

FRANCE

Priorities supported by indicators

Reduce labour market dualism (2007, 2009, 2011)

Recommendations: Reduce the level and unpredictability of dismissal costs. In order to enhance inclusion of the young people with low qualifications, target the work-study schemes more on the less skilled, and evaluate their efficiency regularly.

Actions taken: The provision for amicable termination of a work contract instituted in 2008 is a first step towards limiting dismissal costs uncertainty but has had only a limited impact in reducing dualism. The government passed a law in July 2011 which facilitates the use of work-study arrangements.

Reduce the labour tax wedge and the minimum cost of labour (2007, 2009, 2011)

Recommendations: Continue to allow the minimum cost of labour to fall relative to the average. Increase work incentives facing low-wage earners. Shift the tax burden away from labour.

Actions taken: Consistent with the recommendations of a commission of independent experts created in 2009, the rise in the minimum wage has been limited to the minimum legal requirement. In 2009 the government introduced a social scheme improving incentives to find employment.

Reduce disincentives to work at older ages (2007, 2009, 2011)

Recommendations: Phase out all forms of early retirement and reinforce the link between benefits, job search and participation in active measures relying on efficient delivery of public employment services.

Actions taken: The 2010 pension reform included a two-year increase in the legal retirement age. The contribution period for a full pension has been extended in line with rising life expectancy, but indexation is not automatic. The job-search exemption for the older unemployed is set to disappear in 2012.

Other key priorities

Reduce regulatory barriers to competition (2007, 2009, 2011)

Recommendations: Remove regulatory entry barriers in potentially competitive sectors or segments of network industries. Ease restrictions to price competition in the retail sector and to setting up new stores.

Actions taken: A new competition authority was created in 2009. Retail distributors have been granted more flexibility to negotiate prices with suppliers. While zoning restrictions have been eased somewhat, a draft bill would tighten them again by integrating commercial zoning into urban development law.

Improve the quality and efficiency of the tertiary education system (2007, 2009, 2011)

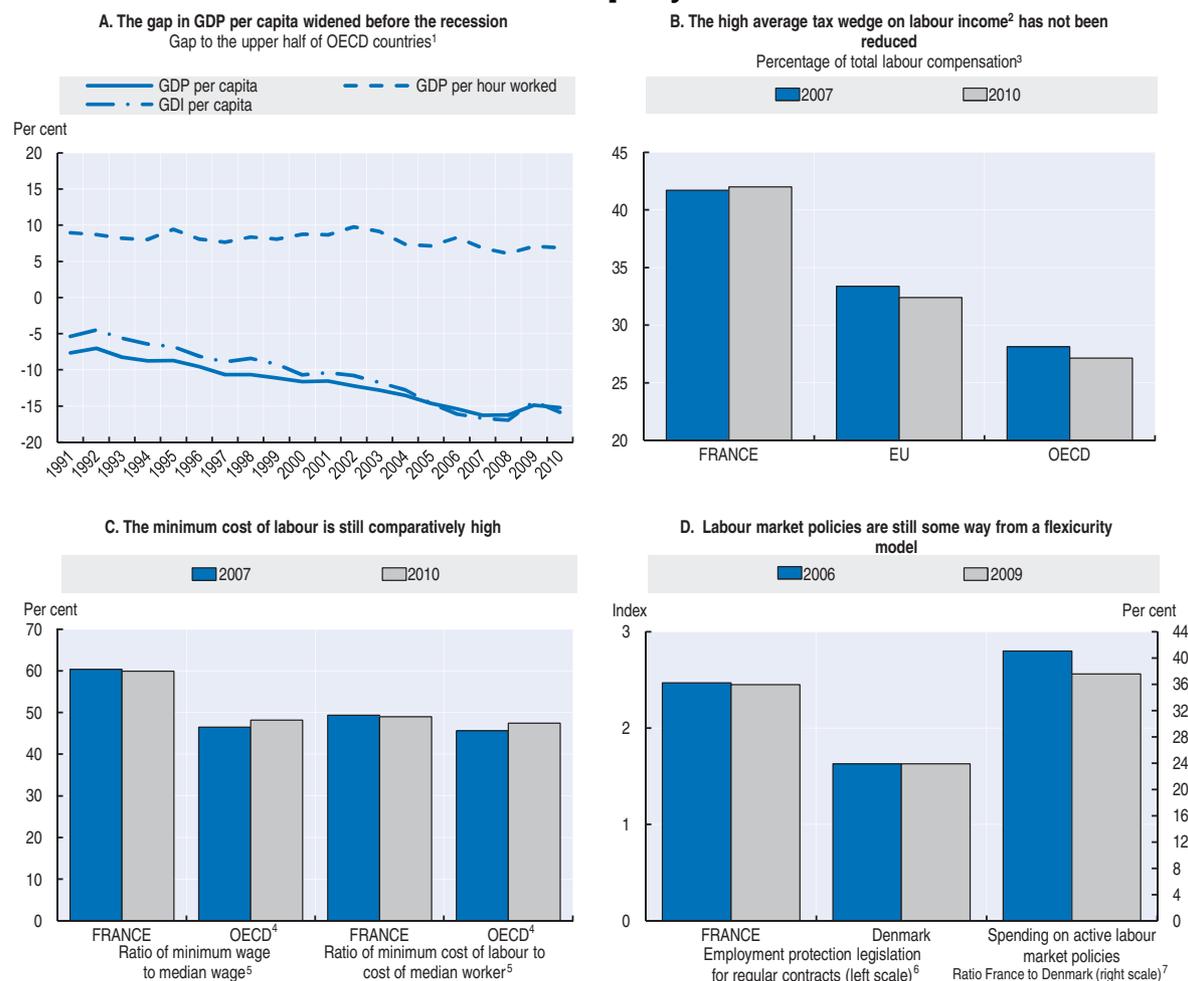
Recommendations: Boost private funding for tertiary education, and extend the autonomy of universities. Incorporate information on labour market prospects into career guidance and expand vocational education.

Actions taken: Universities have been given more autonomy, but they still have limited leeway on remuneration. No action has been taken on student selection and tuition fees. The establishment of “centres of excellence” will continue to increase co-operation between the *grandes écoles* and the universities.

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- After a steady deterioration since the early 1990s, the GDP per capita gap vis-à-vis the upper half of OECD countries has stabilised over the past five years. The gap mainly reflects low employment rates at both ends of the age spectrum.
- Among key priority areas, universities have been granted greater autonomy and the pension system has been reformed to boost the effective retirement age. By contrast, limited progress has been made in reducing labour market dualism, developing active labour market policies, and shifting the tax burden away from labour.
- In other areas, part-time unemployment measures and unemployment benefit duration were extended, and subsidised work contracts revived, to cushion the impact of the recession. The “taxe professionnelle”, which penalised investment, was eliminated in 2010, and a new “independent entrepreneur” status simplified administrative procedures and tax rules.

Performance and policy indicators



1. Percentage gap with respect to the simple average of the highest 17 OECD countries in terms of GDP per capita, GDP per hour worked and GDI per capita (in constant 2005 PPPs).
2. Labour taxes include personal income tax and employee plus employer social security contributions and any payroll tax less cash transfers.
3. Couple with two children, at 100% of the average worker earnings for the first earner. Average of three situations regarding the wage of the second earner (0%, 33% and 67% of average earnings).
4. The OECD average excludes some OECD countries which do not have a national statutory minimum wage, as well as Mexico for which data are not available.
5. Exactly half of all workers earn less than the median wage for the OECD countries. The cost of labour is the sum of the wage level and the social security contributions paid by employers.
6. Index scale of 0-6 from least to most restrictive.
7. Ratio of spending on total active labour market policies per unemployed between France and Denmark, using 2005 PPPs. For active labour market policies, average of ratios over the period 2002-05 for 2006 and average of ratios over the period 2005-08 for 2009.

Source: Chart A: OECD, *National Accounts and Economic Outlook 90 Databases*; Chart B: OECD, *Taxing Wages Database*; Chart C: OECD (2011), *Employment Outlook Database and Taxing Wages Databases*; Chart D: OECD, *Labour Market Programmes and Economic Outlook 90 Databases*.

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