

In France, the impact of the crisis on GDP and employment was moderate compared to other countries. By 2011, GDP was already above the 2007 level. Employment fell less but took longer to recover, returning to 2007 levels in 2013. On the other hand, the situation of public finances deteriorated, with public expenditure increasing considerably faster than public revenue. Household disposable income grew during the worse years of the crisis; by 2011 it was 3 percentage points higher than in 2007.

### Macro and aggregate statistics, France 2007-2013

Cumulative percentage change between 2007 and 2013 (2007 = 0)

	GDP	Employment rate	Public expenditure	Public revenue	HDI
2008	0	1	1	-1	2
2009	-3	0	4	-5	2
2010	-1	-1	5	-3	2
2011	1	-1	6	1	3
2012	1	-1	6	3	-
2013	2	0	8	6	-

Note: GDP: Gross domestic product by volume; Employment: employment rate of working-age population; Public expenditure: does not include general economic, commercial and labour affairs; Public revenue: only includes taxes and social contributions; HDI: mean household disposable income.

Source: OECD data from National Accounts Statistics, Labour Force Surveys and Income Distribution Database (IDD).

Tax-benefit measures included a reform of means-tested benefits (introduction of Revenu de solidarité active, RSA), in 2009 and a higher income tax top rate in 2012. With an accumulated inflation of 5% between 2010 and 2013, fiscal drag reduced the real value of tax deductions and working-age benefits. Pensions were indexed above inflation, throughout the period. The VAT standard rate did not change, but the reduced rate effectively rose in 2012.<sup>i</sup>

Simulated results suggest that analysed tax-benefit measures had a small positive impact on family incomes, due to benefit rises and despite slightly higher taxes and contributions. Families with low and middle earnings were net gainers. Incomes of families earning above the average wage remained about the same, as tax rises cancelled out the rise in benefits.

### Simulated effects of tax-benefit reforms on family disposable income, France 2007-2013

Cumulate and annual percentage change of simulated family disposable income (2007 = 0)

	Total	Months in unemployment						% of AW										Pensions	VAT
		0-12	13-24	25-36	37-48	49-60	0-20	21-40	41-60	61-80	81-100	101-120	121-140	141-160	161-180	181-200			
Total	1	1	1	0	0	0	2	2	2	1	1	0	0	0	0	0	0	(+) i	.
Taxes	-1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	.	.
Benefits	1	1	1	0	0	0	2	3	3	1	1	1	1	1	1	1	1	(+) i	.
2008	0	1	1	-2	-2	-2	-1	2	2	1	0	-1	0	1	1	1	1	.	.
2009	3	2	5	1	1	1	13	14	14	6	4	2	2	2	2	1	1	(+) i	.
2010	0	0	0	0	0	0	0	0	0	0	0	0	-1	0	0	0	0	(+) i	.
2011	0	0	0	-1	-1	-1	-1	-1	-1	0	0	0	0	0	0	0	0	.	.
2012	0	0	0	-1	-1	-1	-1	-1	-1	-1	0	0	0	0	0	0	0	(+) i	(+)
2013	1	1	1	2	2	2	1	1	1	1	1	1	1	1	1	1	1	(+) i	.

Note: See Read Me.

Source: OECD Tax Benefit Model, OECD VAT database, MISSOC (2015).

<sup>i</sup> In 2012, an additional rate (*Taux intermédiaire*) of 7%, higher than the reduced rate (5.5%), was introduced and applied to most goods and services previously taxed at the reduced rate. In 2014, the *Taux intermédiaire* rose to 10% and the standard rate from 19.6% to 20%.