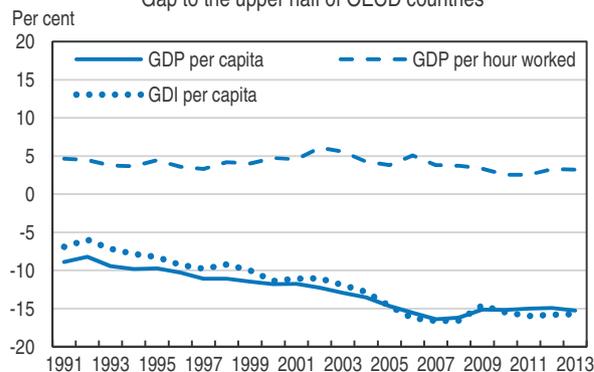
Growth performance indicators

A. Average annual trend growth rates

Per cent

	2003-08	2008-13
Potential GDP per capita	0.8	0.4
Potential labour utilisation	-0.1	-0.4
<i>of which:</i> Labour force participation rate	0.0	-0.1
Employment rate ¹	0.0	-0.2
Trend employment coefficient ²	-0.1	-0.1
Potential labour productivity	0.9	0.8
<i>of which:</i> Capital deepening	0.3	0.2
Labour efficiency	-0.1	-0.2
Human capital	0.7	0.7

B. The gap in GDP per capita remains sizeable

Gap to the upper half of OECD countries³

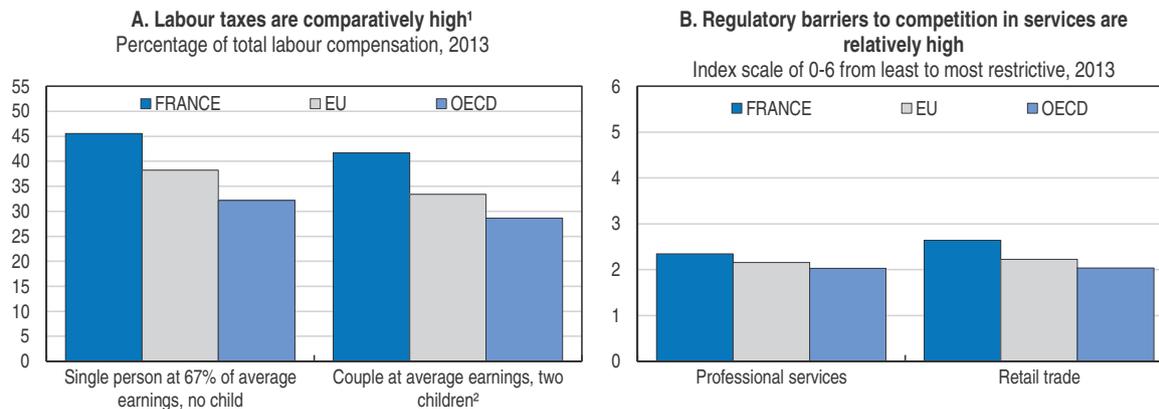
1. The employment rate is defined with respect to the economically active population; a positive growth rate corresponds to a decline in the structural unemployment rate and vice versa.
2. This adjustment variable is added to the decomposition to capture the impact of non-resident workers.
3. Percentage 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: Panel A: OECD, *Economic Outlook 96 Database*. Panel B: OECD, *National Accounts and Productivity Databases*.

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Policy indicators



- The data do not include recent legislated changes and may therefore overestimate the current level of labour tax wedges. Labour taxes include personal income tax and employee plus employer social security contributions and any payroll tax less cash transfers.
- At 100% of average earnings for the first earner and average of the three situations regarding the wage of the second earner (0%, 33% and 67% of average earnings).

Source: Panel A: OECD, *Taxing wages Database*. Panel B: OECD, *Product Market Regulation Database*, www.oecd.org/economy/pmr.

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Going for Growth 2015 priorities

Priorities supported by indicators

Reform job protection and strengthen active labour market policies (ALMPs). Labour market duality hinders growth in high-quality jobs and productivity.

Actions taken: A simplification of part-time unemployment schemes was introduced in 2013. In 2014, the time span between a job loss and unemployment benefit payment has been increased for laid-off workers who receive large severance pay packages.

Recommendations: Make open-ended contracts more flexible (extend the trial period, broaden the definition of economic redundancy and shorten layoffs and judicial procedures). Make sure that every jobseeker receives an employment or training offer within a few months, evaluate and streamline ALMPs, and apply sanctions in case of a jobseeker's refusal of good offers.

Shift the tax burden away from labour and broaden the tax base. High social contributions combined with a relatively high minimum wage weigh on labour demand, supply and competitiveness.

Actions taken: The corporate tax credit introduced in 2013 is broadly equivalent to a reduction of labour taxation by 4% of the gross wage bill in 2013 and 6% from 2014 onwards (excluding salaries higher than 2.5 times the minimum wage). This has been financed by spending cuts and increases in VAT and environmental taxes. The Responsibility and Solidarity pact voted in 2014 foresees further reductions in social charges worth EUR 10 billion over 2015-17, equally distributed between low and medium wages.

Recommendations: Lower social security contributions further by shifting the financing of benefits that accrue to society at large, such as those for families, to less distortive taxes (e.g. environmental, real property and inheritance taxes). Eliminate tax loopholes, such as preferential tax treatment of certain investment income, and broaden the base of personal, capital and corporate income taxation.

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Improve equity and outcomes in primary and secondary education. Overall education outcomes are close to the OECD average, but this masks stark inequalities, weighing on employment, productivity and equity.

Actions taken: The government is increasing education staff by 60 000 over 2012-15. It created more posts in early childhood education and is working to focus initial training for teachers more on pedagogical and practical skills. The extension of the school week from 4 to 4.5 days in 2013 and 2014 and pedagogical innovations allow for more individualised support for pupils.

Recommendations: Combat school failure at an early stage, limit grade 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 barriers to competition. Poorly designed regulation restricts competition, hindering both productivity and employment.

Actions taken: The government launched an initiative to simplify regulation in 2013 and announced 50 additional measures for enterprises in 2014, notably to limit the burden of new regulations and ease fiscal procedures. However, the integration of the rail network manager (RFF) with the national railway company's infrastructure branch may hamper future network access for alternative rail operators.

Recommendations: Ease those regulations of professional services that go beyond the necessary consumer protection. Facilitate price competition in retail sales and the setting up of new stores. Remove entry barriers in potentially competitive segments of network industries.

Improve the quality of higher education and access to lifelong learning. Universities are poorly funded compared to elite schools and short vocational programmes. They provide poor job prospects in some areas. People with low skills benefit little from professional training, and quality control is weak.

Actions taken: A 2013 law on higher education aims to double the number of students combining work and study by 2020. The 2014 reform of professional training directs more money at low-skilled workers and the unemployed. It creates a personal training account and aims to strengthen orientation services.

Recommendations: Allow universities to raise tuition fees and provide student loans with income-contingent repayment. Strengthen quality control for professional training and simplify the training system. Enhance training opportunities for the low-skilled and make sure that they receive effective guidance to choose the right programme.

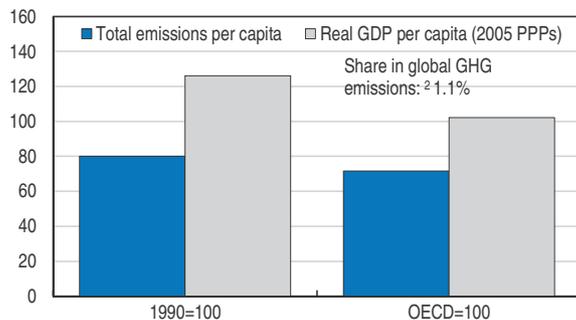
Reform areas no longer considered a priority in *Going for Growth*

For France, all priority areas from the 2013 issue of *Going for Growth* are maintained.

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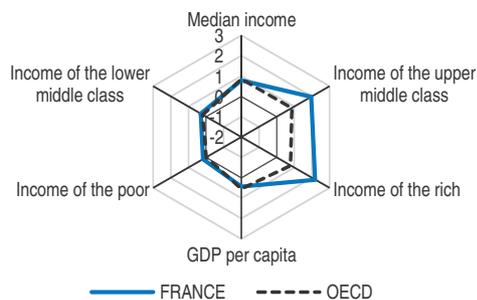
Beyond GDP per capita: Other policy objectives

A. Emissions per capita have fallen and are below the OECD average
Average 2008-12¹



B. Only richer households have experienced real income gains³

Average annual growth rate in real household disposable income, 2005-11



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.
3. Household income across the distribution is measured by income standards with varying emphasis on different points of the distribution – from the low to the top-end of the distribution. See methodological notes at the end of the chapter for the computation of household income across the distribution.

Source: Panel A: OECD, *National Accounts and Energy (IEA) Databases*; and *United Nations Framework Convention on Climate Change (UNFCCC) Database*. Panel B: OECD, *National Accounts and Income Distribution Databases*.

StatLink  <http://dx.doi.org/10.1787/888933178633>