

FRANCE

Low labour utilisation more than offsets high output per hour worked, leaving a wide gap vis-à-vis the GDP per capita of the best performing countries. Productivity growth itself has been weak.

Policy priorities

Reduce the minimum cost of labour

Challenge and recommendations: Compared with other OECD countries, the cost of employing low-skilled labour relative to that of employing average workers is high. To stimulate employment opportunities of youth and low-skilled workers, it was recommended that the minimum wage be reduced relative to the median wage and that in-work benefits be further developed to improve living standards in low-income households.

Actions taken: No specific action taken on the minimum wage, but given that the automatic or statutory increase was smaller than for the median wage, the minimum wage fell in relative terms for the first time in many years. Also, the government has announced the creation of an independent commission that will make recommendations every year on the minimum wage.

Reform employment protection legislation

Challenge and recommendations: Procedures for dismissals of permanent workers are complex, costly, slow and uncertain. This is bad for groups such as youths and the long-term unemployed, creating a segmented labour market. It was recommended that job protection be eased, and legal procedures be simplified and made more predictable. One possibility is a single contract with protection increasing with the length of service.

Actions taken: In January 2008, the social partners agreed on a number of modifications to employment protection legislation which will ease firing procedures, in particular by reducing the frequency of cases requiring a court ruling and by introducing a new fixed-term contract designed for specific projects and selected categories of professionals. In return, severance payments will be raised and dismissed workers will be able to maintain and/or transfer some of their fringe benefits.

Reduce regulatory barriers

Challenge and recommendations: In a number of sectors, mainly retail distribution and some network industries, competition is restricted by regulations that reduce productivity growth and employment. It was recommended that the notion of consumer welfare be reinforced as the guiding principle for regulatory policy, that specific restrictions on selling below cost be abolished, and entry and access barriers in network industries be removed.

Actions taken: Further modifications to price regulation in retail distribution were introduced in early 2008: although individual distributors cannot freely negotiate prices with suppliers, their legal margin for selling below cost has been widened. Implementation of EU directives for network industries has continued, reducing entry and access barriers, and increasing competition.

Increase labour force participation of older people

Challenge and recommendations: Despite pension reforms, only 56% of those aged 55-59 and 17% of those aged 60-64 are working. It was recommended that the Delalande contribution – a penalty for dismissing workers over 50 but which acts as a disincentive to their recruitment – be abolished, that the job-search exemption for older workers receiving unemployment benefits be removed and incentives for continuing work be increased.

Actions taken: The Delalande contribution is to be phased out between 2008 and 2010, and the pension bonus for working beyond the “normal” length of career has been raised. A special type of work contract for older workers has been introduced. In the course of 2008, the government is legally committed to assess the impact of the 2003 reform and to decide on whether or not to modify the timing and extent of future increases in the minimum contribution period to be eligible for a full pension.

Improve the efficiency of tertiary education

Challenge and recommendations: Per-student funding for tertiary education, especially in the non-selective institutions which take the majority of students, is relatively low. To increase funding it was recommended that tuition fees in public higher education institutions be raised simultaneously with the introduction of an improved system of means-tested grants and student loans with income-contingent repayment.

Actions taken: No action has been taken on tuition fees, but public funding of higher education will be raised by around 8% in 2008. Also, legislation has been passed to increase university autonomy in managing budgets and recruitment.