



2017 OECD ECONOMIC SURVEY OF FRANCE

Towards more inclusive growth and employment

Paris, 14 September 2017

<http://www.oecd.org/eco/surveys/economic-survey-france.htm>



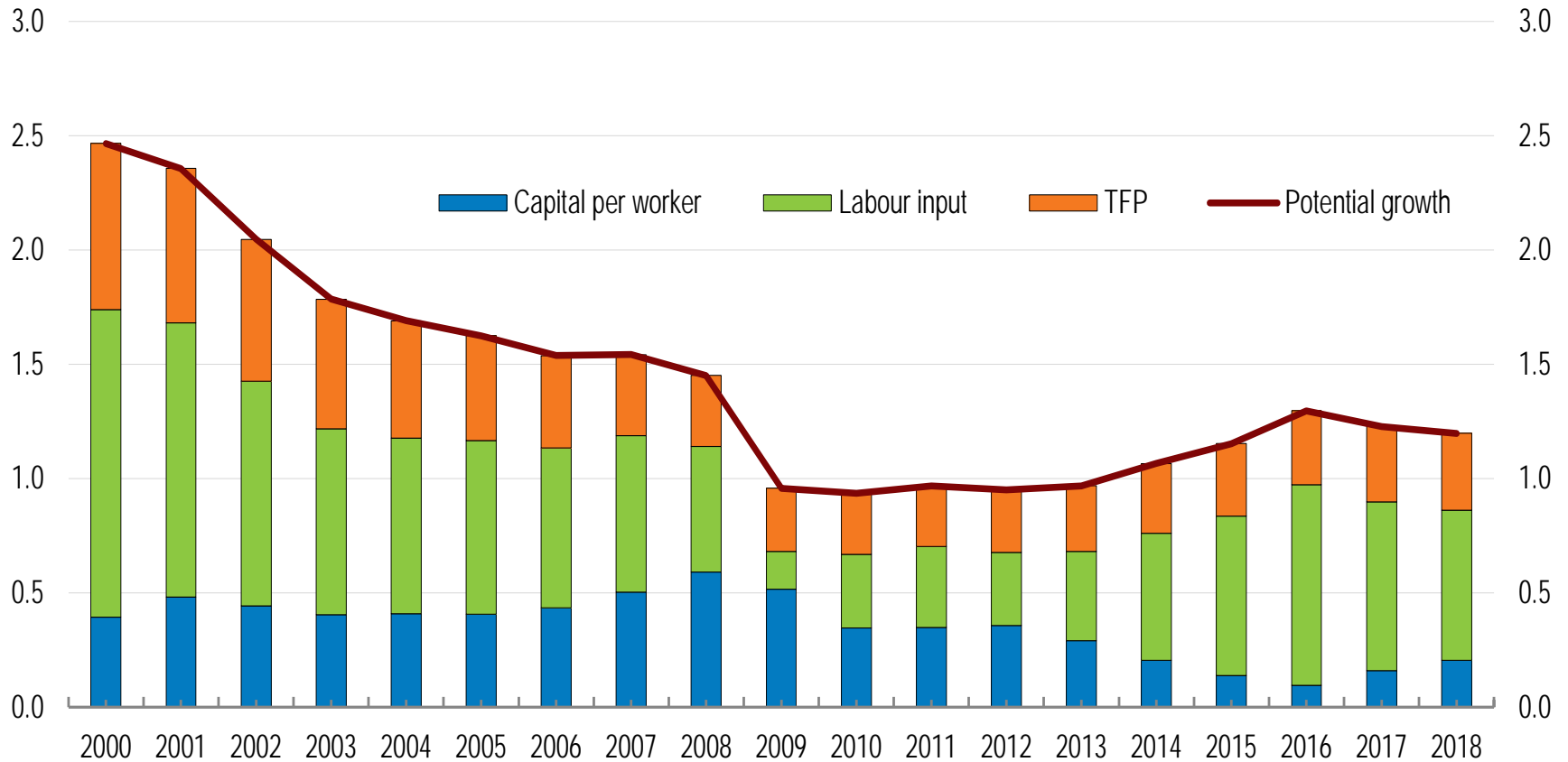


Main messages

- A long-term strategy would help to reduce public spending and improve its impact on equity
- Fostering an inclusive development of skills and employment
- Improving life in poor neighbourhoods
- Improving the efficiency of the health-care



Potential growth has slowed

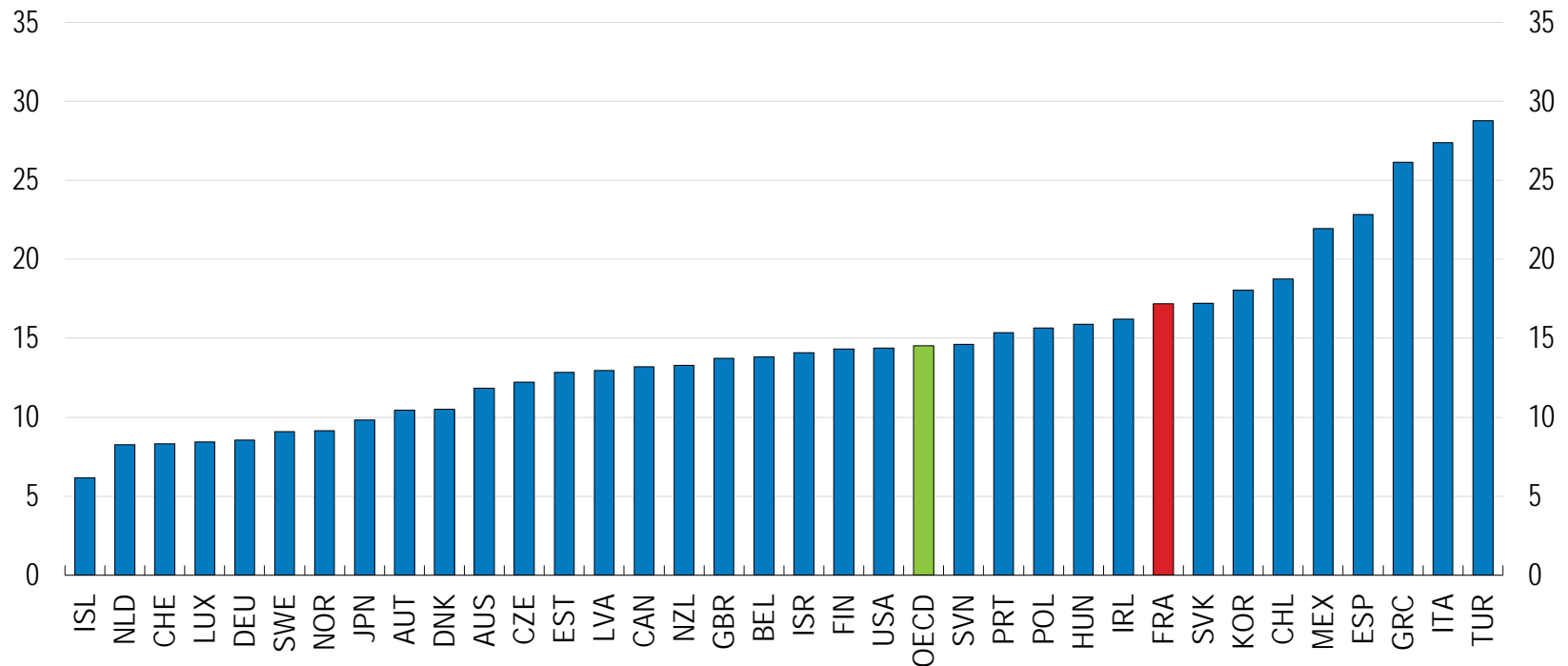


Source : OECD (2017), *OECD Economic Outlook 101 Database*.



Too many people are excluded from the labour market

Youths not in employment, education or training (NEET), 2015
% of the 15-29 population

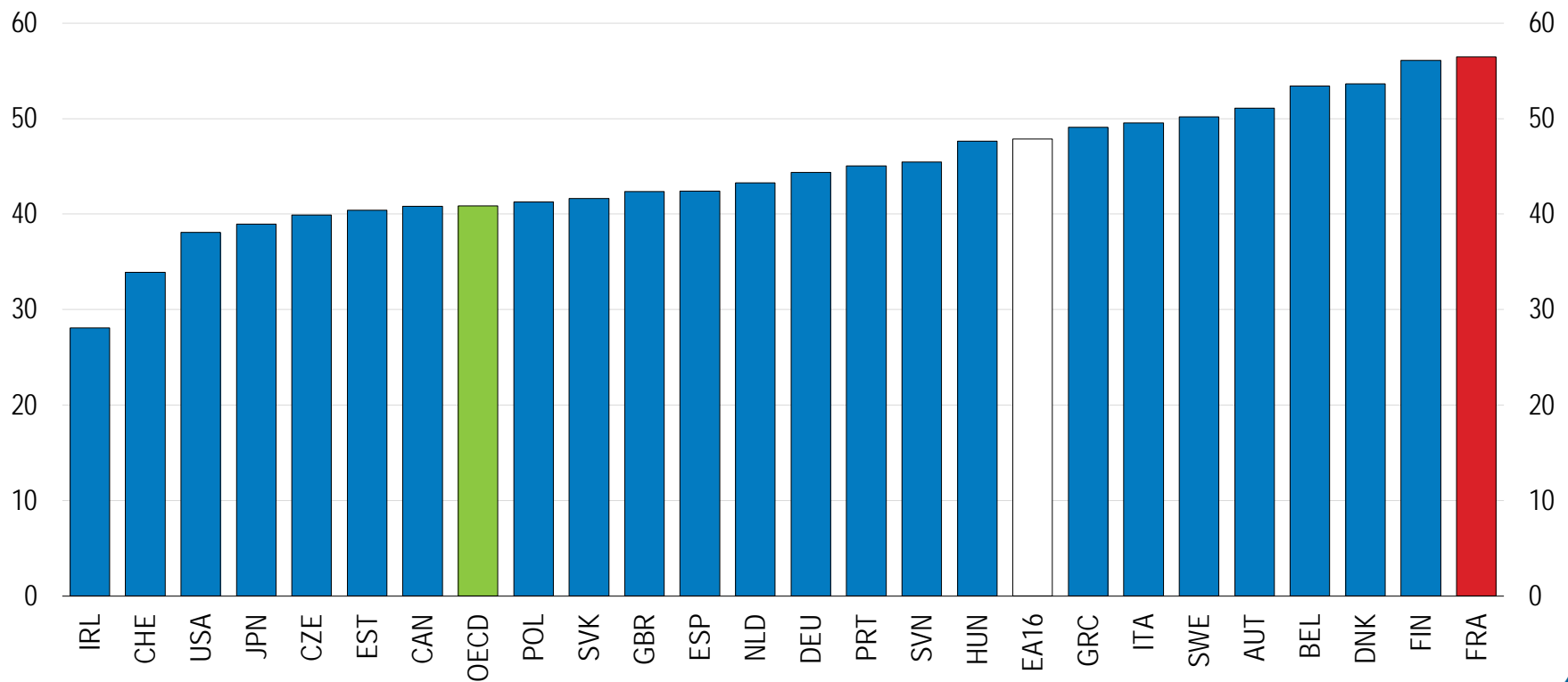


Source: OECD (2016), *OECD Education at a Glance 2016 Database*.



Public spending is high

Per cent of GDP, 2016



Source : OECD (2017), *OECD Economic Outlook 101 Database*.

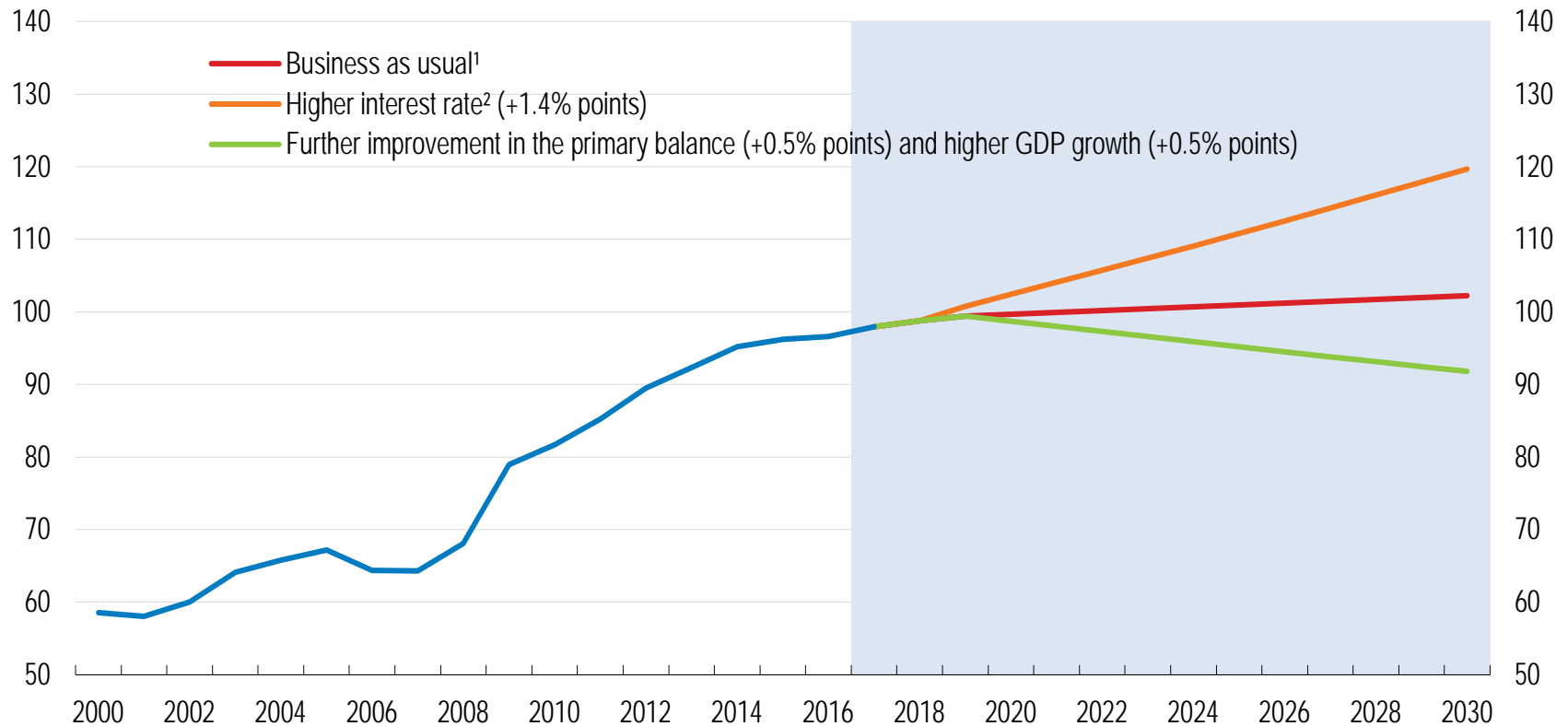


Developing a long-term strategy to reduce public spending and taxes



Without policy changes the debt-to-GDP is set to increase further

Debt simulations (per cent of GDP)



Source: OECD calculations based on OECD (2017), *OECD Economic Outlook 101 Database*.



Pension spending and the wage bill explain most of the gap in public spending

Composition of public spending by main component

	Year	France	Germany	France vs. Germany		Sweden	France vs. Sweden	
				Difference ¹	Share in total difference (%) ¹		Difference ¹	Share in total difference (%) ¹
Total public spending	2013	57.0	44.6	12.4	100	52.3	4.7	100
	2016	56.4	44.4	12.0	100	50.2	6.2	100
Wage bill	2013	12.9	7.7	5.2	42	12.8	0.1	2
	2016	12.8	7.5	5.3	43	12.6	0.2	4
Pensions	2013	14.3	10.1	4.2	34	10	4.3	91
Health	2013	8.6	7.9	0.7	6	6.6	2	43
Education ²	2013	4.7	3.7	1.0	8	5.2	-0.5	-11
Family benefits	2013	2.9	2.2	0.7	6	3.6	-0.7	-15
Housing	2013	0.8	0.6	0.2	2	0.5	0.3	6
Unemployment	2013	1.6	1.0	0.6	5	0.5	1.1	23
ALMPs	2013	0.9	0.7	0.2	2	1.4	-0.5	-11

1. Numbers may not add to totals because of rounding, overlapping across selected spending categories and non-universal coverage of all spending categories.

2. Excluding pre-primary education.

Source: OECD Economic Outlook 101 Database; OECD Social Expenditure Database (SOCX); OECD Education at a Glance 2016 Database.



The average effective age of labour-market exit is low

Average effective age of labour-market exit in 2014¹



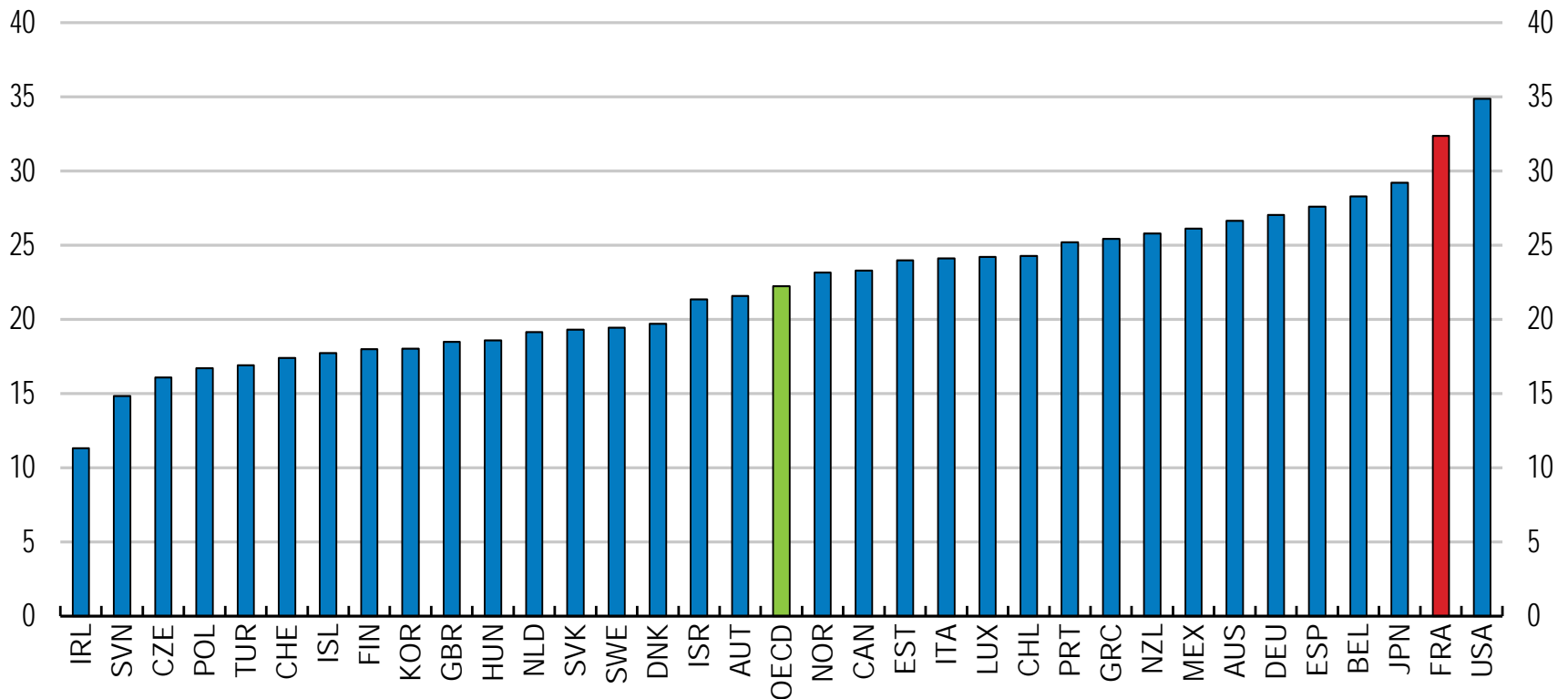
1. The effective retirement age shown is for the five-year period 2009-2014. The official pension age is shown for 2014, assuming labour market entry at age 20.
2. Belgium introduced a certain number of measures in 2015 to raise the effective age of labour market exit, focusing on conditions for accessing early retirement.

Source : OECD (2015), *OECD Pensions at a Glance 2015*, OECD Publishing, Paris.



Corporate tax rates are high

Average effective corporate tax rates
Per cent, 2016

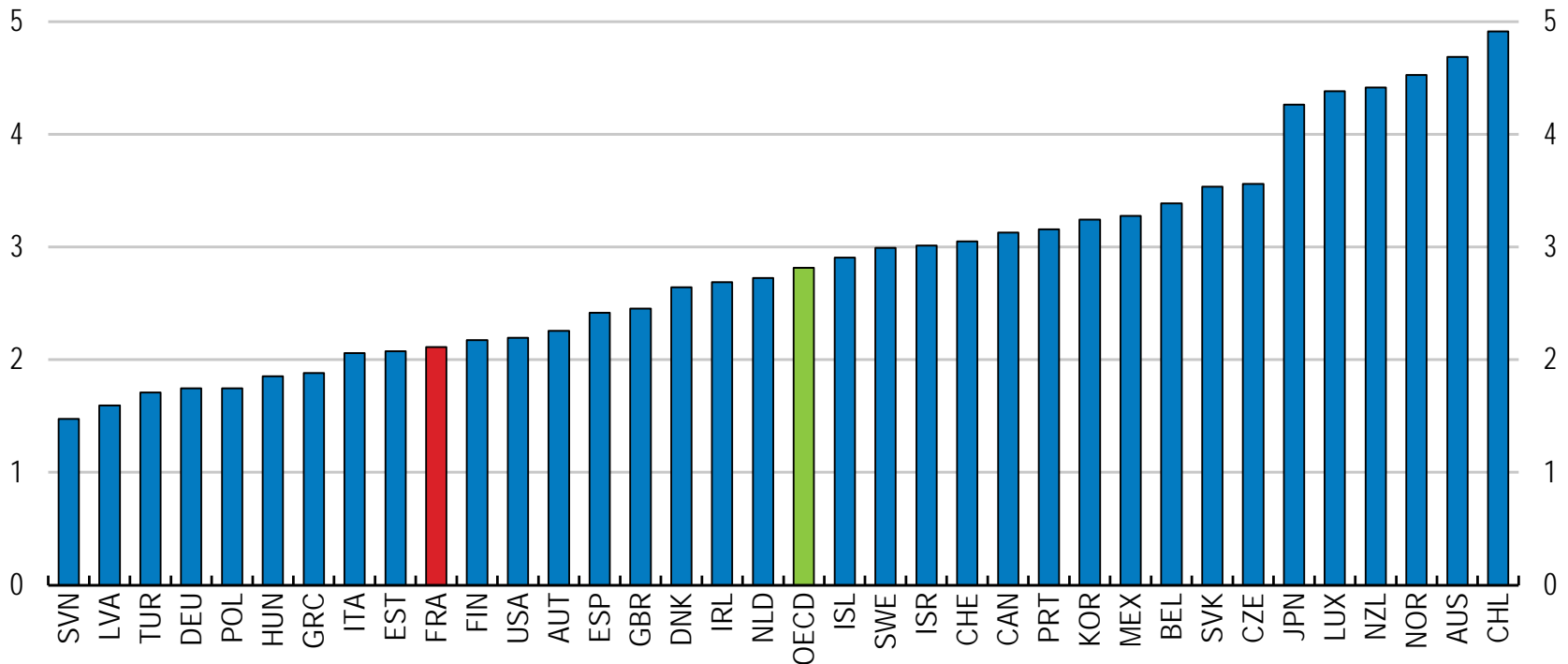


Source: Oxford Centre for Business Taxation (2017), *CBT Database*.



But corporate income tax revenues are low

Corporate income tax revenues
As a percentage of GDP, 2015

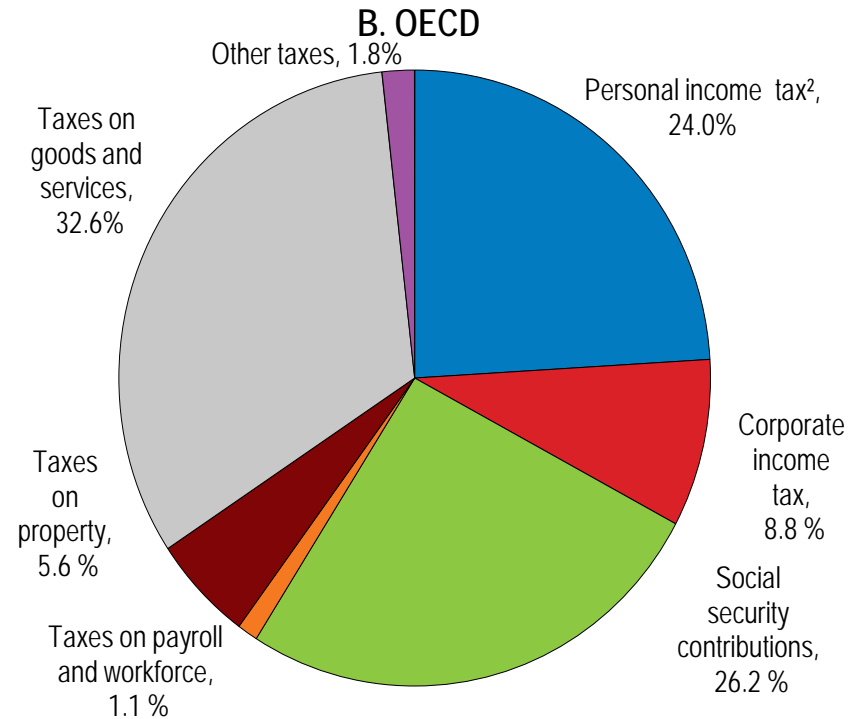
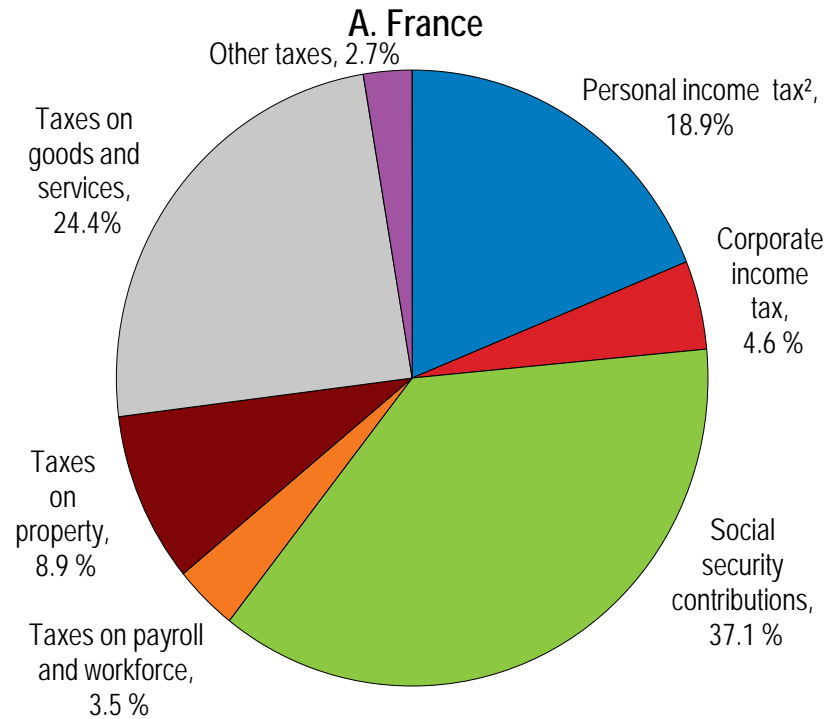


Source: OECD (2017), *OECD Revenue Statistics Database*.



The personal income tax represents a low share of total tax revenues

2015¹



1. 2014 for the OECD.

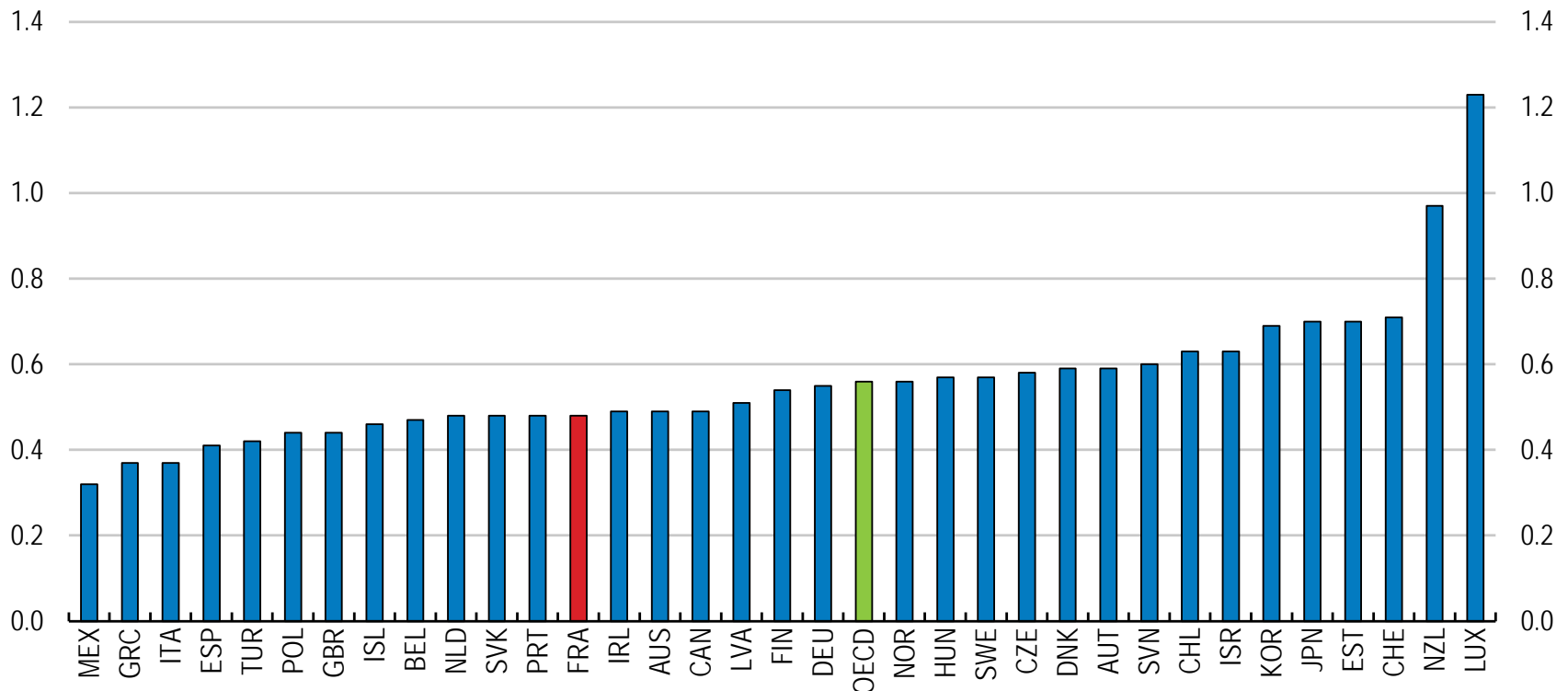
2. Including the *contribution sociale généralisée*.

Source: OECD (2017), *OECD Revenue Statistics Database*.



Exemptions and VAT tax breaks lead to a substantial shortfall

VAT revenue ratio¹ (%), 2014



¹ Ratio between the actual value-added tax (VAT) revenue collected and the revenue that would theoretically be raised if VAT was applied at the standard rate to all final consumption. It implicitly measures the share of potential tax revenues lost due to the existence of preferential tax treatments.

Source: OECD (2016), *Consumption Tax Trends 2016: VAT/GST and excise rates, trends and policy issues*, OECD Publishing, Paris.



Main recommendations to reduce public spending and taxes

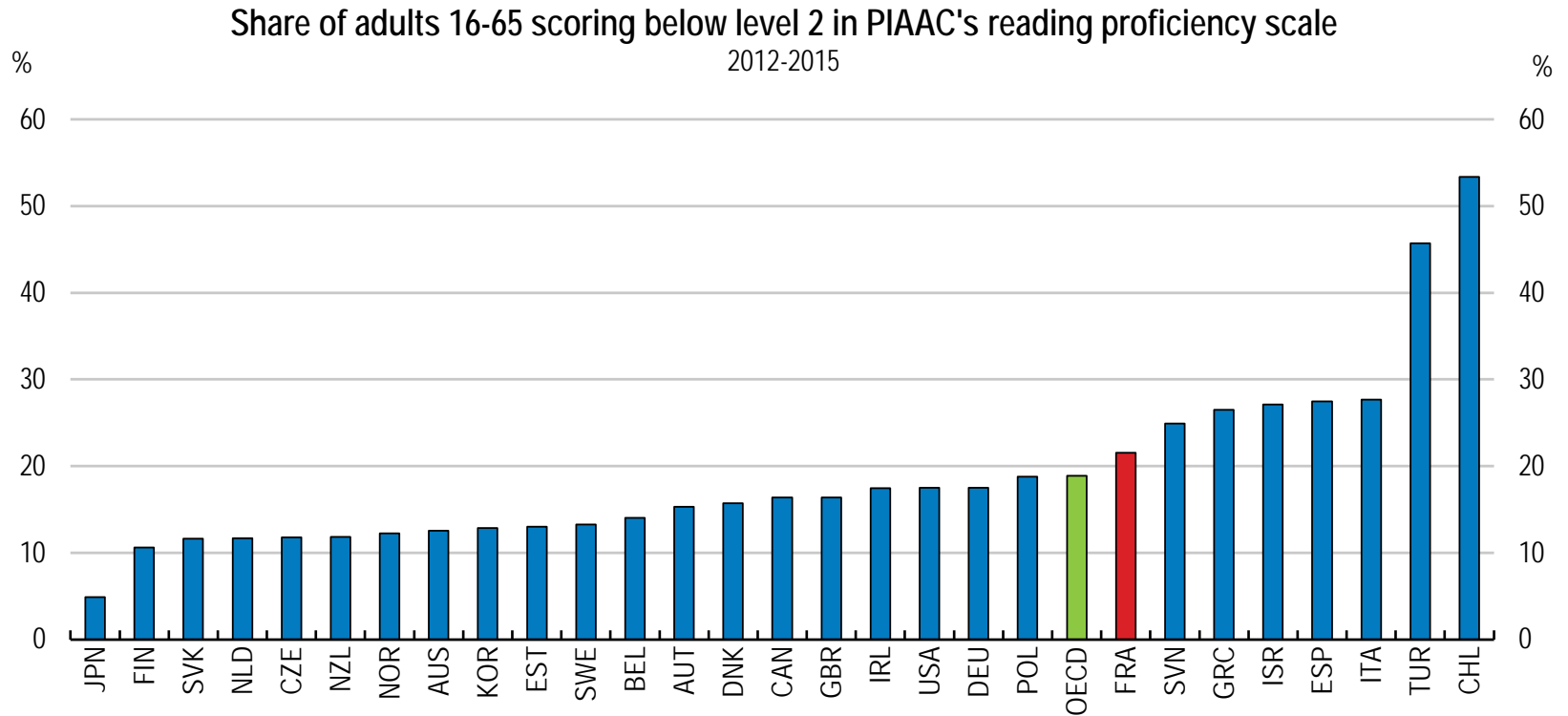
- ✓ Meet the ambitious targets to reduce public spending and taxes
- ✓ Move towards a single pension system to improve labour mobility and lower management costs
- ✓ Then, gradually increase the minimum retirement age in line with life expectancy
- ✓ Lower social contribution rates and corporate income tax rates, as planned
- ✓ Use lower social contributions as an opportunity to give a bigger role to the progressive income tax, e.g. by lowering the basic allowance
- ✓ Remove personal tax breaks on capital income, and lower the tax rate
- ✓ Withdraw reduced rates for VAT, and increase green taxes



Fostering an inclusive development of skills and employment



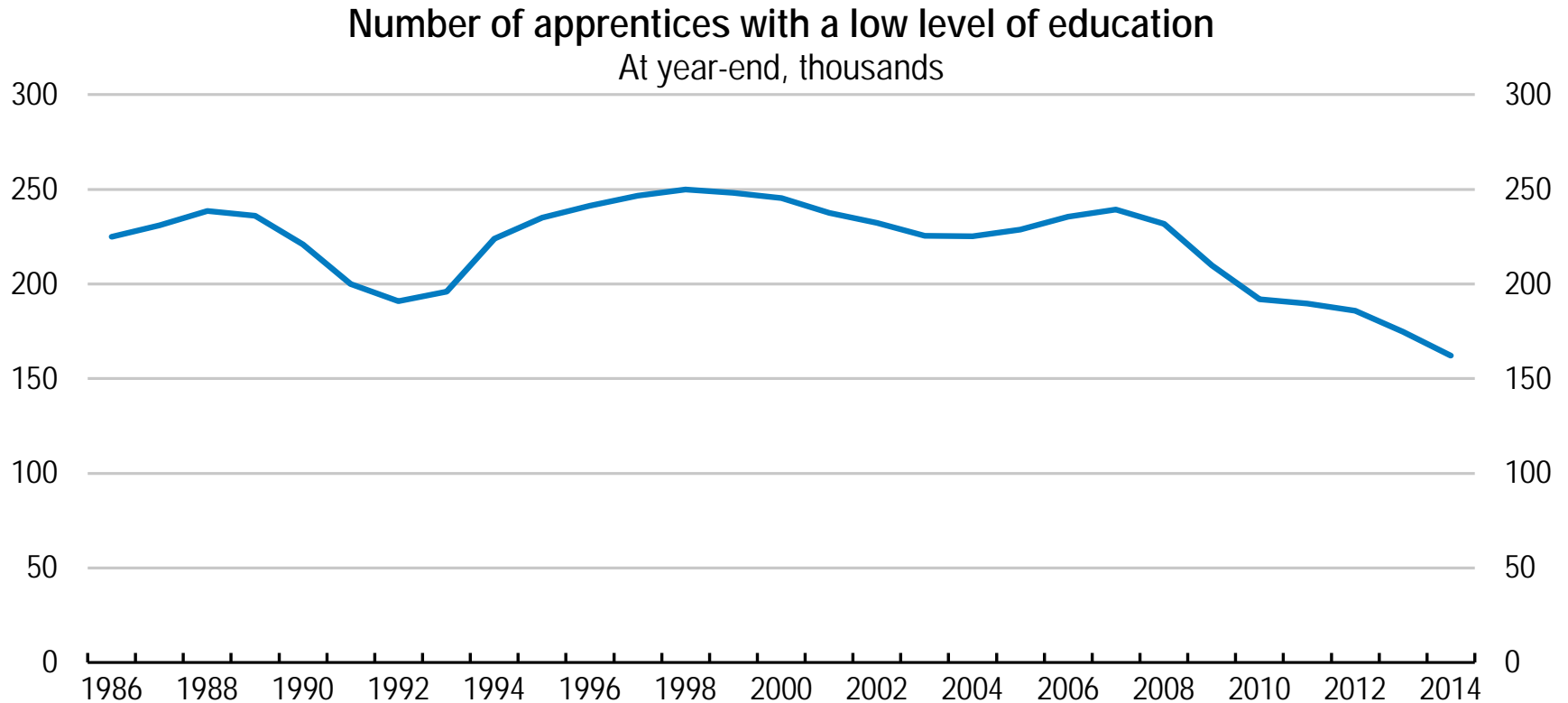
Too many adults have weak basic skills



Source: OECD (2016), *Skills Matter: Further Results from the Survey of Adult Skills*, OECD Skills Studies, OECD Publishing, Paris.



Strengthen apprenticeships and public employment services

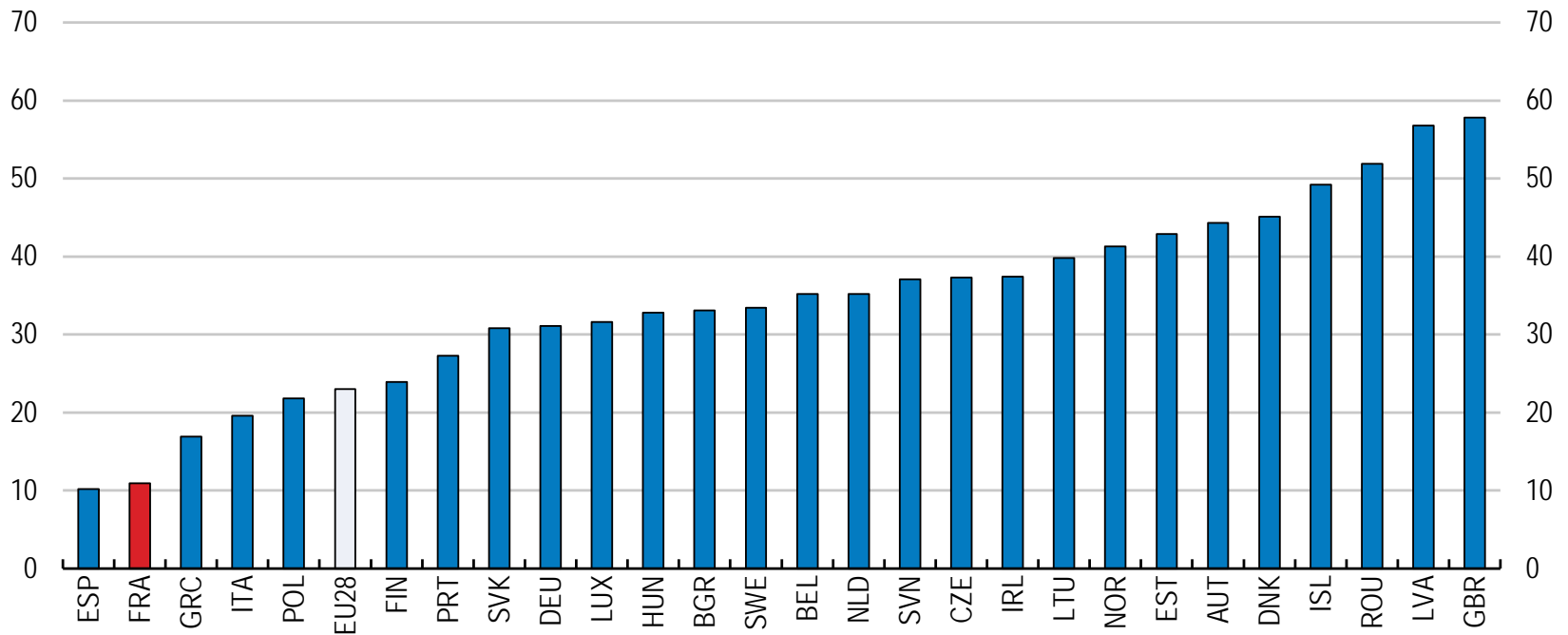


Source: Ministère de l'Éducation nationale, DEPP.



It is difficult to get a permanent contract

Transition rates from temporary to permanent contracts, 2015 (% , 16-64)¹



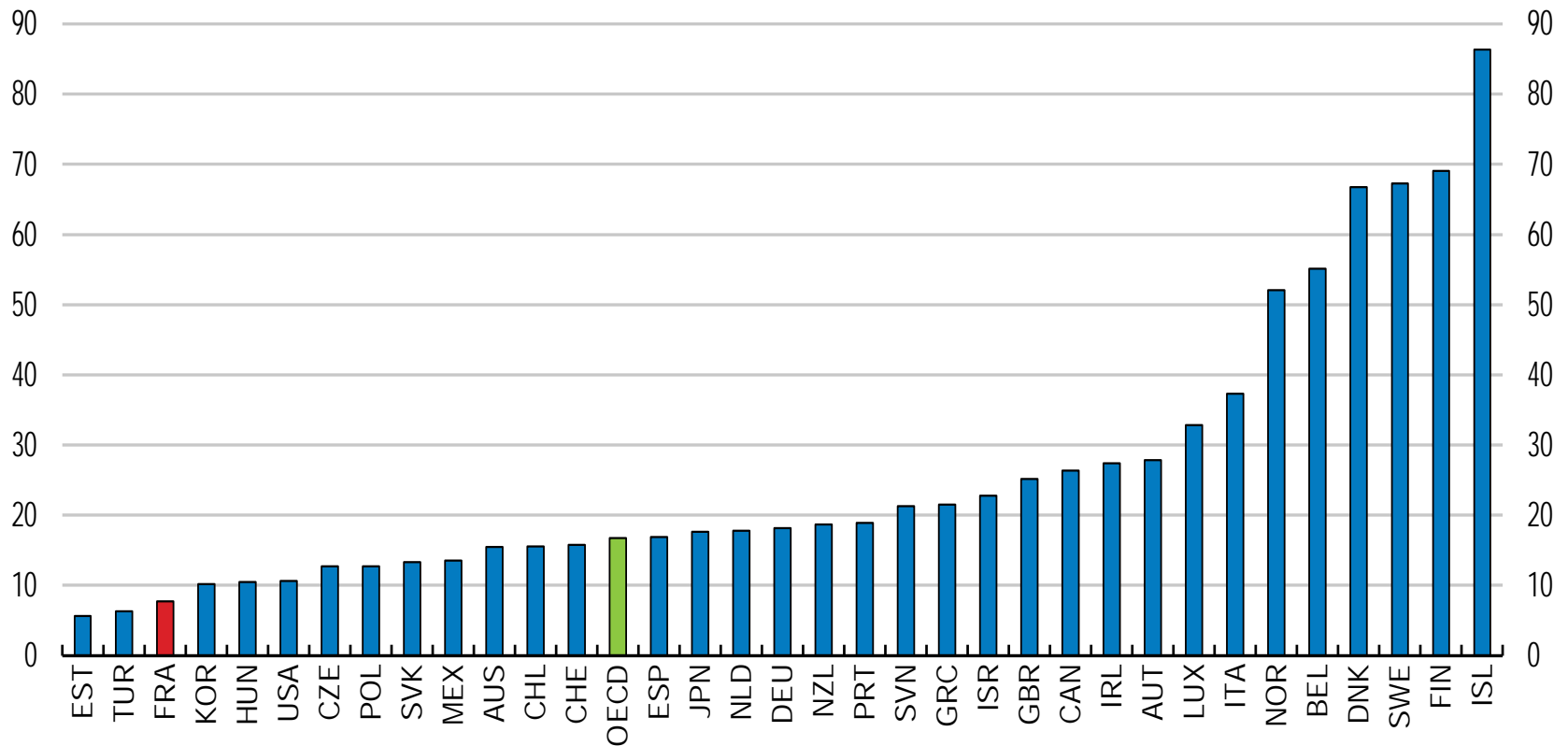
1. Employees on temporary contract in year t-1 but declaring having been hired on a permanent contract in year t.

Source : Eurostat.



Unionisation is low

Trade union density, 2014
Trade union members in per cent of employees, %

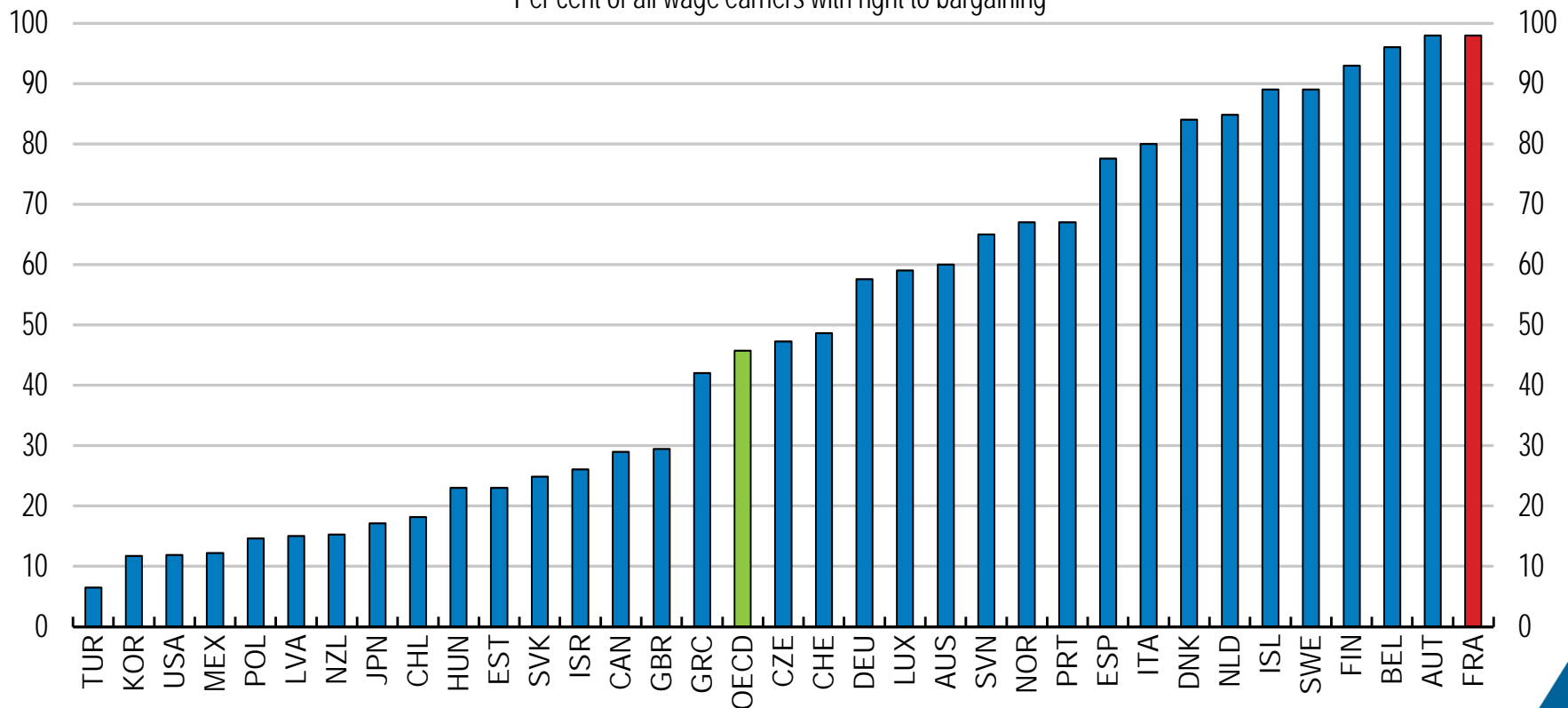


Source : OECD (2017), *Labour Force Statistics Database*.



But the collective bargaining coverage rate is very high

Collective bargaining coverage rate, 2013
Per cent of all wage earners with right to bargaining



Source: Amsterdam Institute for Advanced Labour Studies (2017), ICTWSS Database.



Main recommendations to foster an inclusive development of skills

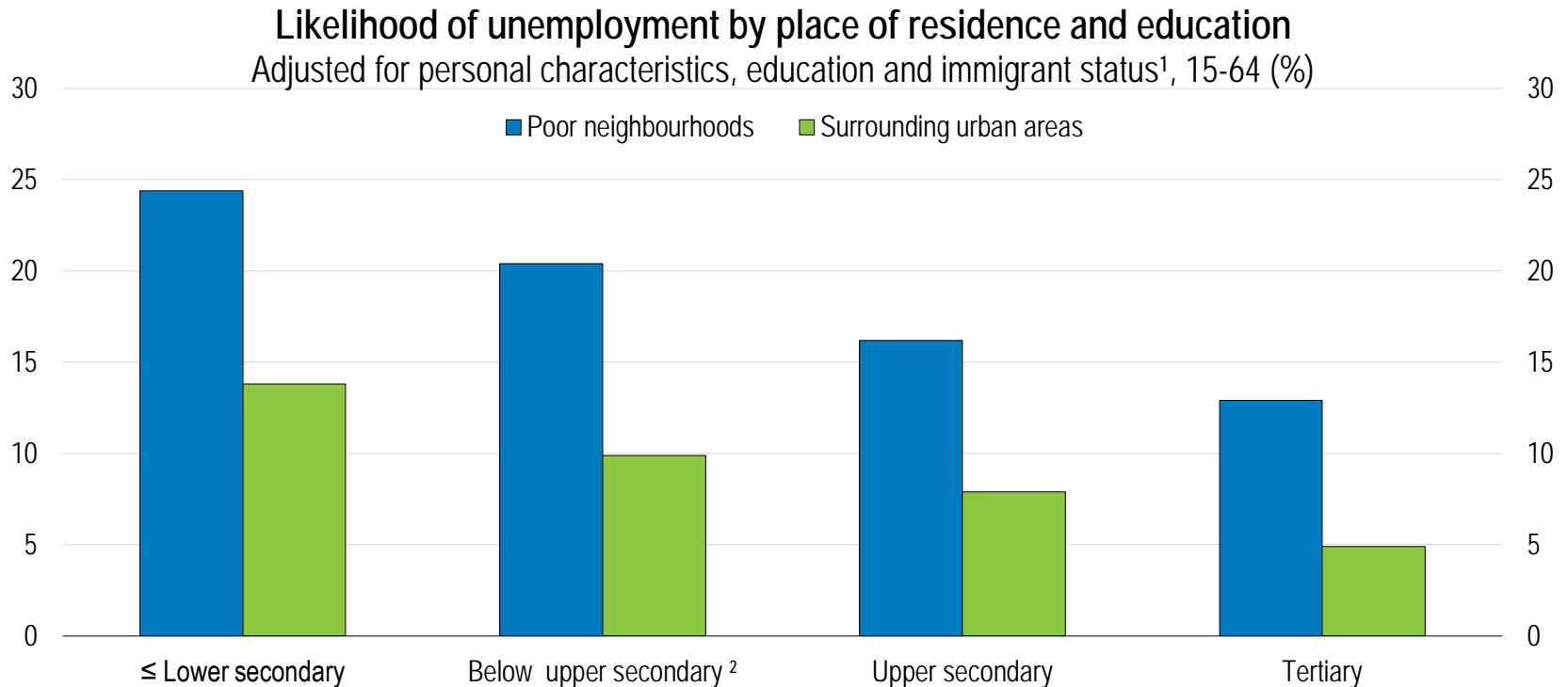
- ✓ Simplify the personal training account (CPF), and reduce the number of similar schemes
- ✓ Improve information about providers by strengthening the quality label system
- ✓ Develop apprenticeships in vocational lycées
- ✓ Continuously evaluate active labour market policies
- ✓ Introduce professional judges to guide lay assessors in labour courts
- ✓ Merge inactive sectors and those that lack the critical mass for effective bargaining
- ✓ Ensure that the extension procedure for sectoral agreements takes account of their economic and social impacts, and authorise exemptions
- ✓ Encourage sectoral agreements that are differentiated by the size or age of the business, for example
- ✓ Reduce the number of institutions that represent workers
- ✓ Ensure better protection for workers that represent colleagues



Improving life in poor neighbourhoods



Residents of poor neighbourhoods face various social handicaps



1. Percentage point gap in the odds of unemployment for poor neighborhoods' residents versus residents of surrounding urban areas; employed native-born women aged 30 to 49 with a *baccalauréat* only are identified as the reference group.

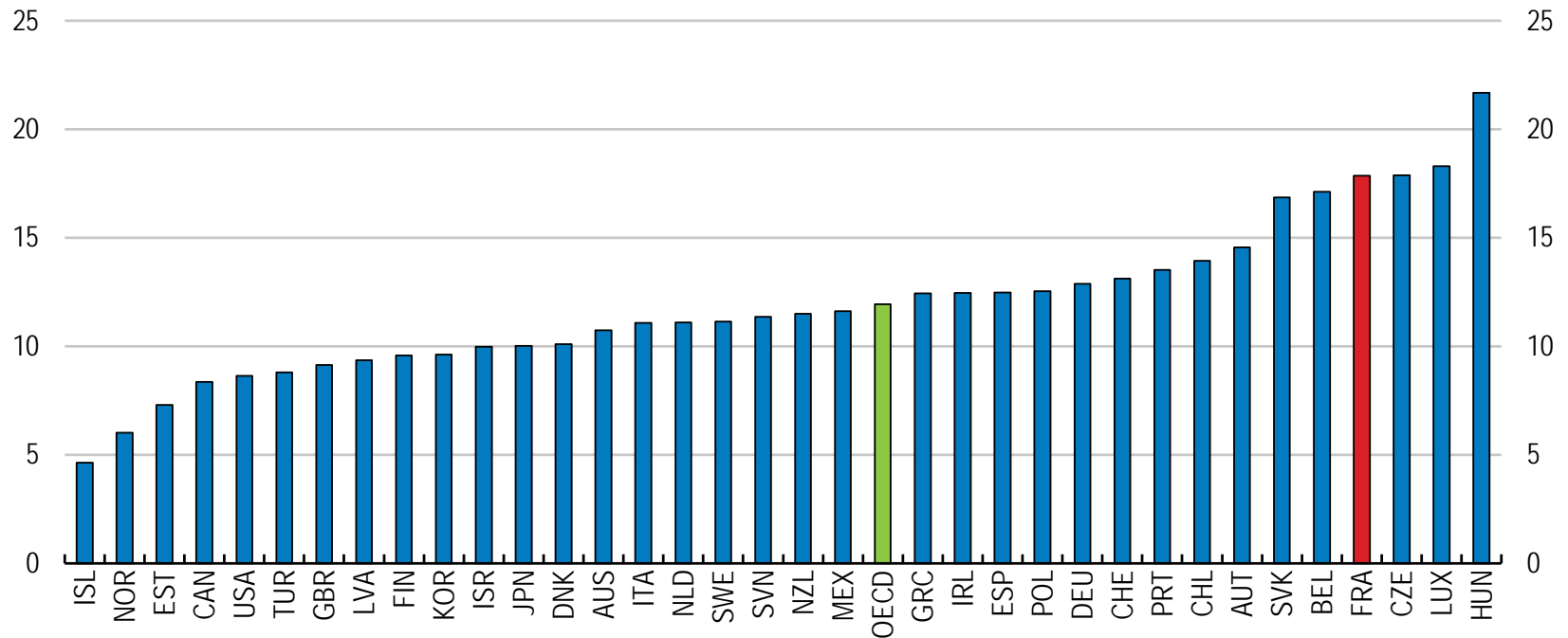
2. Refers to post lower secondary education vocational qualifications such as: *Certificat d'aptitude professionnelle* (CAP) and *Brevet d'études professionnelles* (BEP)

Source : ONPV (2016), *Rapport annuel 2015*.



Reducing inequalities in educational opportunities

Impact of socio-economic background on pupils' reading performance¹ (per cent, 2015)



1. Percentage variance in the PISA reading score for children aged 15 years explained by family environment (parents' level of education and income, social and occupational status, cultural possessions, books and education resources available at home).

Source: OECD (2016), *PISA 2015 Results (Vol. II): Excellence and Equity in Education*, OECD Publishing, Paris.



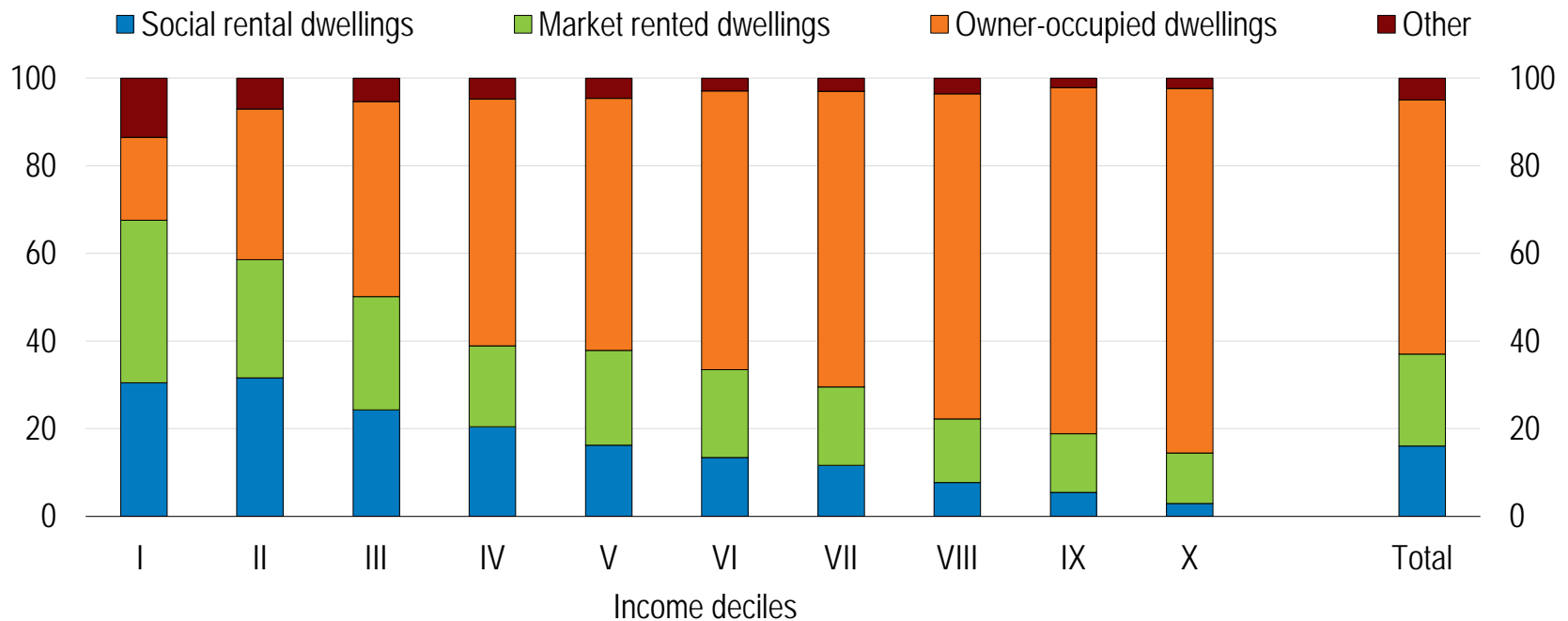
Urban renewal needs a stronger focus on well-being





Improving access to higher-quality housing for the poor

Housing tenure across households by income decile¹
Metropolitan France, primary residences, 2013



1. The first income decile includes households with average annual income below EUR 8 000, while the 10th decile refers to households with average annual income above EUR 39 000.

Source : INSEE, *Housing Survey 2013*.



Main recommendations for improving life in poor neighbourhoods

- ✓ Continue awareness campaign for recruiters
- ✓ Better target public spending at transportation, childcare services and face-to-face public services in poor neighbourhoods
- ✓ Offer attractive salaries and career prospects to excellent teachers in schools with many pupils from disadvantaged backgrounds
- ✓ Promote an innovative range of different practices in teacher training in order to meet the different needs of pupils
- ✓ Use urban renewal in poor neighbourhoods as an entry point to offer practical training in firms and basic skills courses
- ✓ Reduce registration fees, and increase taxes on immovable properties
- ✓ Tighten obligations to pay higher rents and encourage occupants whose income rises above the eligibility ceiling to move houses

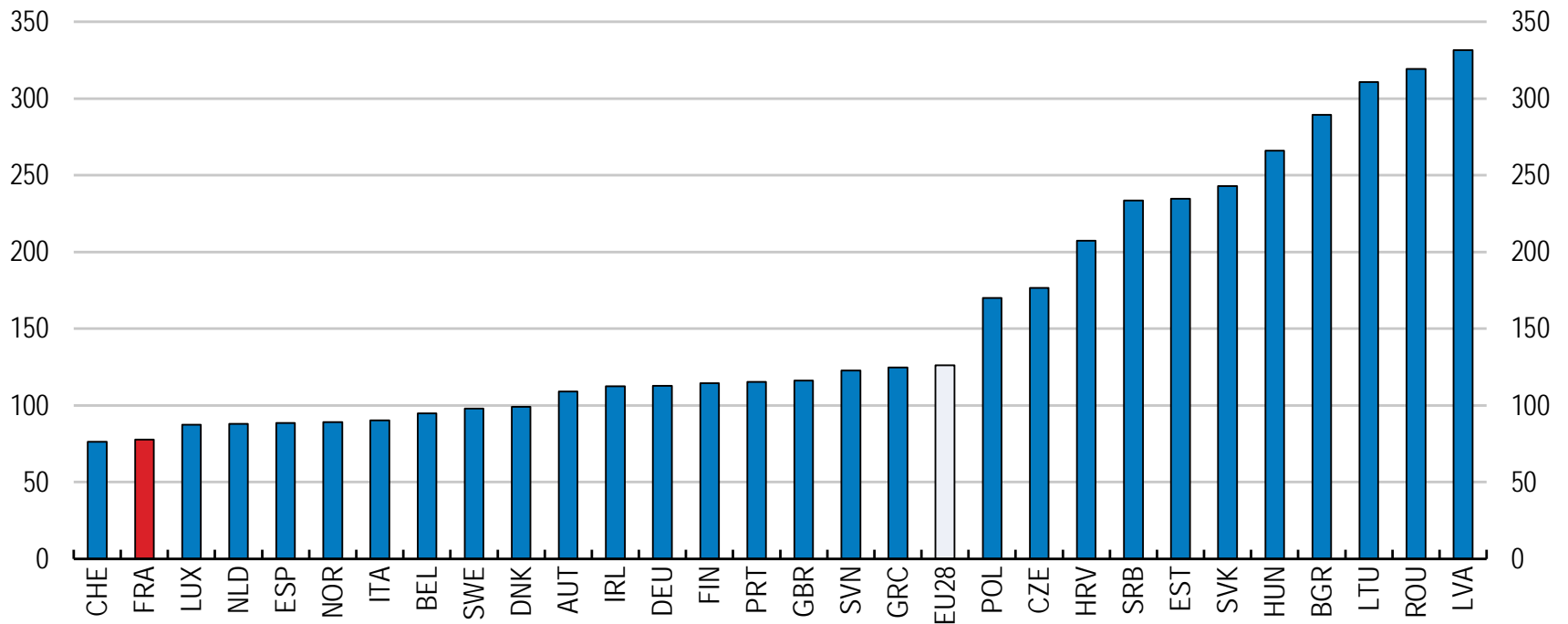


Improving the efficiency of the health-care system



Health-care quality is high

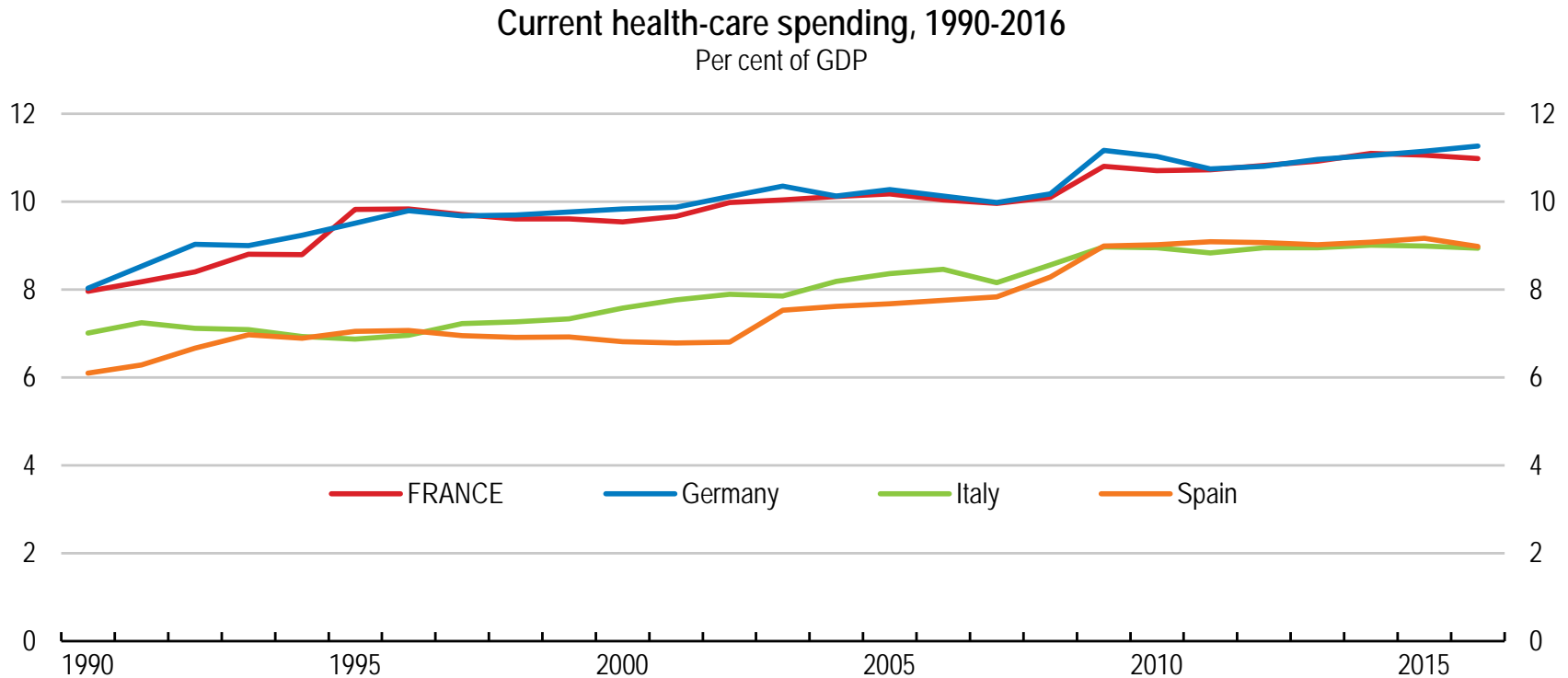
Deaths avoidable through better health-care, 2014
Per 100 000 inhabitants



Source: Eurostat (2016), *Amenable and Preventable Deaths Statistics*.



But expenditures are high and likely to increase

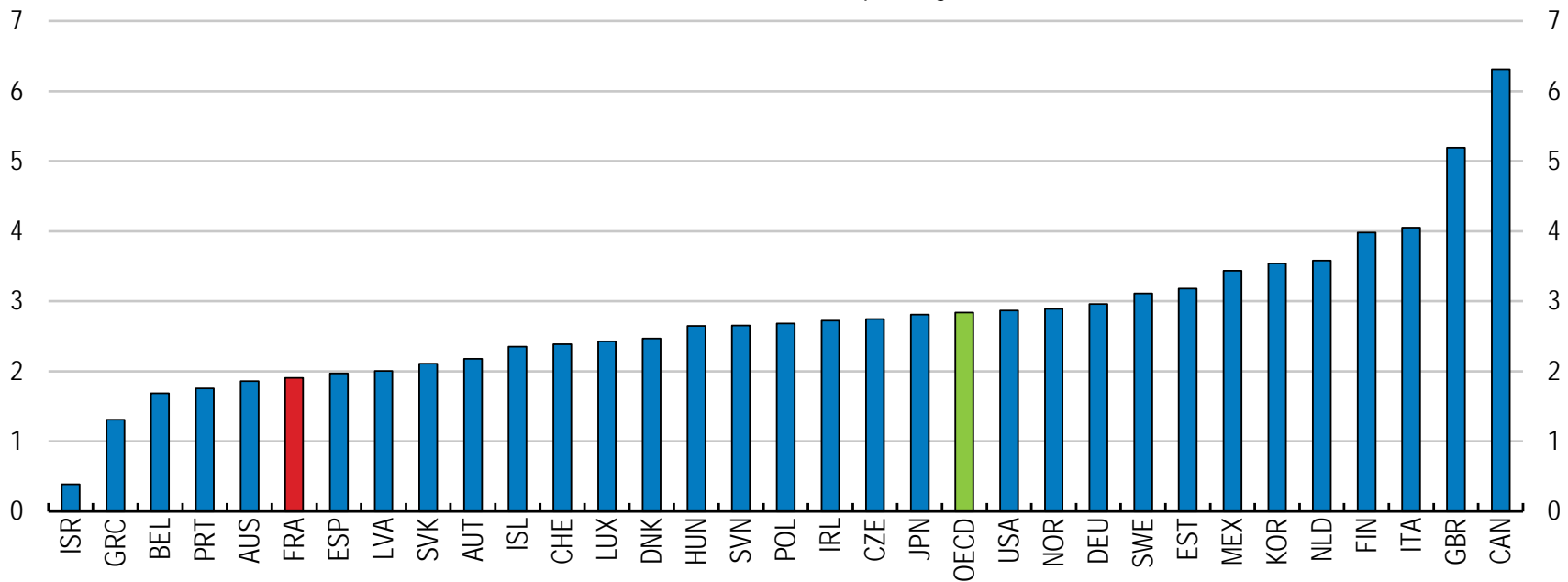


Source: OECD (2017), *OECD Health Statistics Database*.



There is room to improve prevention

Spending on prevention, 2015
Per cent of health-care spending ¹

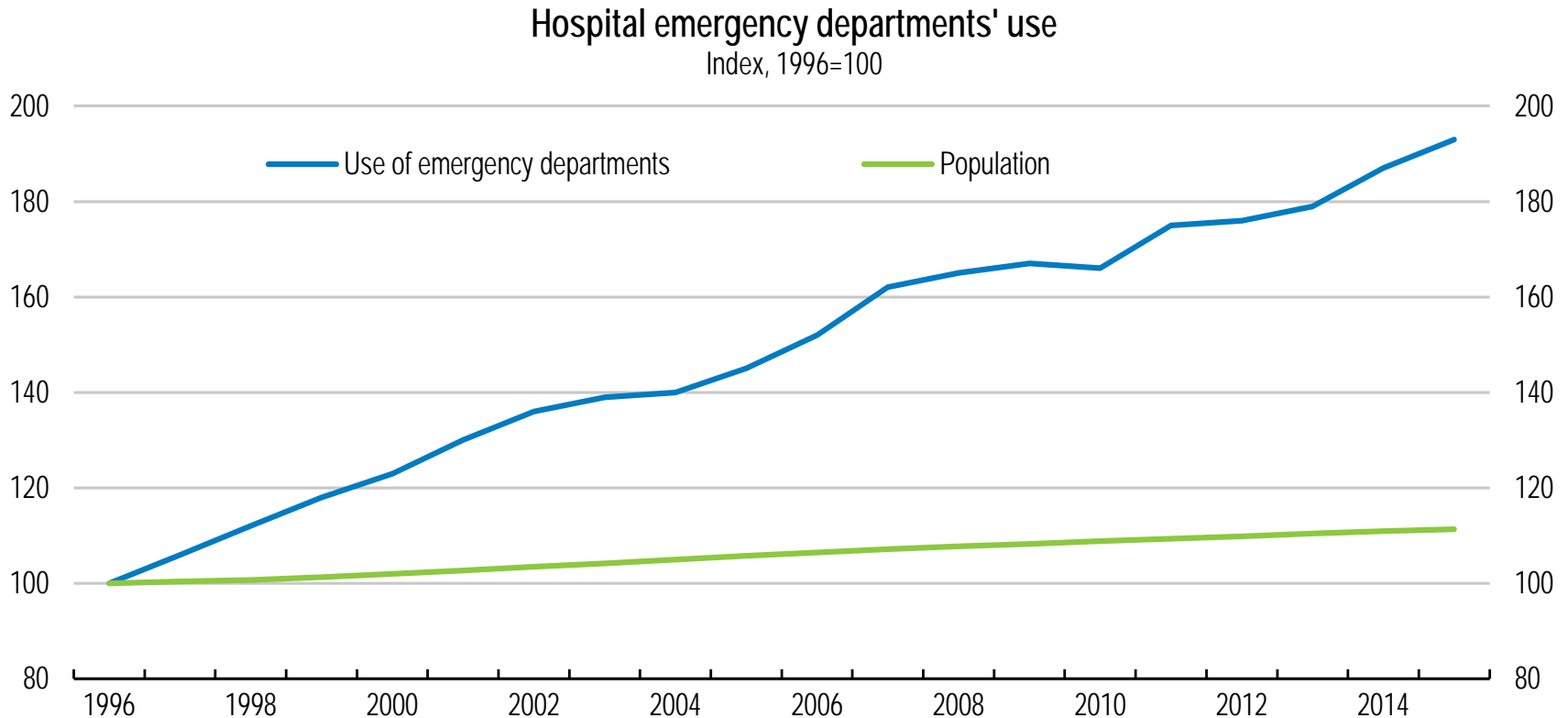


1. The scope of institutional spending is different from the entirety of spending on prevention in France, especially for ordinary consultations, which amount to 9.3 billion euros in 2014 according to Drees, i.e. 3.9% of health spending, compared to 2.0% in 2014 according to OECD figures.

Source : OECD (2017), *OECD Health Statistics Database*.



Coordination between different care providers is insufficient

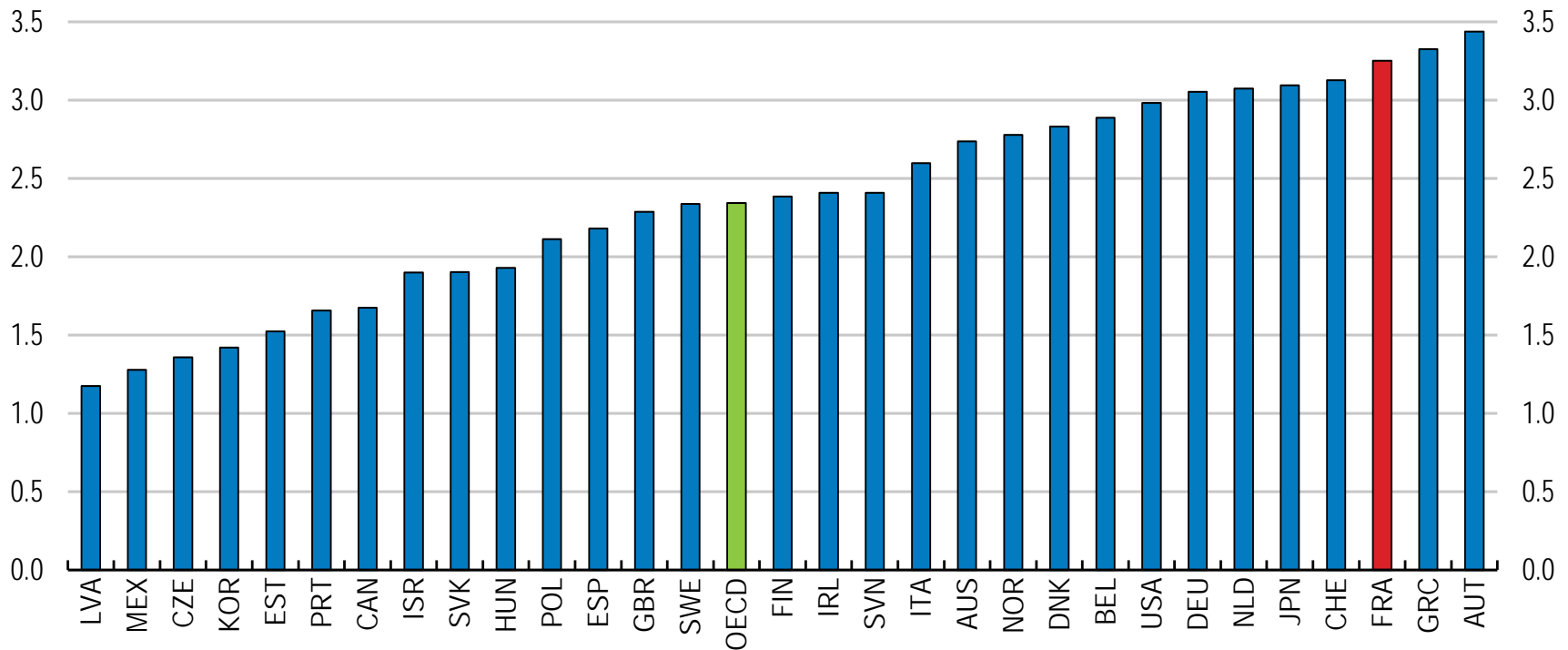


Source : Drees (2017), *Les établissements de santé – édition 2017*.



Hospital expenditures are high

In-patient curative and rehabilitative care, 2015
Per cent of GDP

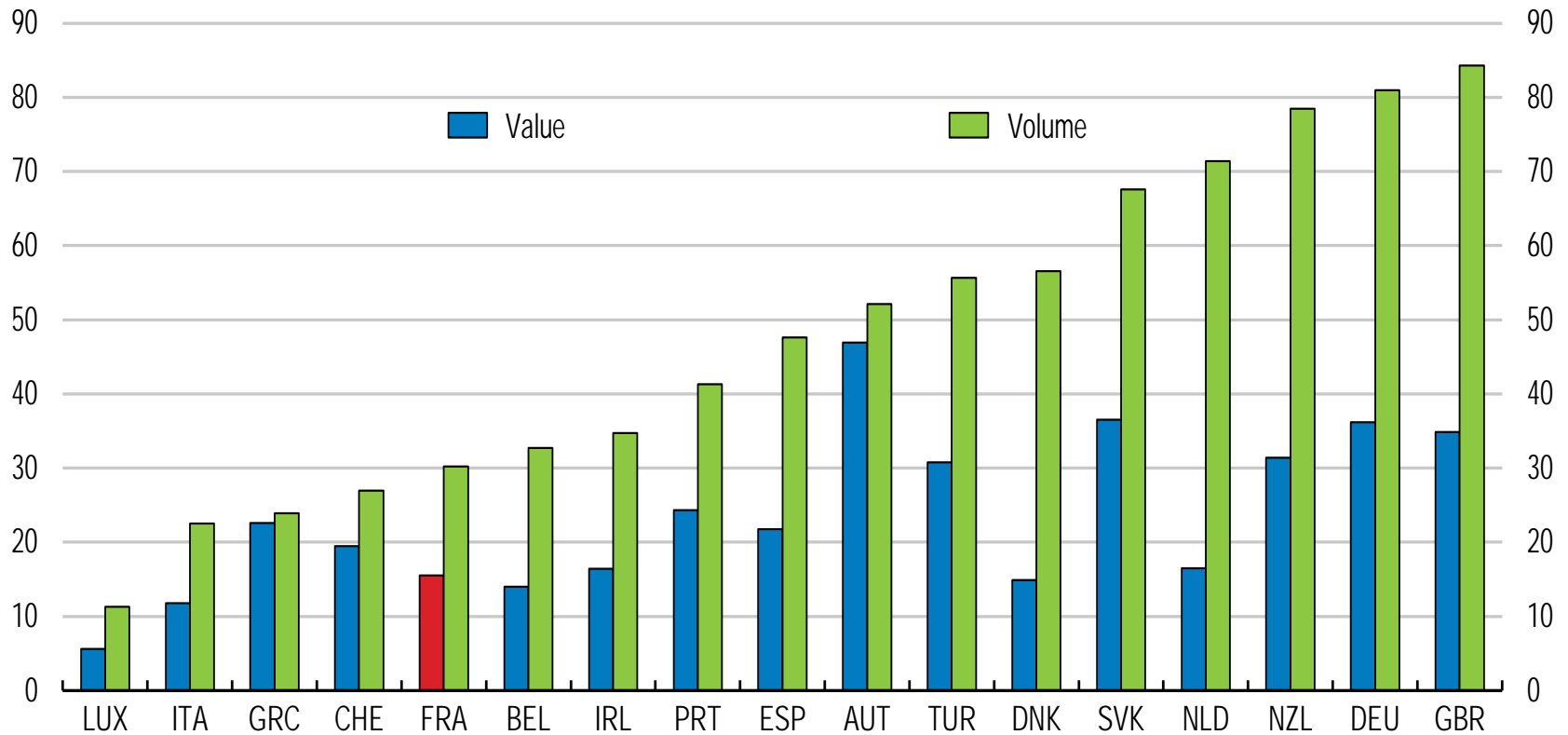


Source : OECD (2017), *OECD Health Statistics database*.



Developing the use of generics would cut costs

Use of generics, 2015
Share in the reimbursed pharmaceutical market, %



Source : OECD (2017), *OECD Health Statistics database*.



Main recommendations to improve the efficiency of the health-care system

- ✓ Increase health practitioners' remuneration for prevention and complex chronic diseases, which would help reduce the volume of treatments, prescriptions and drug sales
- ✓ Make it easier for insurers to contract with group practices
- ✓ Develop electronic health records
- ✓ Adjust the activity-based system for hospital funding (Diagnosis Related Groups) to increase rewards for efficiency and quality for public and private hospitals
- ✓ Strengthen the autonomy of public hospital managers by allowing them to develop their own human resource policies
- ✓ Lower pharmaceutical spending by developing the use of generics, developing targeted information for hospitals and primary-care providers to promote appropriate prescribing and applying capped reimbursement amounts to a wider range of drugs



For more information

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