



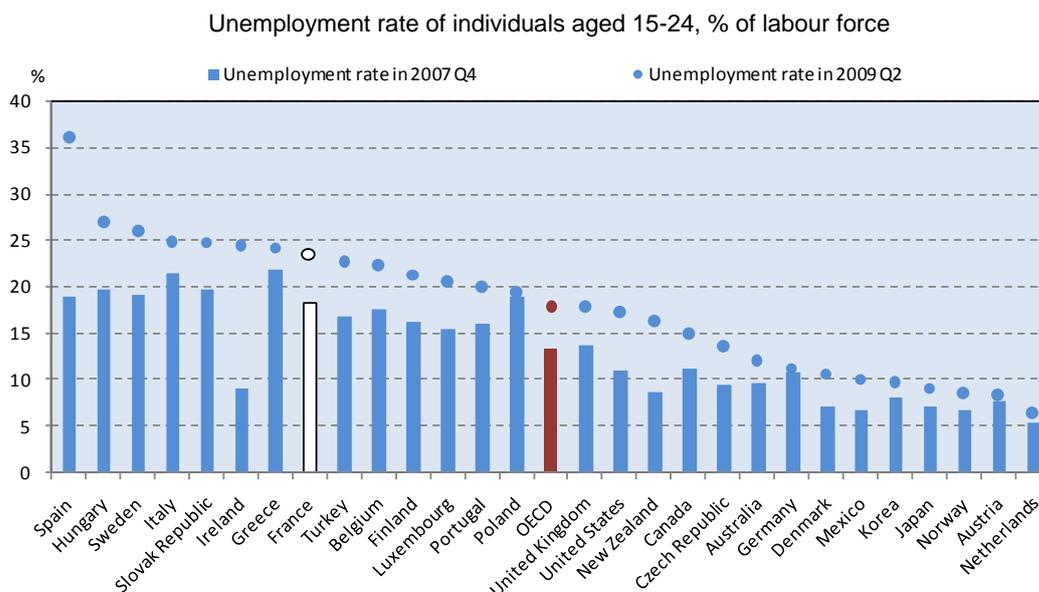
## Employment Outlook 2009 – How does France compare?

**Unemployment is expected to continue rising well into 2010 in France**, while further hikes in unemployment will be more modest in those countries where labour market conditions have already dramatically deteriorated, such as the United States, Spain and Ireland. Most recent indicators suggest that the recovery may be in sight; but OECD countries are still facing many headwinds and the recovery is likely to be modest for several months to come. Moreover, past experiences show that it takes time for the output recovery to translate into job creation. In this context, the *OECD Employment Outlook* indicates that the French unemployment rate is likely to increase further and could even approach 11% by the end of 2010 if the recovery fails to gain momentum.

**France has experienced a sharp increase in unemployment, although the hike has been less steep than in a number of other OECD countries.** Since the end of 2007, the unemployment rate has risen by 2 percentage points to reach 9.8% in July 2009 and more than 600 thousands individuals have joined the ranks of the unemployed. By comparison, the OECD average unemployment rate has risen by 2.8 percentage points over the same period, reaching a post-war high of 8.5% in July.

**Youth are most affected by the jobs crisis.** Youth employment prospects are a critical issue in France. Even before the onset of the current economic downturn, the youth unemployment rate in France was already significantly above the OECD average. During the downturn it has increased more than twice the overall unemployment rate and in the second quarter of 2009 almost one youth in four was jobless compared with one in ten among all workers (Figure 1). Decisive actions are needed to prevent the scarring effects of high and persistent youth unemployment. In this respect, the subsidies for apprenticeship contracts introduced recently by the government are welcome. However, employers tend to hire already skilled apprentices, and incentives to train and hire unskilled youth should be strengthened so as to minimise the risk that they get trapped in unemployment or become disconnected from the labour market.

Figure 1. **One youth in four is jobless in France**



Source: OECD Employment Outlook, 2009.



**Extensive use of short-time work schemes in France help workers weather the storm.** These schemes are a valuable tool to prevent unnecessary layoffs due to temporary reductions in product demand or access to credit. However, in long and deep recessions they are likely to be less effective in preserving jobs and more likely to become an obstacle to recovery, by putting a break on the reallocation of workers from declining to expanding firms. To avoid protecting the “wrong” jobs and harming employment growth during a subsequent recovery, it would be important to attach clear and credible time limits to these measures.

**The social consequences of the jobs crisis could be less severe in France than in many other OECD countries.** National systems of social protection are being severely tested by the current economic downturn, since rising unemployment puts upward pressure on poverty in all OECD countries. At the outset of the jobs crisis, the poverty rate among the working-age population, at 6.7% in France, was 2.3 percentage points lower than the OECD average, in considerable part due to the social safety net in place. Indeed, the French system of redistribution (that is, social benefits and taxes) allows reducing by two thirds the poverty risk among the whole working-age population, and by more than three quarters the poverty rate for jobless households, against 47% and 54% (respectively) on average in the OECD area.

**Actions should be taken to avoid that the current job crisis becomes a long-term unemployment crisis** that would undermine the sustainability of social protection system. As past experiences show, there is a risk that the sharp increase in cyclical unemployment currently underway in France translates into long lasting benefit dependency for a significant proportion of the recipient population. In this respect, France has recently taken a number of initiatives that are likely to reduce this risk, as compared to what was observed in previous severe downturns. In particular, the reform of the public employment service should strengthen the links between benefit recipiency, job search and participation in employment programmes, and the introduction of the RSA should increase financial rewards from working for disadvantaged workers. A key policy challenge for France is to continue investing in the development of a more comprehensive and effective activation strategy, where benefit recipients are required to engage in active job search and be willing to participate in training or employment programmes to promote their quick reintegration into employment.

*OECD Employment Outlook 2009* is available to journalists on the **password-protected website** or on request from the **Media Relations Division**. For further comment on France, journalists are invited to contact Stefano Scarpetta (tel: +33 1 4524 19 88 or email: [stefano.scarpetta@oecd.org](mailto:stefano.scarpetta@oecd.org)) or Anne Saint-Martin (tel: +33 1 45 24 85 90 or email: [anne.saint-martin@oecd.org](mailto:anne.saint-martin@oecd.org)) from the OECD Employment Analysis and Policy Division.