



2019 OECD ECONOMIC SURVEY OF FRANCE

Towards more inclusive growth and employment

Paris, 9 April 2019

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



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Main themes

France's assets and reform agenda

Growth is resilient, but insufficient

Key long-term challenges

Labour market performance and implementation of the OECD Jobs Strategy

Efficiency of public investment

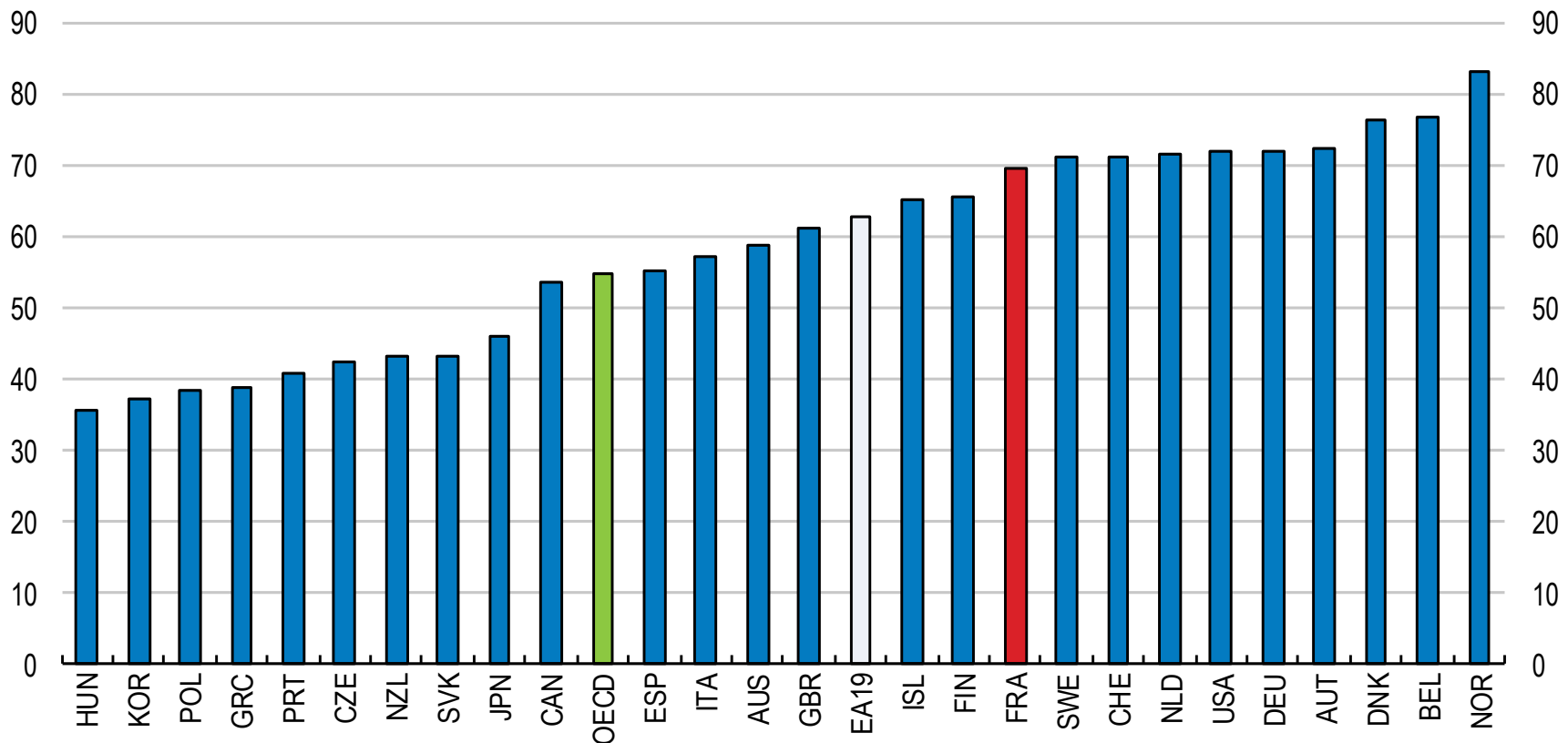


France's assets and reform agenda



France's productivity is high

GDP per hour worked, level
Current USD PPPs, 2017

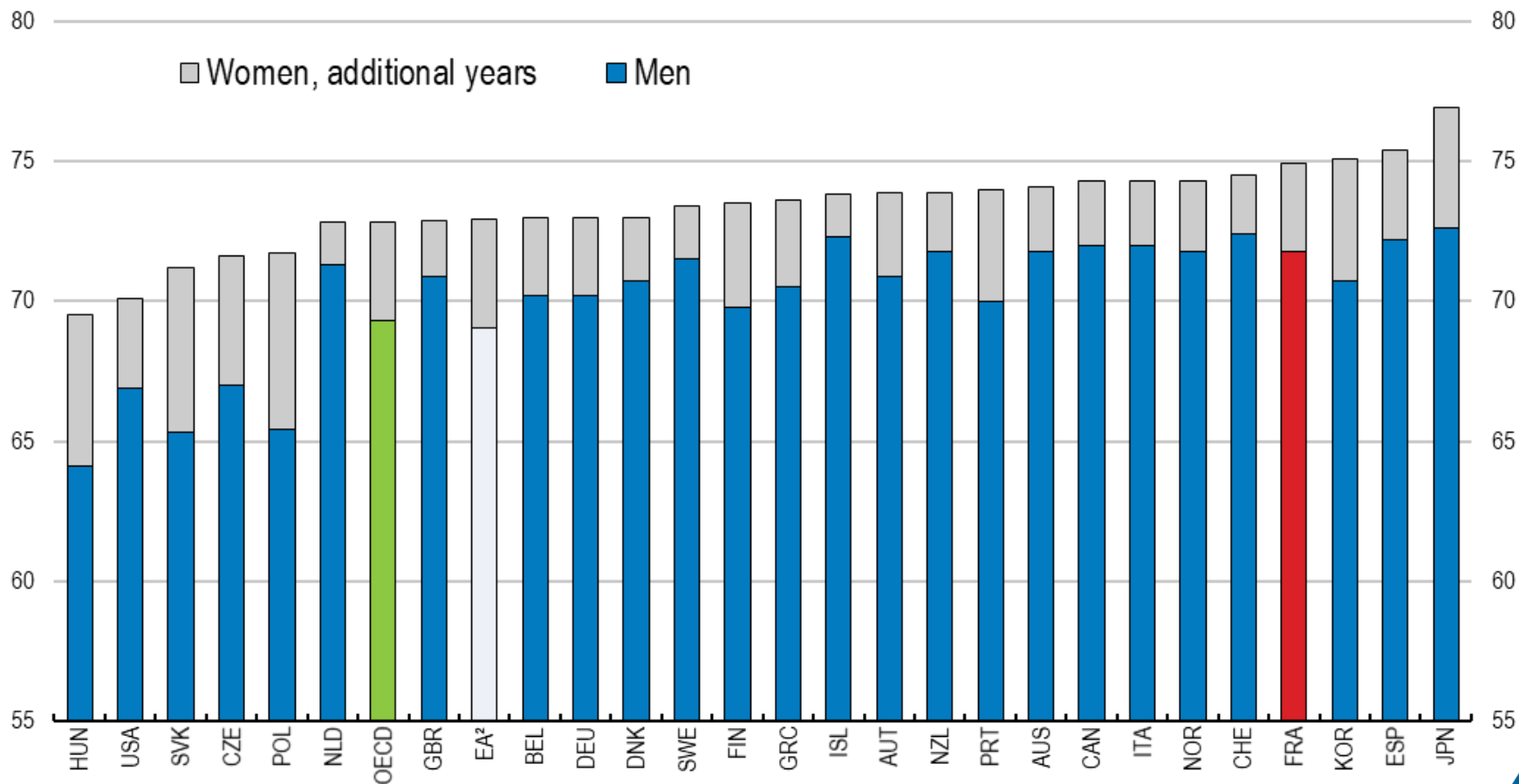


Source: OECD (2019), *OECD Productivity Statistics* (database).



Health-adjusted life expectancy is high

Years, 2016¹



1. Average number of years that a new-born infant can expect to live in full health.

2. Euro area member countries that are also members of the OECD (17 countries).

Source: WHO (2019), *Global Health Observatory data repository*, World Health Organisation, Geneva.



The ongoing reform agenda is ambitious

Potential impact of some ongoing reforms

GDP per capita after 10 years (%)

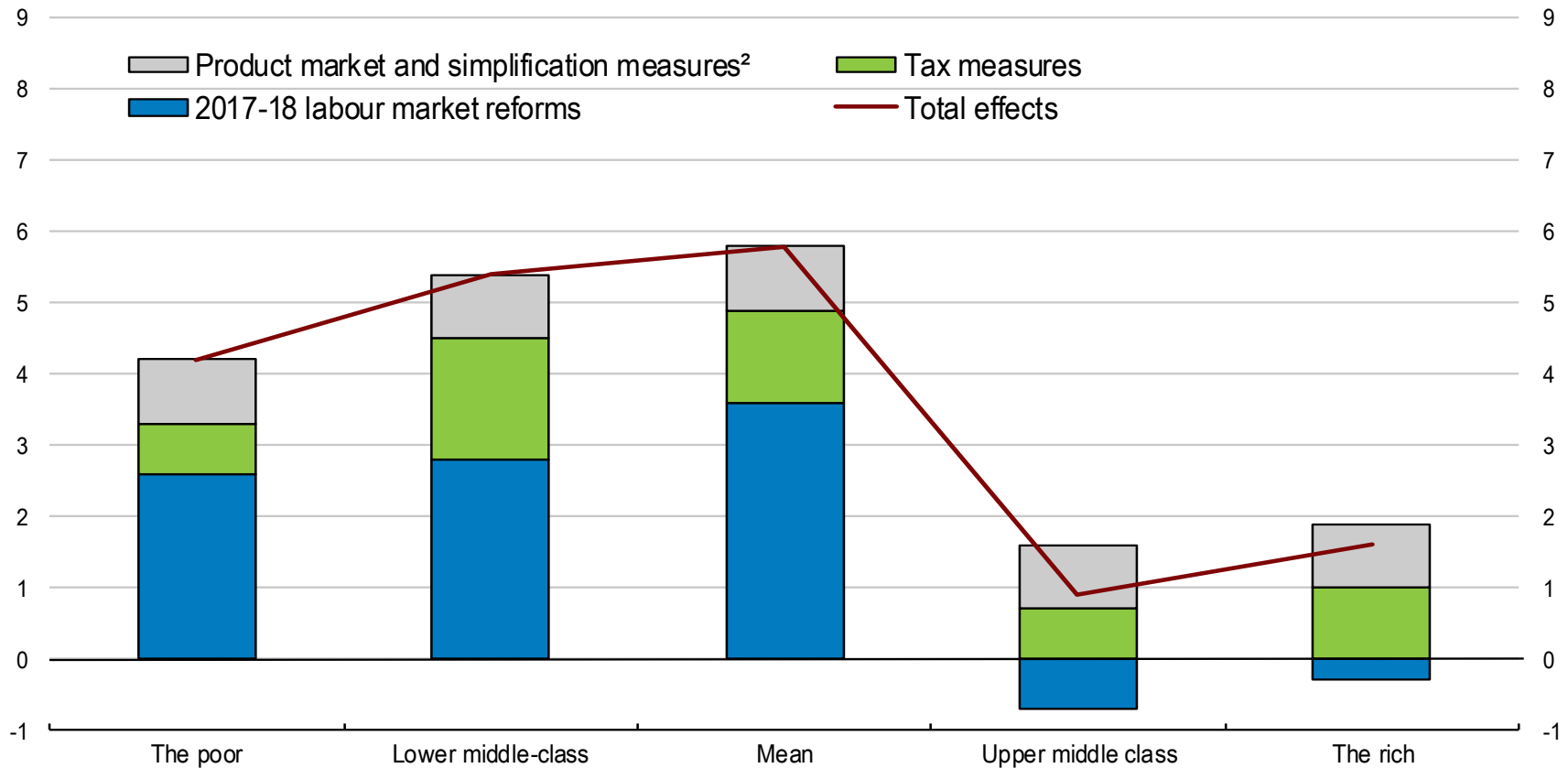
	GDP per capita
2017-18 labour market reforms	1.4
- Higher targeted spending on lifelong learning, increased flexibility of employment protection, lower administrative extension of branch-level agreements.	
Tax measures	1.4
- Reduced tax wedge, reduction of capital income taxation, steady increase in in-work benefits.	
Product market and simplification measures	0.4
- Simplification of bankruptcy procedures, smoothing of firm-size related thresholds and incentives for employee-participation schemes.	
Total	3.2

Source : OECD Staff calculations and De Williencourt, C, Faci, A. et S. Ray (2018), « Quel effet macroéconomique du PACTE ? Premiers éléments de réponse », *Trésor-Eco*, No. 226.



Reforms will benefit lower- and middle-income households

Illustrative increases in disposable income over the long term
By income groups, %



Source: OECD Staff calculations and De Williencourt, C, Faci, A. et S. Ray (2018), « Quel effet macroéconomique du PACTE ? Premiers éléments de réponse », *Trésor-Eco*, No. 226.

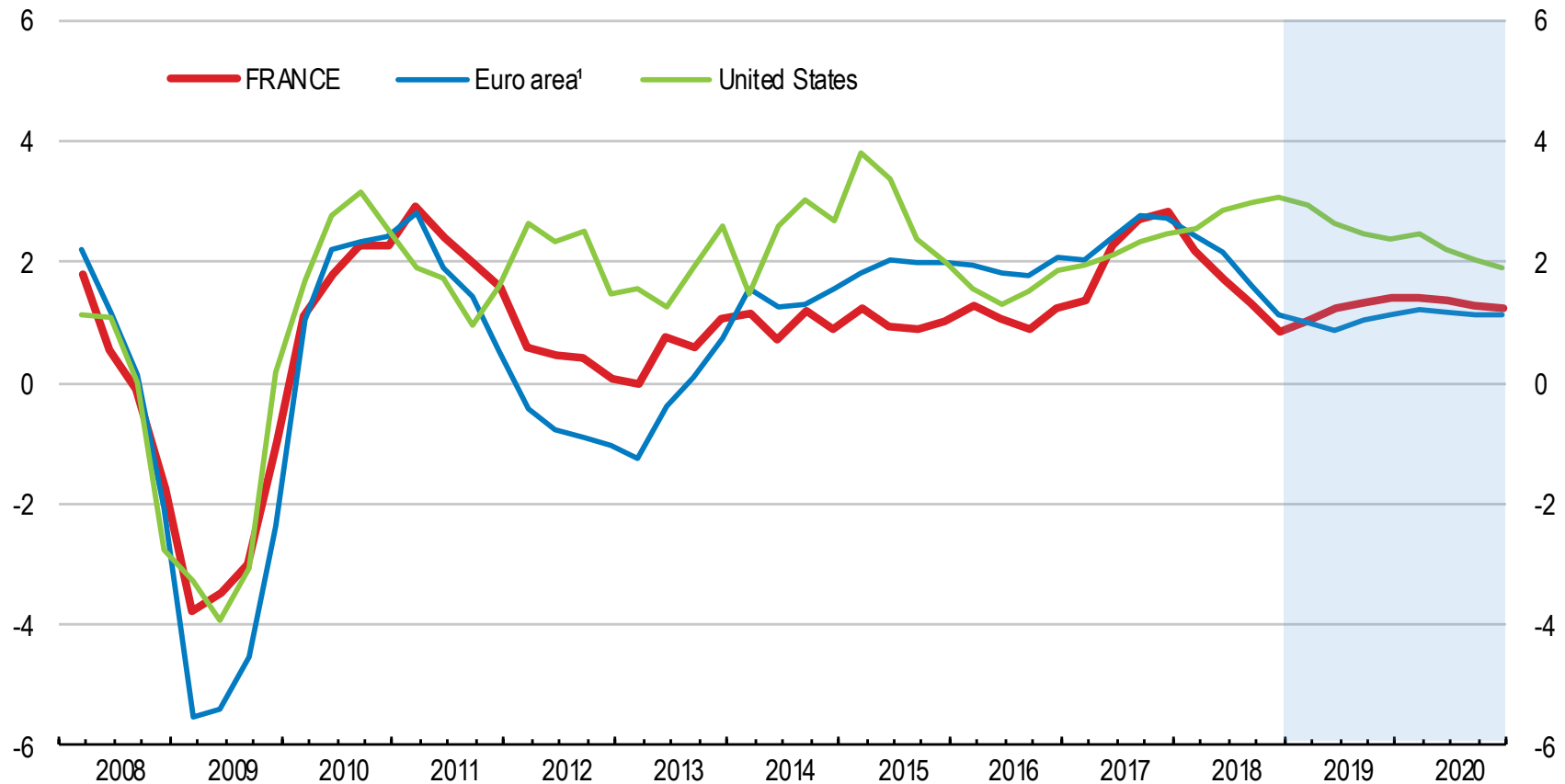


**Growth is resilient, but insufficient
to significantly improve living
standards**



Economic growth is resilient

Real GDP growth, annual growth (%)



1. Euro area member countries that are also members of the OECD (17 countries).

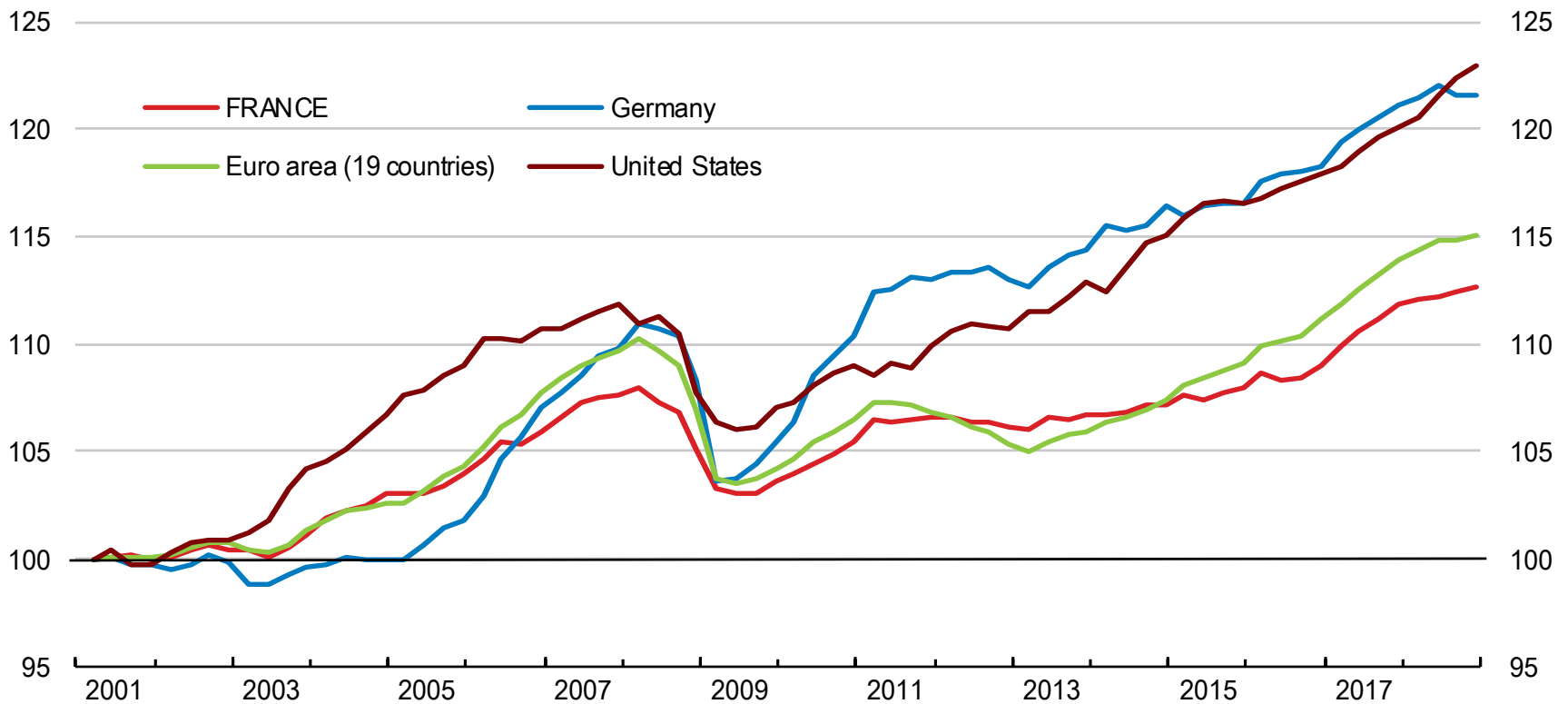
Source: OECD (2019), *OECD Economic Outlook: Statistics and Projections* (database) and updates.



The rise in living standards is lagging behind that in the euro area

Real GDP per capita¹

Index, 2001-Q1=100



1. At constant 2010 USD PPPs.

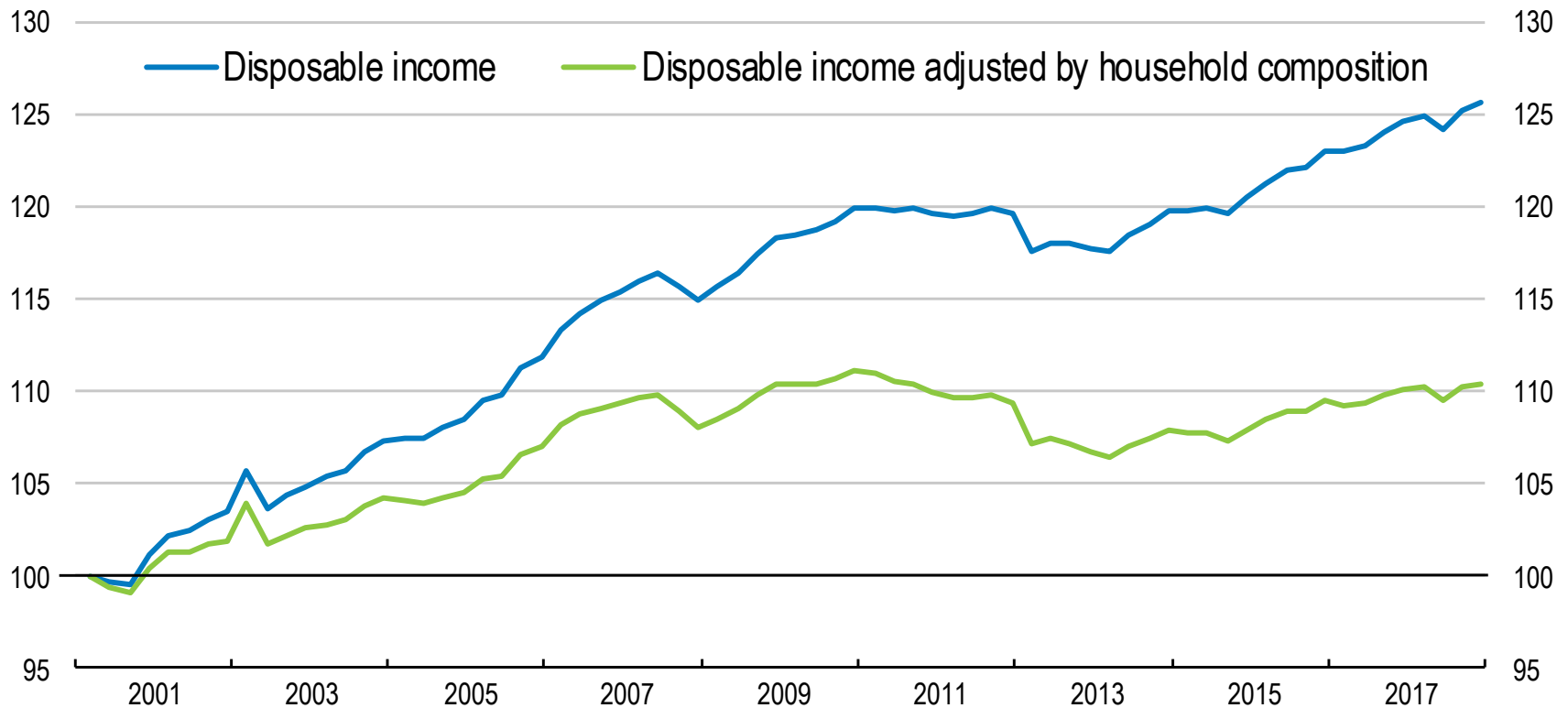
Source: OECD (2019), *OECD National Accounts Statistics* (database).



Growth in disposable income has stagnated

Disposable income of French households¹

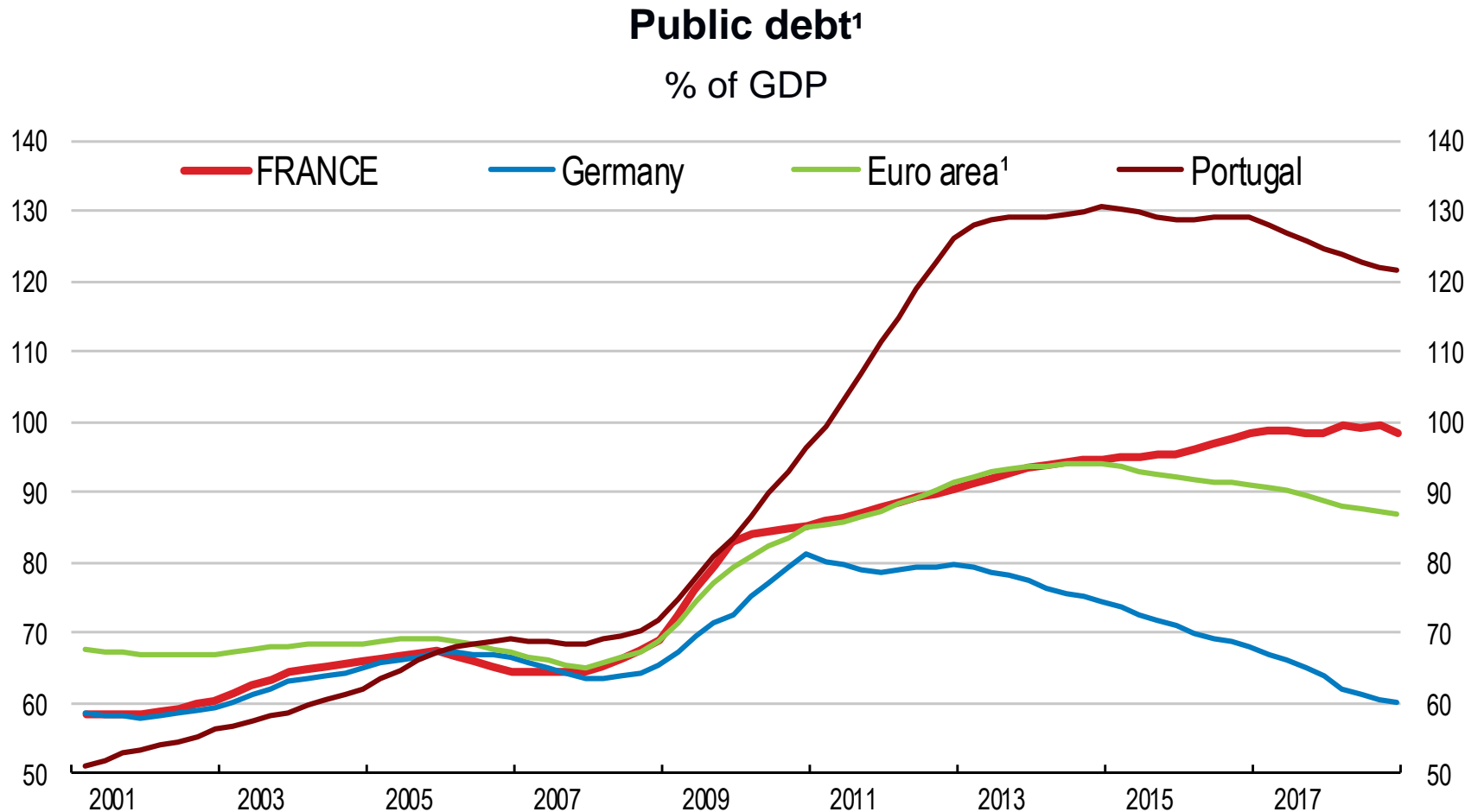
Index, 2001-Q1=100



1. Changes in household incomes, after taxes and social contributions, and deflated by the consumer price index. Household composition takes into account consumption units (number of adults, number of children and their age). Source: INSEE (2019), *Pouvoir d'achat et ratios des comptes des ménages*.



Public debt has not decreased



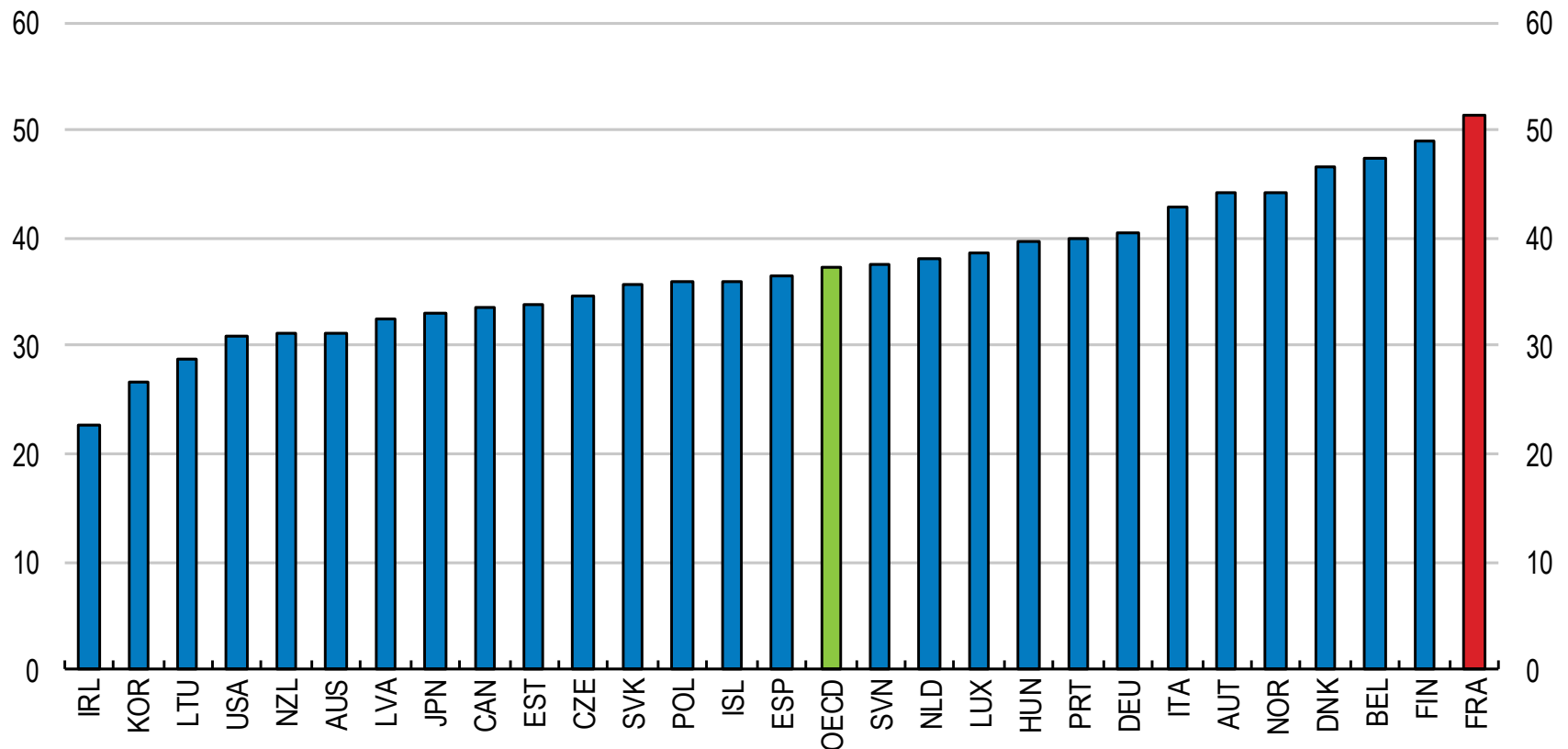
1. According to Maastricht definition. Euro area member countries that are also members of the OECD (17 countries).
Source: OECD (2019), *OECD Economic Outlook: Statistics and Projections* (database) and updates.



Operating expenditures are high

Operating expenditures¹

In percent of GDP, 2017



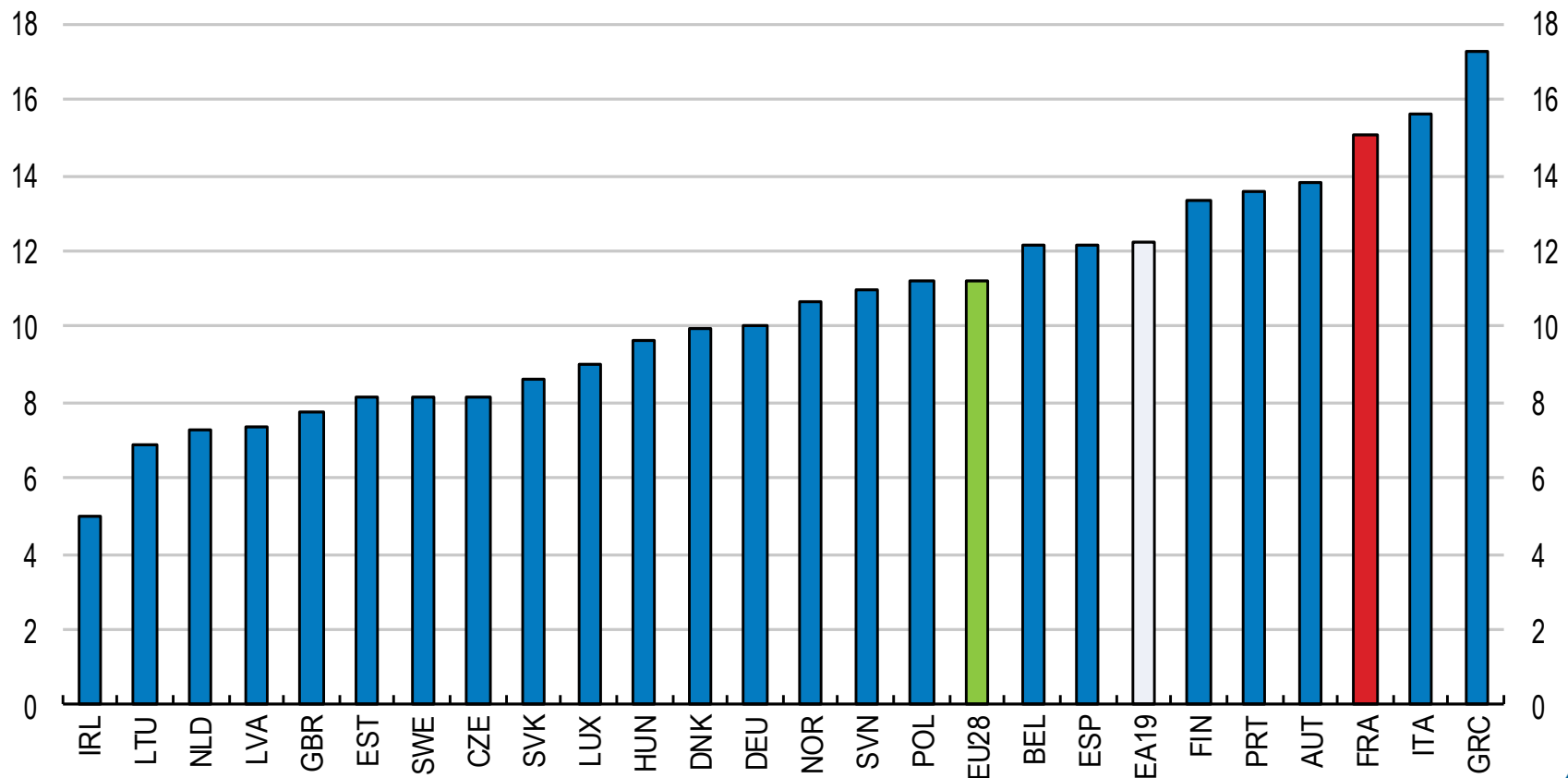
1. Total spending excluding interest payments and public investment.

OECD (2019), *OECD Economic Outlook: Statistics and Projections* (database) and updates.



Pension spending is high

Public spending on pension, 2016
Percent of GDP



Source: European Commission (2018), "The 2018 Ageing Report", Brussels.



Main recommendations to reduce public spending and taxes

- ✓ As part of the “Action Publique 2022” programme, announce precise targets for reducing public expenditures in spending reviews.
- ✓ Systematically review tax expenditures after some years of implementation and phase them out if not deemed helpful.
- ✓ Review pension penalties and bonuses to encourage an increase in the effective retirement age and gradual retirement.



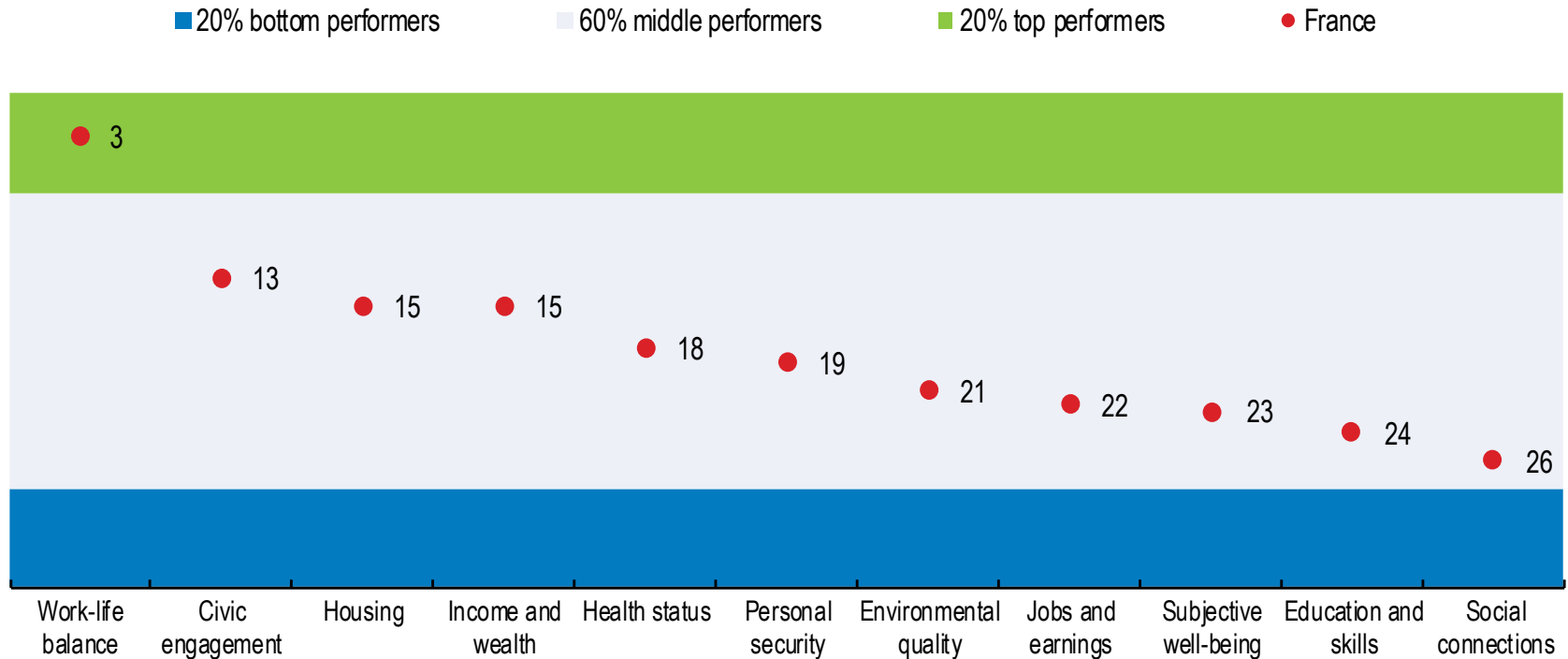
Key long-term challenges for productivity and inclusiveness



Well-being indicators are mixed

Country rankings, 2017

from 1 (best) to 35 (worse)¹



1. Each well-being dimension is measured by one to four indicators from the OECD Better Life Index set. Normalised indicators are averaged with equal weights.

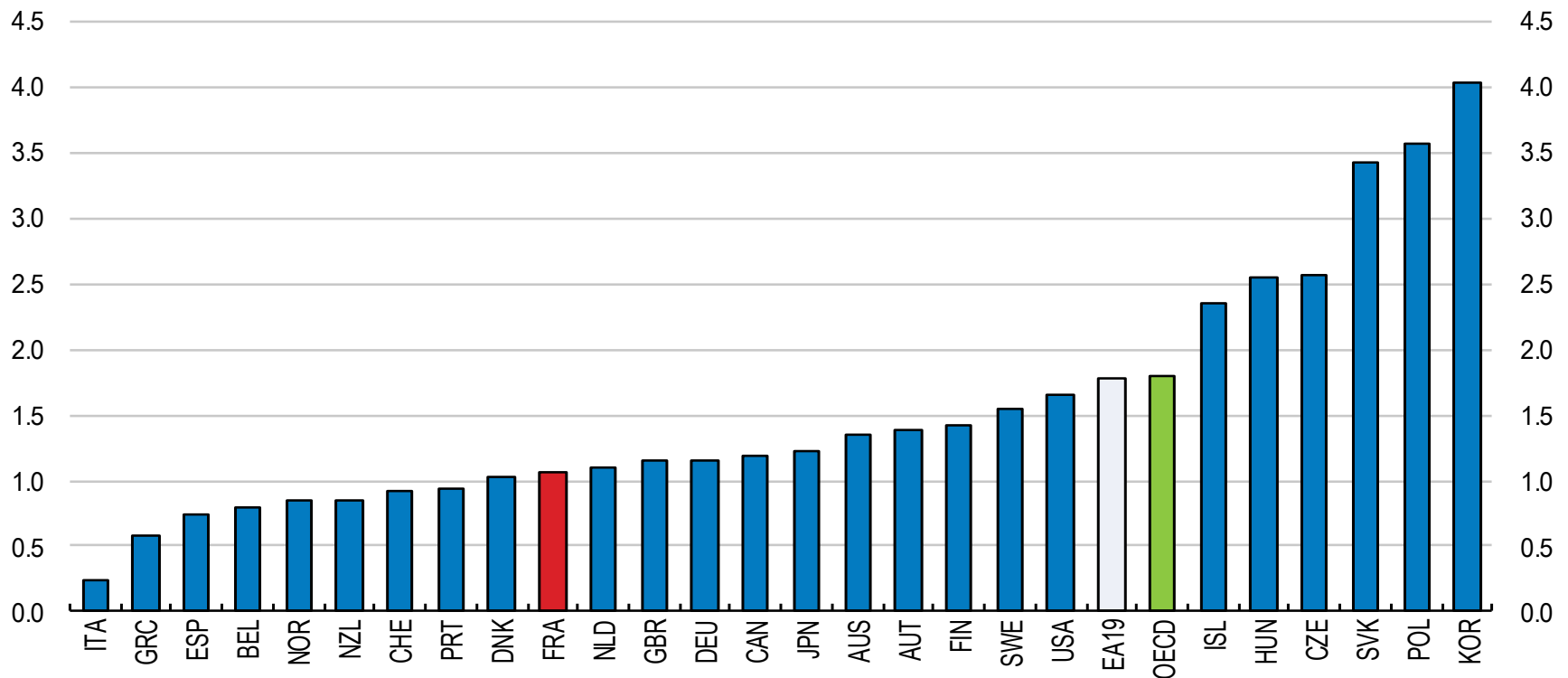
Source : OECD (2017), *Better life index*, www.oecdbetterlifeindex.org.



Productivity gains are limited

GDP per hour worked

Average annual % growth rate¹, 1997-2017



1. At constant 2010 USD PPPs.

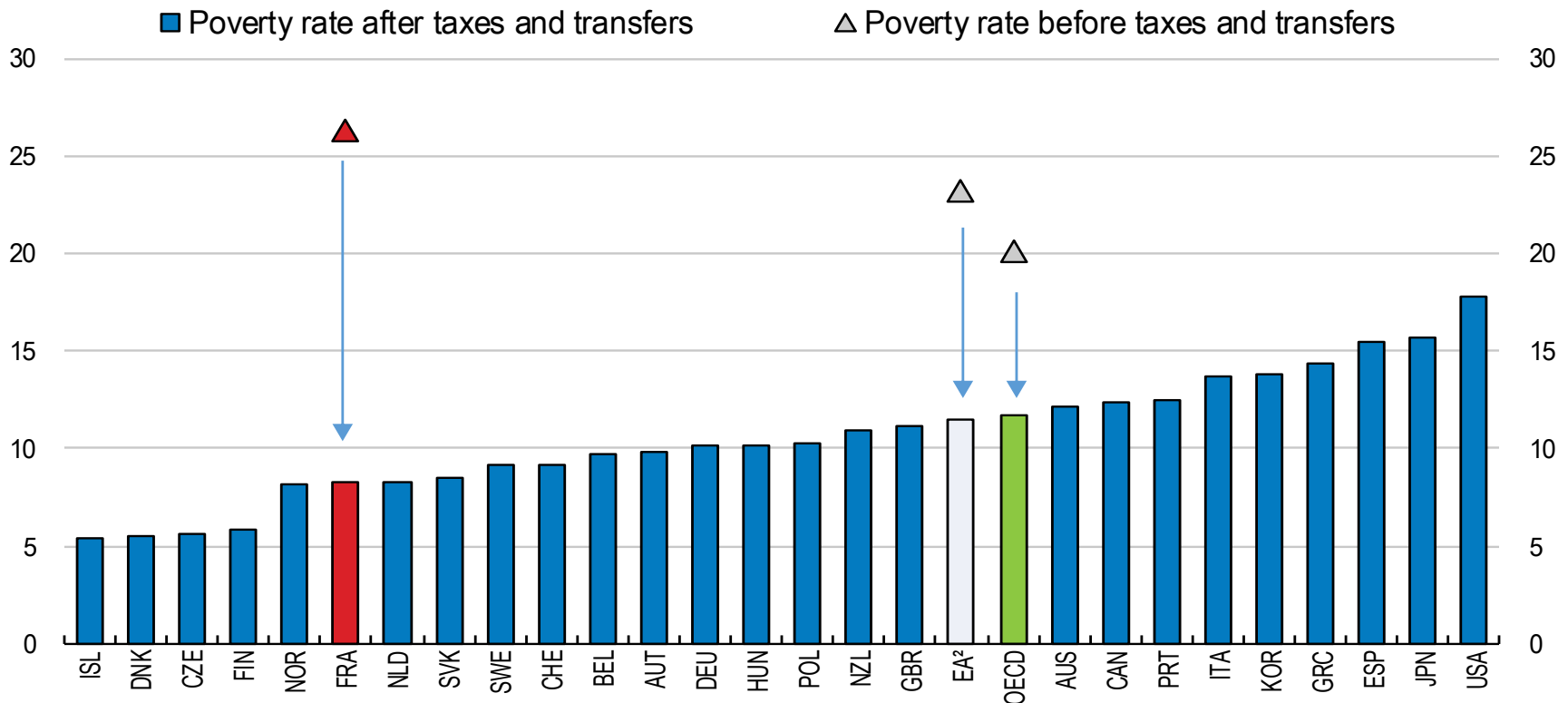
Source : OECD (2018), *OECD Productivity Statistics* (database).



Poverty is low thanks to social transfers...

Poverty rate

% of the population aged 18-65, 2016¹



1. At 50% of households' median equivalised income. 2016 or latest year available.

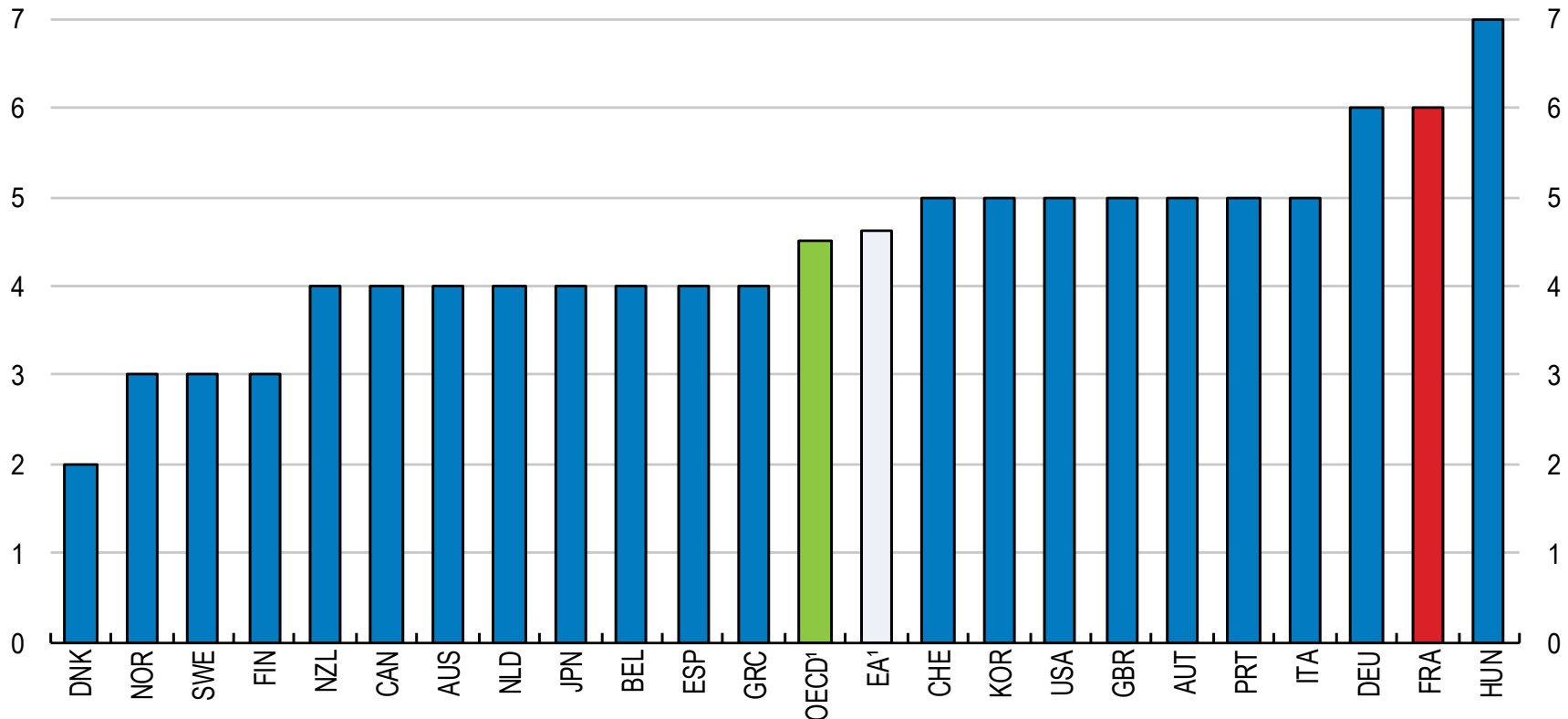
2. Euro area member countries that are also members of the OECD (17 countries).

Source: OECD (2019), *OECD Income Distribution and Poverty Statistics* (database).



... but intergenerational mobility is weak

Number of generations to reach mean income¹



1. Expected number of generations it would take the offspring from a family at the bottom 10% to reach the mean income in society. Available countries for the OECD average and euro area member countries that are also members of the OECD.

Source : OCDE (2018), *A Broken Social Elevator? How to Promote Social Mobility*.



Main recommendations to enhance well-being and productivity

- ✓ Continue reforms by minimising and/or offsetting their potential short-term negative effects on selected population groups

Fostering greener growth

- ✓ Increase environmental taxes and develop flanking measures for the most affected populations over the short term.
- ✓ Strengthen the risk assessment of phytosanitary products.

Fostering greener growth

- ✓ Engage an independent institution to conduct a thorough review of all existing and proposed regulations affecting firms.
- ✓ Lower transaction costs on housing, notably real estate transfer taxes.



Fostering an inclusive development of skills and employment

Implementing the OECD Jobs Strategy

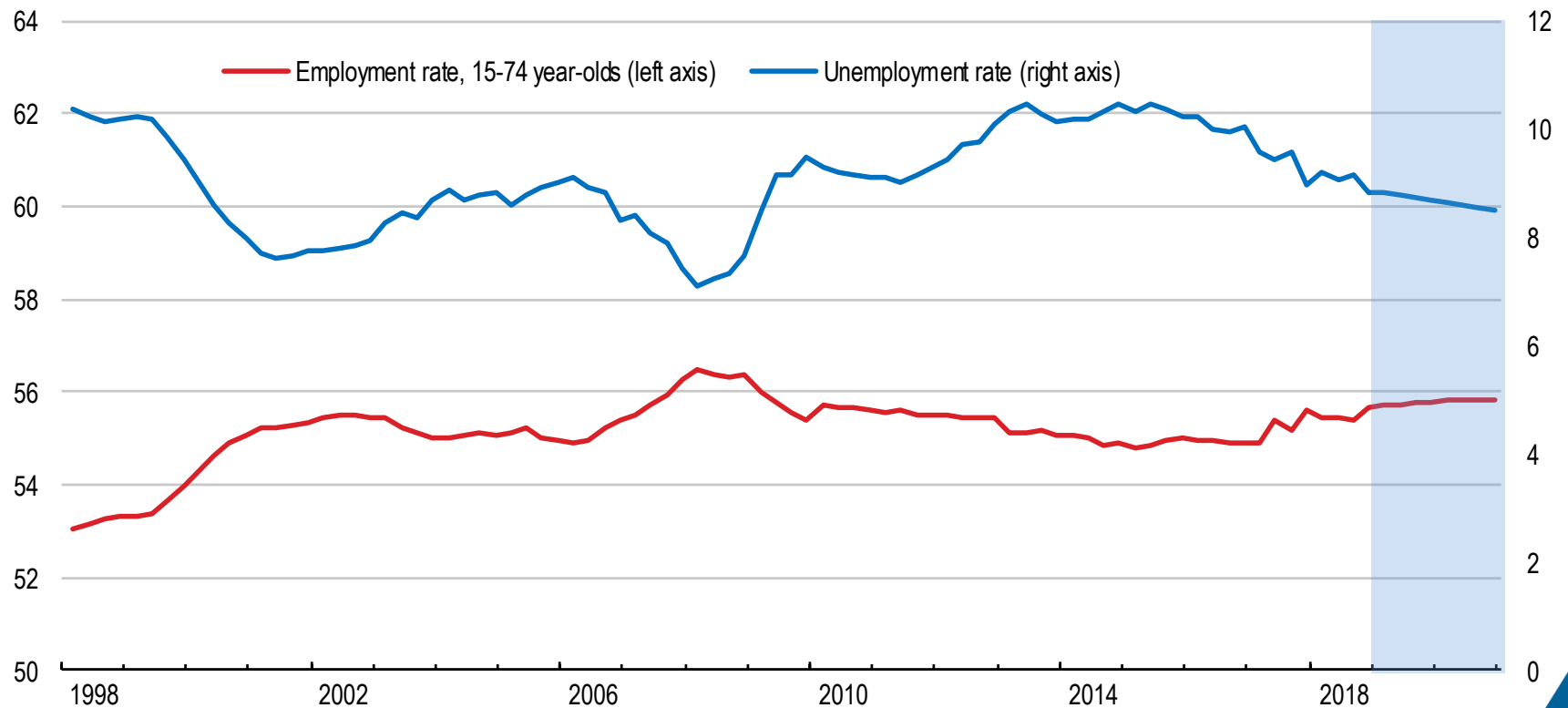


Progress in the labour market remains limited

Employment and unemployment rates

% of the population

% of the labour force



Source: OCDE (2019), *OECD Economic Outlook: Statistics and Projections* (database) and updates.

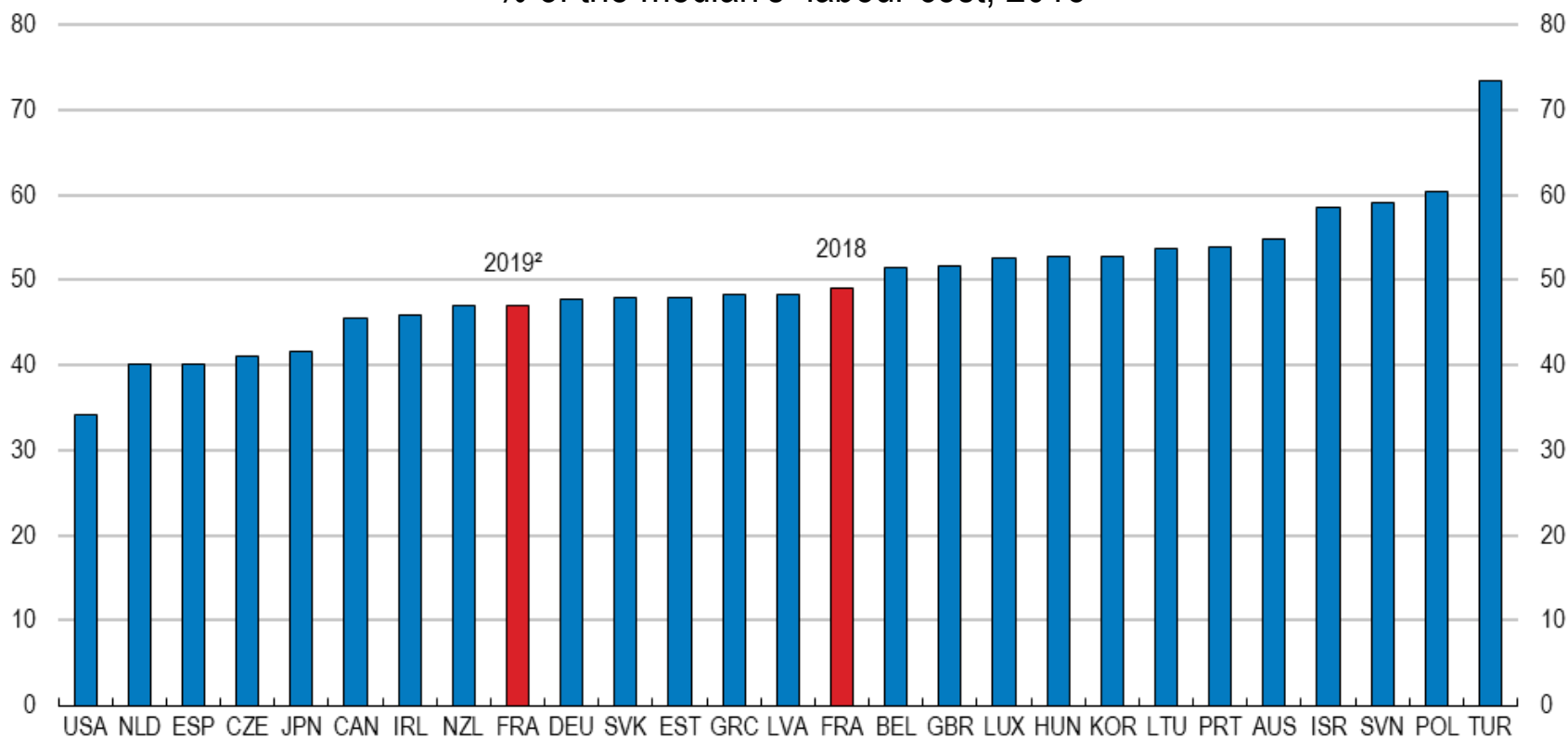


Significant reforms have been undertaken



Labour cost at the minimum wage has decreased

Labour cost at the minimum wage
% of the median's labour cost, 2018¹



1. Including the amount of the CICE tax credit; estimates based on a household of one single person with no children.

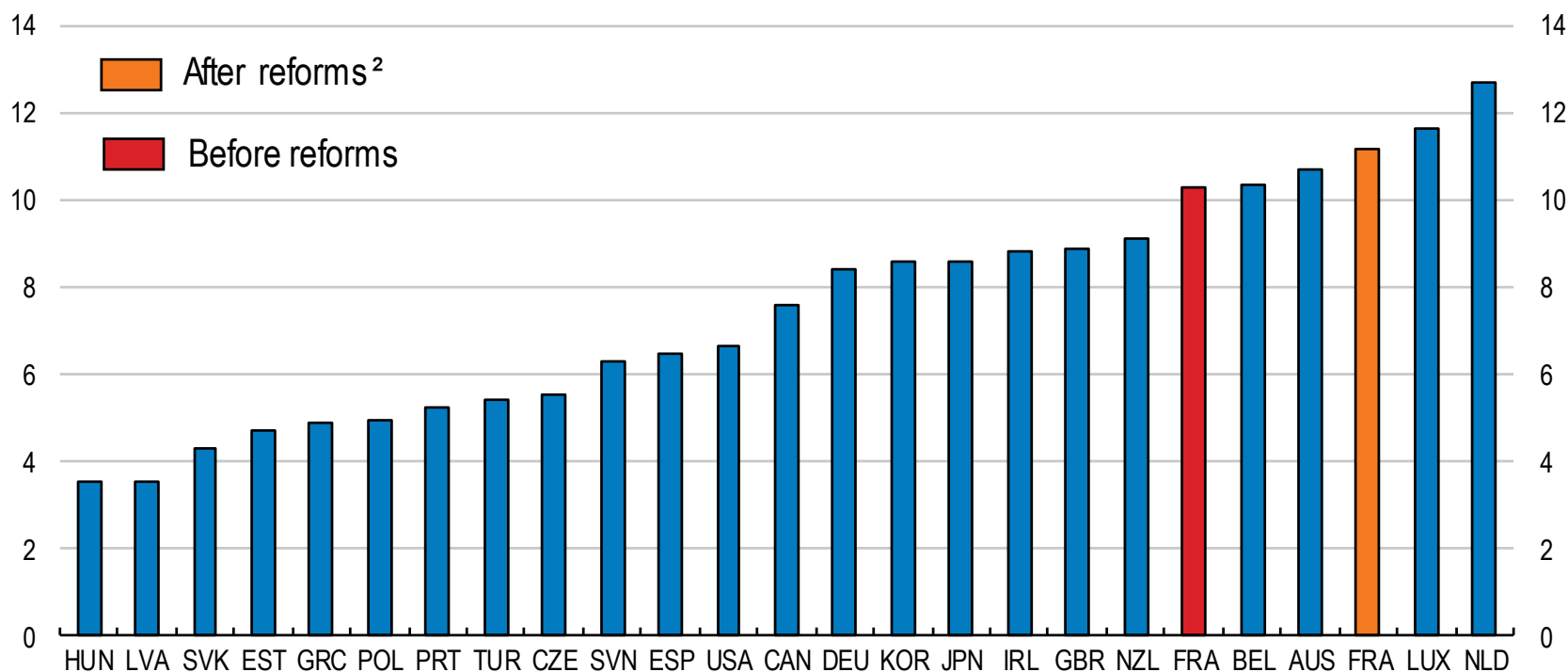
2. The 2019 estimates for France factor in the reforms of employers' social security contributions which are taking place in 2019, but they do not take into account the planned increase in the minimum wage in 2019.

Source : OECD (2019), OECD Staff calculations based on the OECD's TaxBEN model.



Recent tax and benefit reforms will help low-income households

Simulated effects of reforms on the net minimum hourly income USD-PPPs, 2018¹



1. The simulations are based on a household comprising a single individual without children.
2. The reforms considered correspond to the 2018 and 2019 tax and benefit reforms: the cut in employee social security contributions; the reform of the in-work benefits (*Prime d'activité*) (including measures that came into force on 1 January 2019 – further rises to the *Prime d'activité* to increase net household income by 90 euros at the level of the minimum wage-). The increase in the minimum wage in 2019 is not considered. Data before reforms include the CICE.

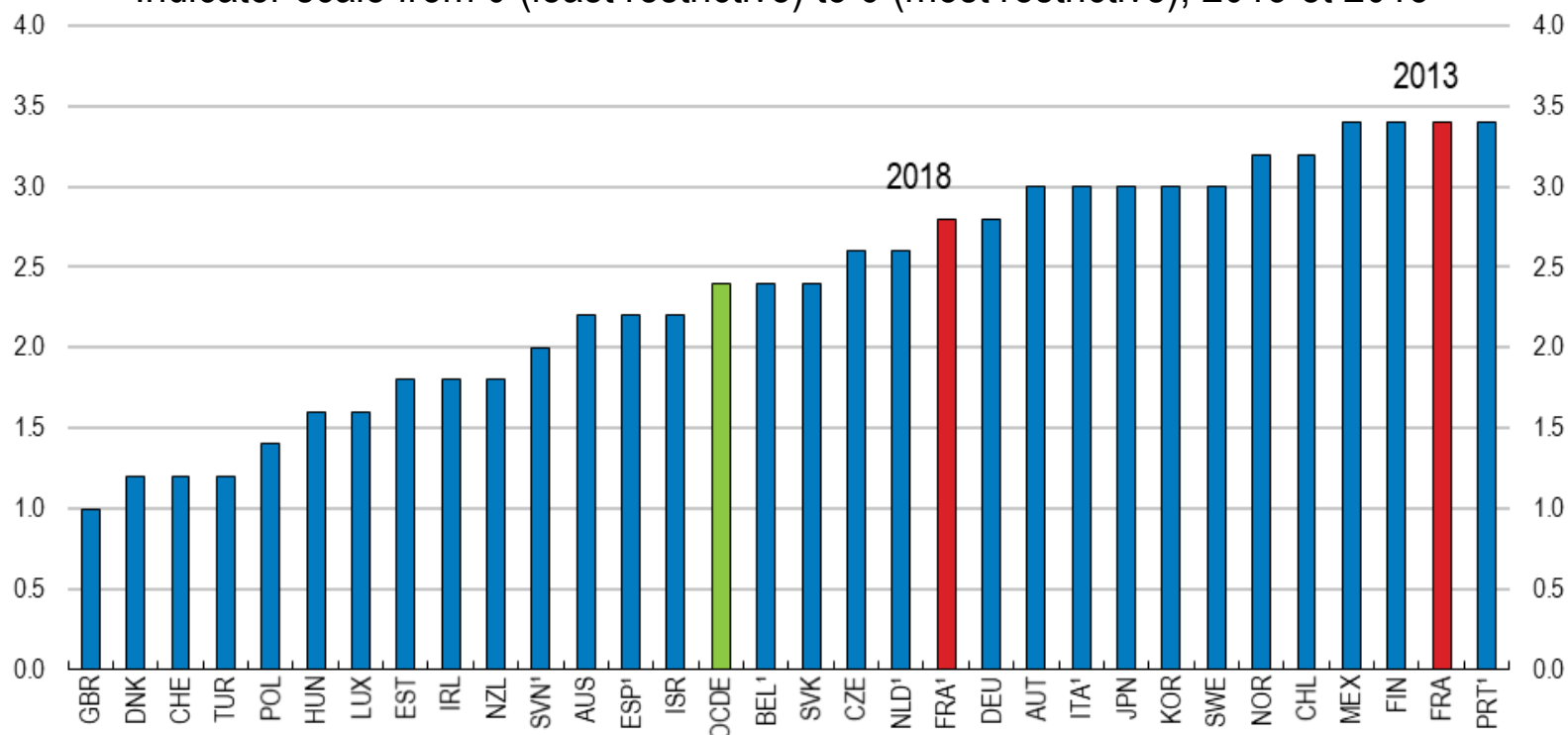
Source : OCDE (2019), OECD Staff calculations using the OECD TaxBEN model.



Difficulties of dismissals for permanent contracts have decreased

Strictness of protection for permanent contracts, difficulty of individual dismissals

Indicator scale from 0 (least restrictive) to 6 (most restrictive), 2013 et 2018^{1,2}



1. Provisional estimates for 2018.

2. Rigidity of employment of employment protection for permanent contracts, sub-indicator of individual dismissals. The assessed difficulties are: procedural inconveniences for employers engaging in a dismissal process, notice periods and severance pay in the case of fair dismissal and the permissible grounds for dismissal and the repercussions for the employer if a dismissal is found to be unfair.

Source : OECD (2019), OECD Staff calculations based on the OECD's indicators of employment protection.

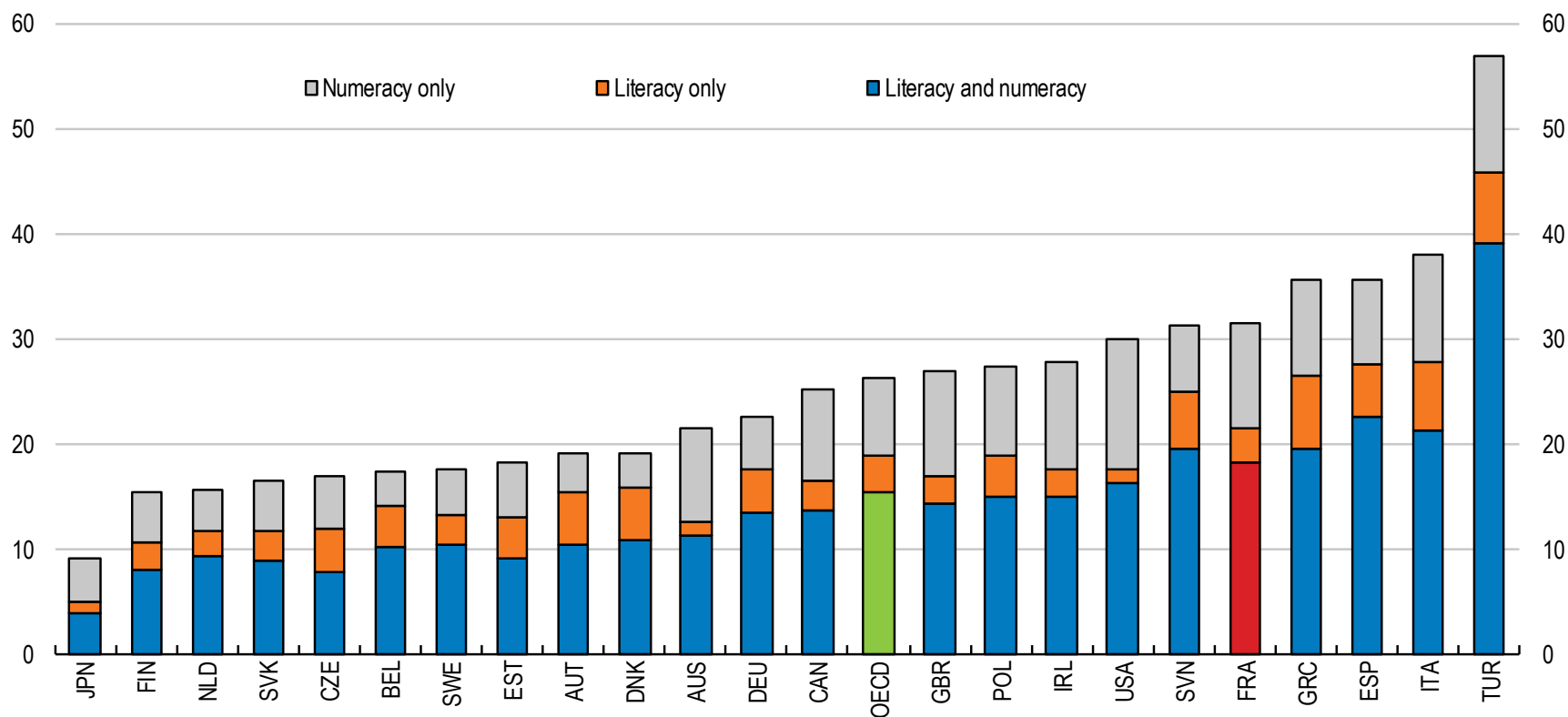


But structural weaknesses remain



Too many adults have weak skills

As a % of the population aged between 16 and 65, with a PIAAC score lower than 2

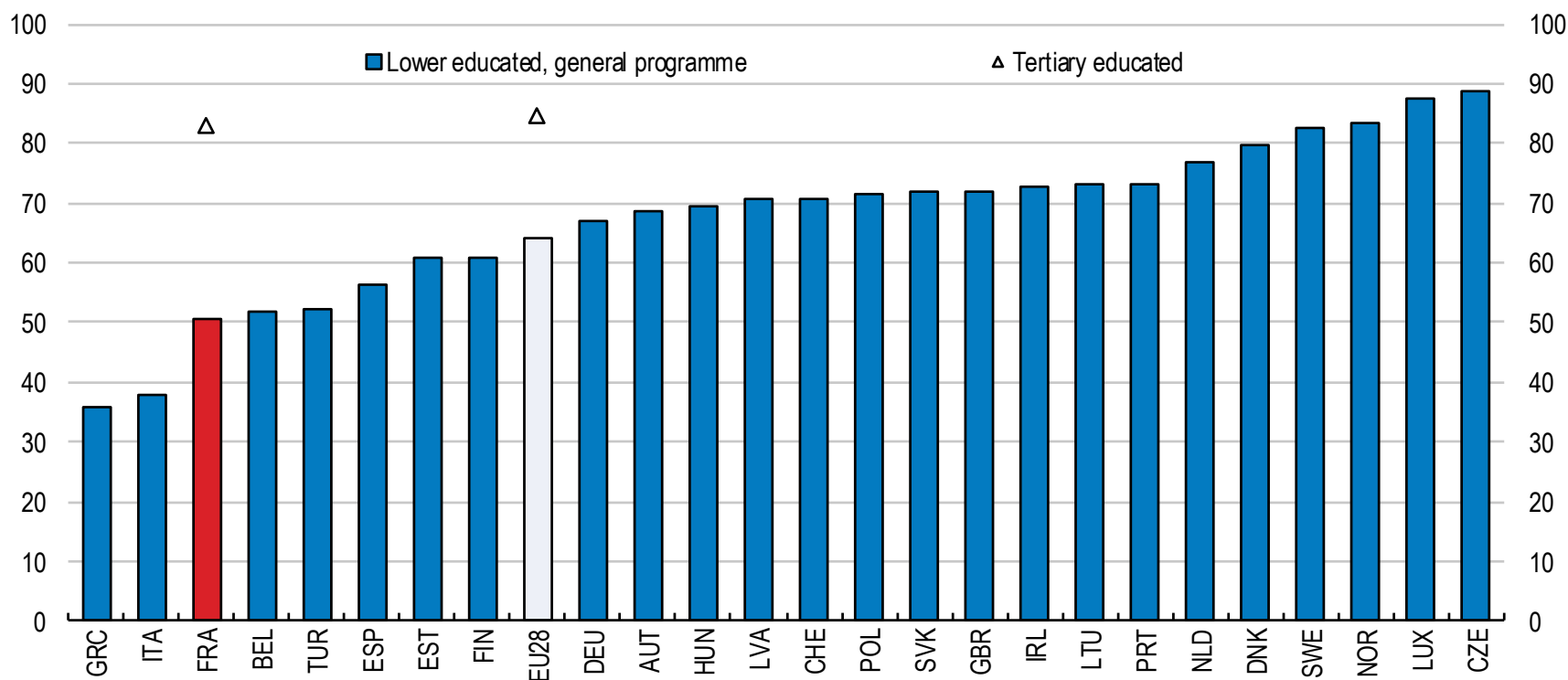


Source : OECD (2016), *Skills Matter—Further results from the survey of adult skills*. OECD skills surveys, OECD Publishing, Paris.



Workplace integration of young people with few qualifications is difficult

Employment rate of those leaving education¹
% of the population, 2017



1. Employment rate of the 20 to 34 age group, among workers who completed their studies with a mid-level qualification (ISCED levels 3 and 4, general programme) or a high-level qualification (ISCED levels 5 to 8) before the survey, and who are not currently enrolled in any other education or training, either formal or informal.

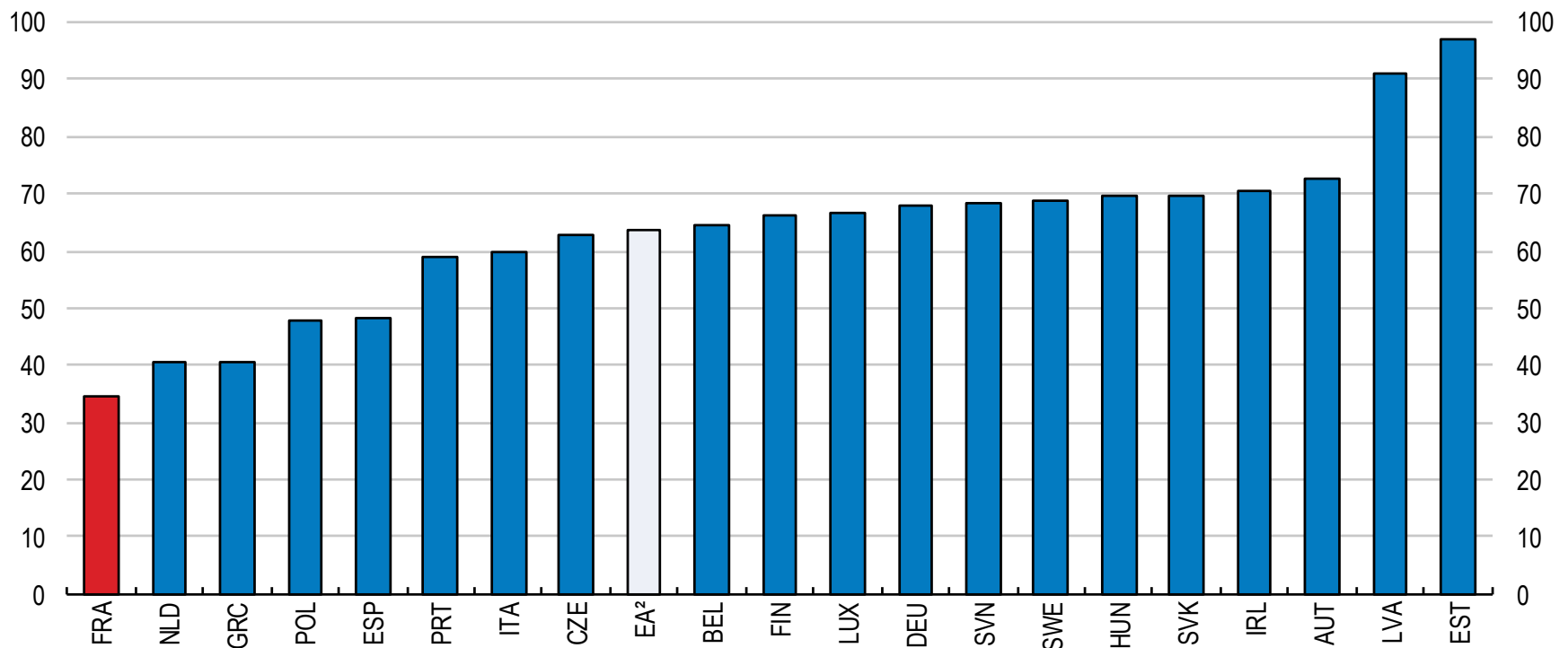
Source : Eurostat (2018), "Labour status of young people by years since completion of highest level of education", *Eurostat database*.



It is difficult to get a permanent contract

Transitions from temporary to permanent employment¹

% of employees with temporary contracts, 15-64 years old



1. Probability over three years of transition from a temporary contract to permanent employment.

2. Euro area member countries that are also members of the OECD, excluding Lithuania (16 countries).

Source : OECD (2019), OECD Staff estimates and Eurostat data.



Main recommendations for an inclusive development of skills and employment

Strengthening job quantity and quality

- ✓ Mainly focus employer labour tax exemptions on low wages.
- ✓ Restrict the possibility of receiving unemployment benefits during repeated periods of temporary employment and the reloading of rights over short employment spells.
- ✓ Modulate labour costs to reduce the excessive use of short-term contracts.
- ✓ Strengthen apprenticeship in secondary vocational schools, and social and economic integration programs for inactive youth.



Main recommendations for an inclusive development of skills and employment

Improving labour market inclusiveness

- ✓ Merge welfare programmes and in-work benefits, taking into account housing benefits and public housing in overall household resources.
- ✓ Speed up the development of additional childcare services for the poorest households and in poor neighbourhoods.

Stimulating labour market adaptability and resilience

- ✓ Promote access to vocational training for the least qualified.
- ✓ Ensure access to transparent information and effective monitoring of the quality of lifelong learning programmes through additional evaluations and counselling.
- ✓ Encourage a more flexible rental market by developing shorter contracts and the use of rental guarantees.

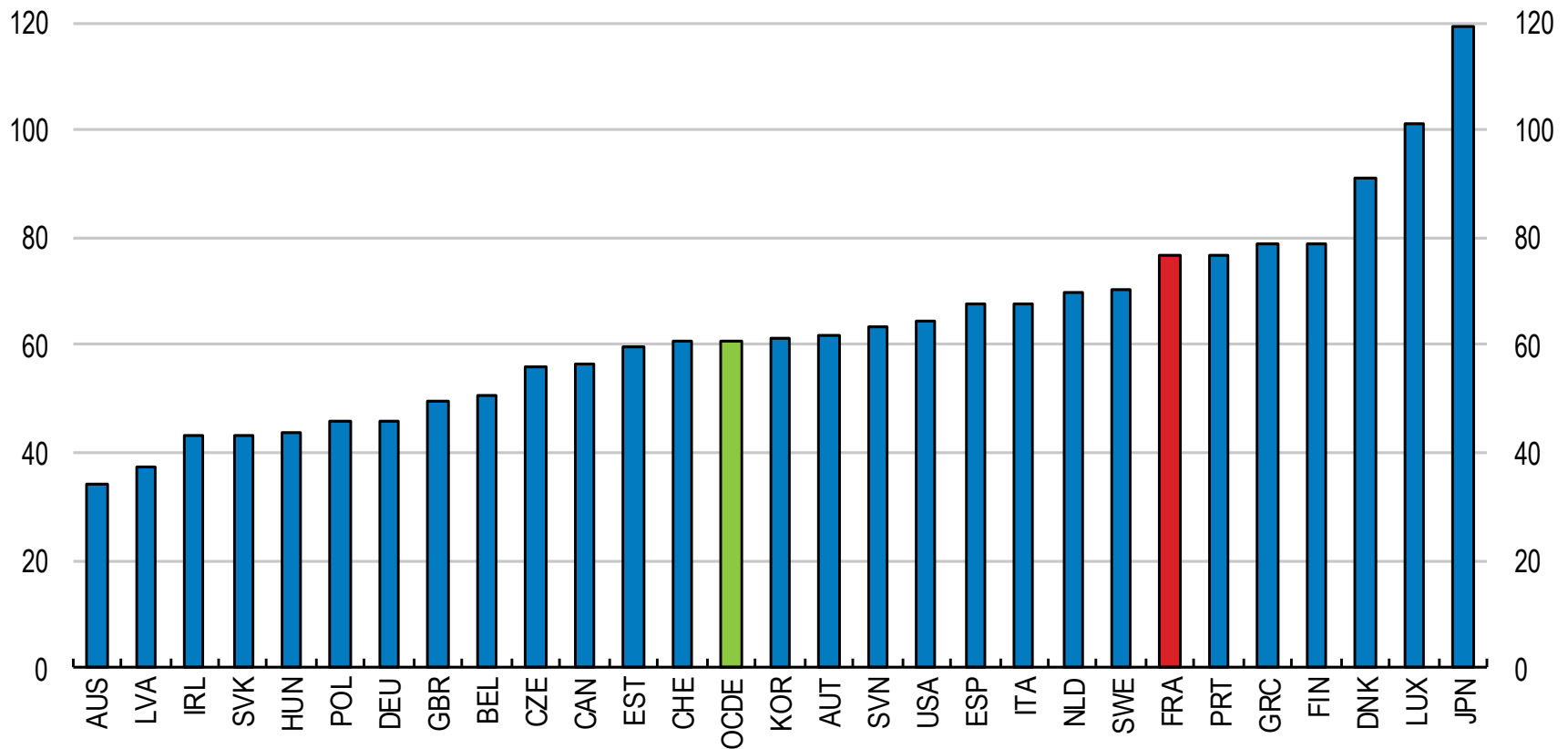


Improving the efficiency of public investment



The stock of public capital is large

Capital stock as a percentage of GDP, 2015

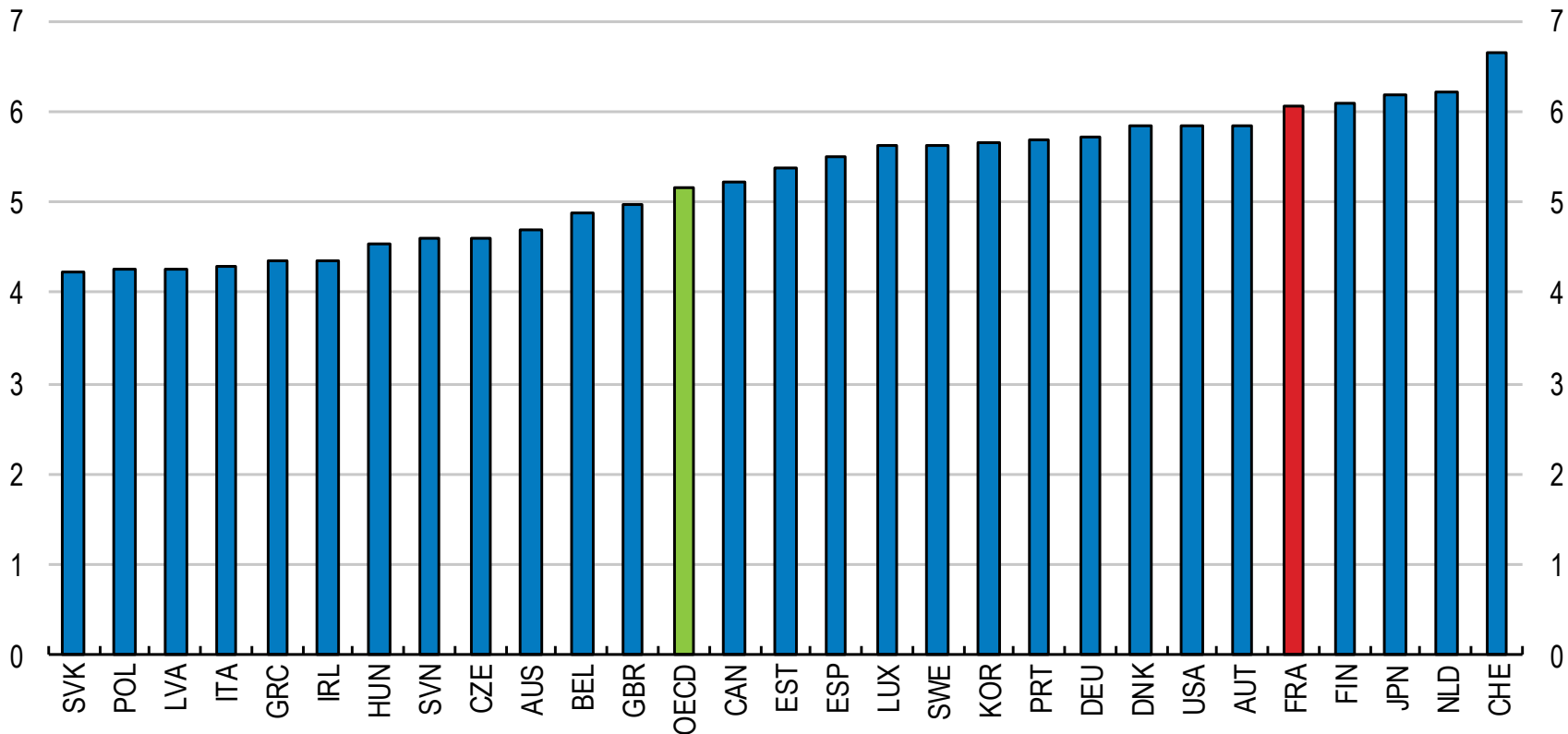


Source : IMF (2017), *Investment and Capital Stock Statistics* (database).



The quality of infrastructure is high...

World Economic Forum index¹, 2017



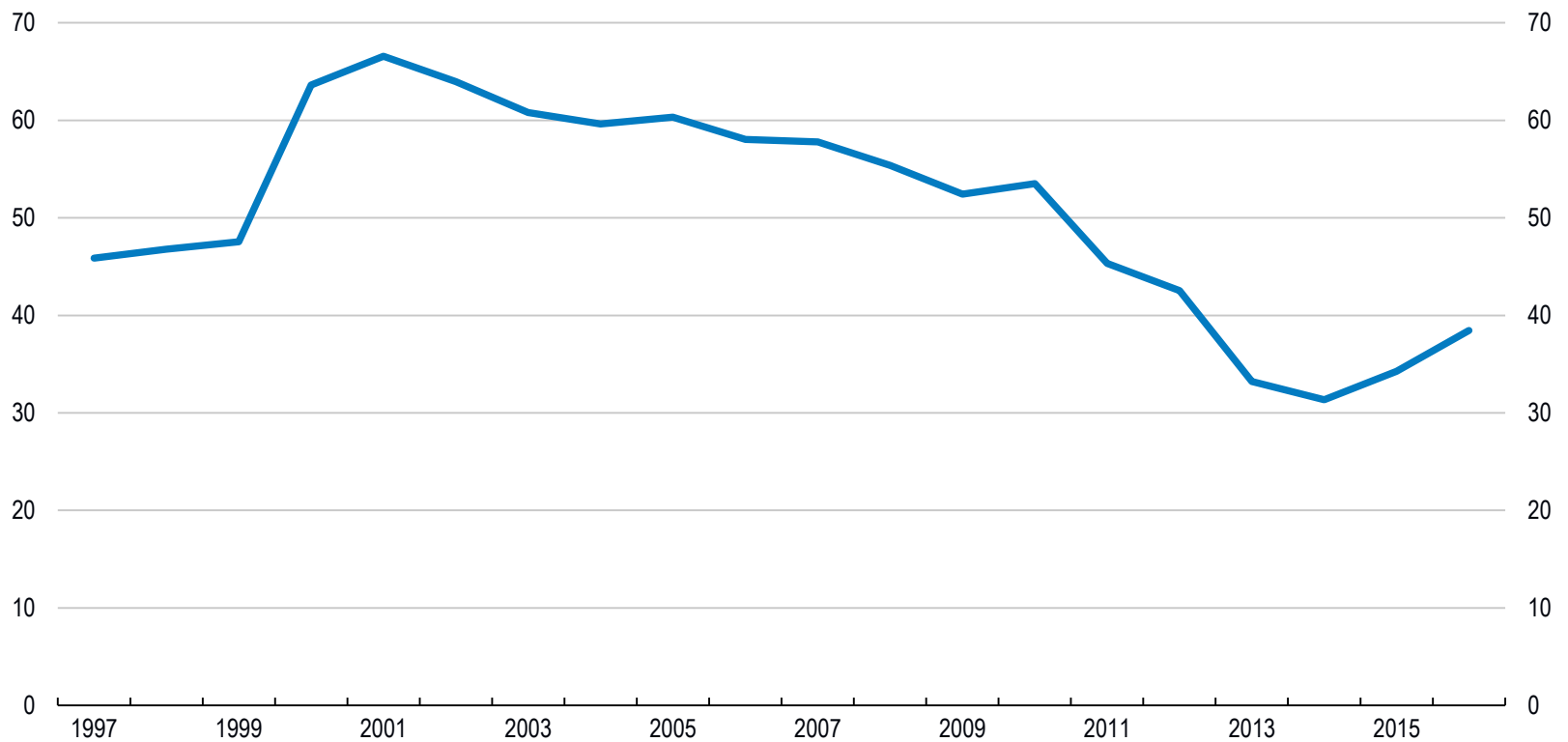
1. Index from the lowest perceived quality (0) to the highest (7); the score is based on the assessment of business leaders operating in the country in response to the question: "How do you assess the general state of infrastructure (e.g. transport, communications and energy) in your country?".

Source : WEF (2018), *The Global Competitiveness Report 2017-18* (database), World Economic Forum, Geneva.



... but investing in maintenance is necessary

Maintenance as a share of total rail investment spending
Percent



Source : ITF (2018), *Inland Freight Transport* (base de données), International Transport Forum, Paris.

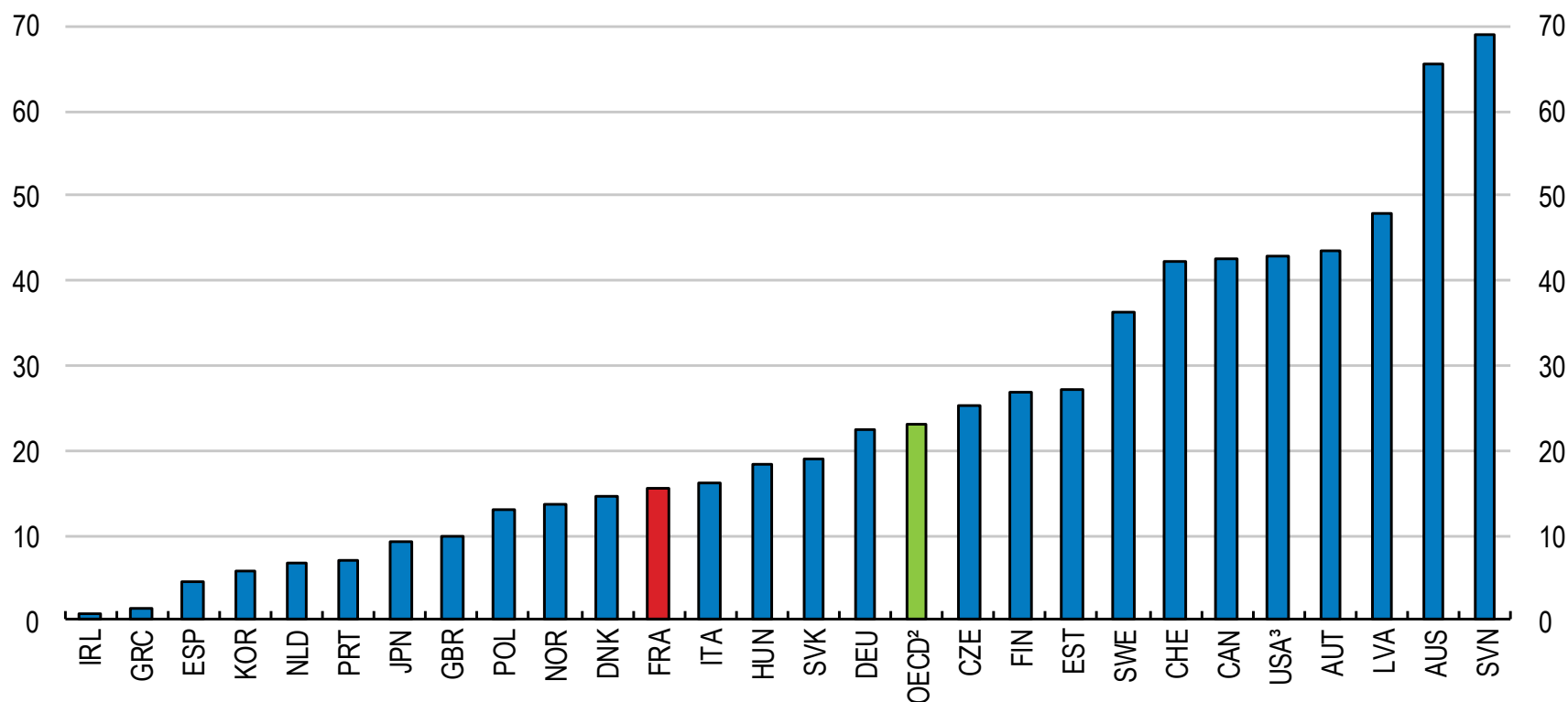


Investing for the future



Greener transport modes can be developed

Rail freight market share
As a percent of total inland freight transport, 2017¹



1. Or latest year available.

2. Unweighted average for 2015, computed excluding Belgium, Iceland and Israel, for which data are unavailable or incomplete.

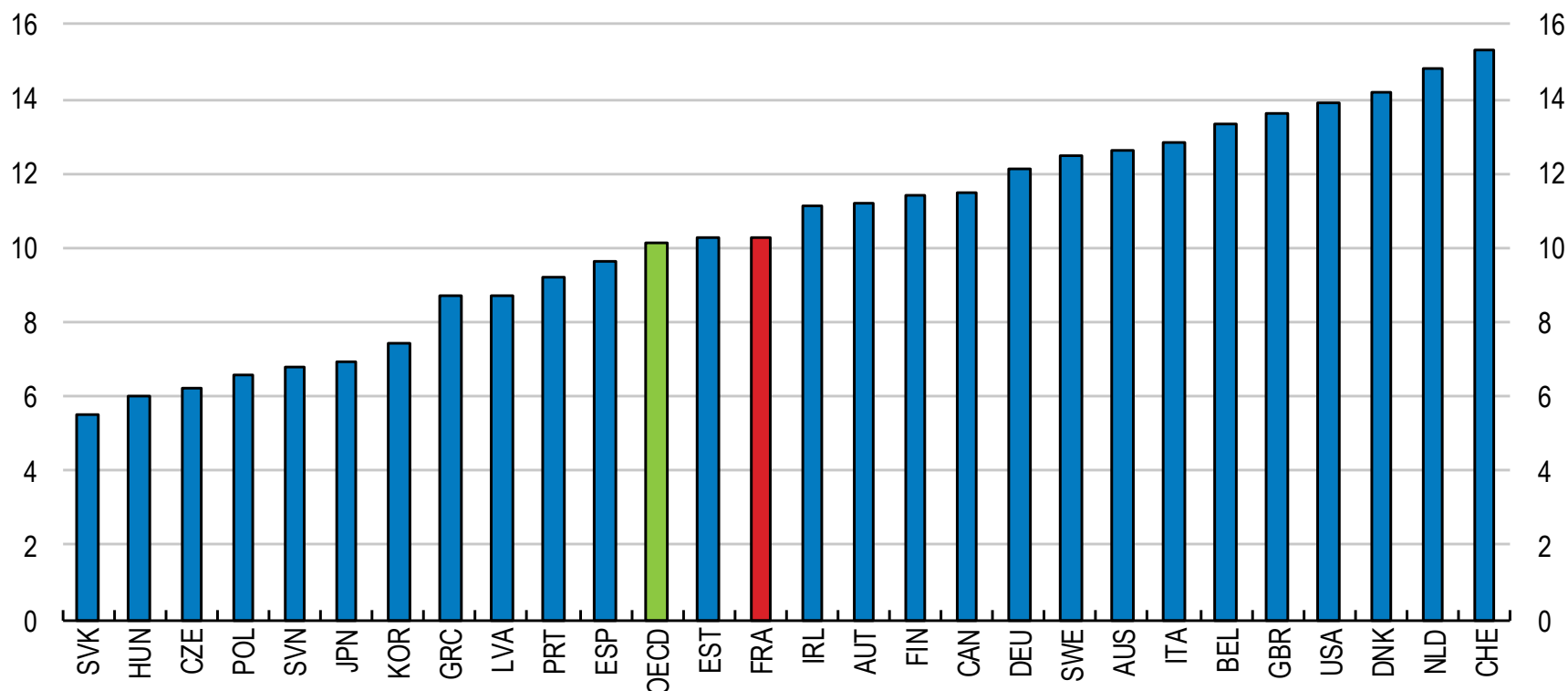
3. Total inland freight transport excludes pipelines.

Source : ITF (2018), *Inland Freight Transport* (base de données), International Transport Forum, Paris.



There is room to improve research performance

Share of international top publications¹
% of publications among the 10% most cited, 2015²



1. Share of the scientific output of domestic research institutions that is included in the set of the 10% most cited papers in their respective scientific fields, fractional counts.
2. Or latest year available.

Source : OECD (2017), *OECD Science, Technology and Industry Scoreboard 2017*, OECD Publishing, Paris.



Main recommendations to improve the efficiency of public investment

- ✓ Strengthen socio-economic efficiency considerations in the selection of large projects.
- ✓ Increase the share of infrastructure maintenance spending in public investment.
- ✓ Give a stronger role to standard unit cost approaches in setting intergovernmental transfers.
- ✓ Increase horizontal equalisation transfers between local governments to better address territorial disparities.
- ✓ Promote distance-based and congestion charges to develop alternative transport modes.
- ✓ Continue to increase universities' autonomy to define their programmes and manage their staff.
- ✓ Continue to increase the budget of the National Research Agency.



For more information

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