

BOOSTING EMPLOYMENT IN FRANCE

The text that follows is an English adaptation of the working paper on how France can both foster job growth and improve job quality in the coming decade. You can read the original on the “2017/2027” French-language website [here](#).

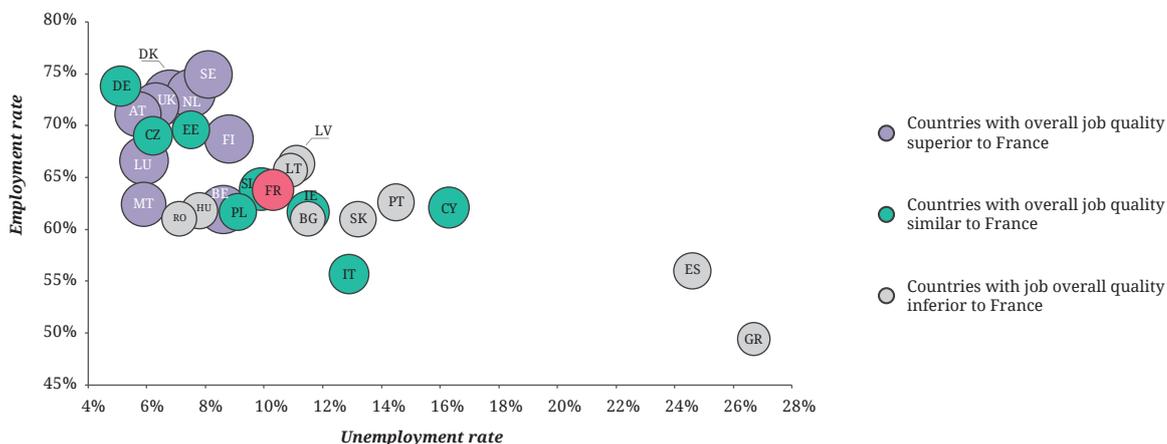
In recent years France has spent upwards of €100 billion per year on targeted and more general measures to boost its flagging job market. These include things like providing training, unemployment insurance and tax credits to companies.

Such massive spending to counter joblessness has been a consistent public policy over the past three decades, which have been marked by consistently high unemployment.

In this France stands out from neighbouring countries such as the Netherlands, Germany and the UK, which have all managed to get a handle on unemployment while ensuring an employment rate and job quality comparable or better than that found in France. (Graph 1).

Digital technology and the development of new skills may very well continue to transform the workplace in the next decade. How can society anticipate this? And what resources can be mobilized and which actions undertaken?

1 UNEMPLOYMENT, EMPLOYMENT AND JOB QUALITY IN THE EU



NOTE: The size of the circle is proportional to job quality as measured by the Job Quality Index. France had 10% unemployment and a 64% employment rate in 2014 and was ranked 12 out of 27 in terms of job quality in 2010. This puts it in a median position in the EU.

SOURCE: France Stratégie, based on data from Eurostat and the European Trade Union Institute for job quality data.

SEPT. 2016

FRANCE WILL FACE IMPORTANT CHALLENGES WHEN IT GOES TO THE POLLS IN 2017 TO ELECT ITS NEXT PRESIDENT. TO BOTH FOSTER AND INFORM DEBATE AMONG CITIZENS IN THE MONTHS LEADING UP TO THE ELECTIONS, FRANCE STRATÉGIE HAS LAUNCHED ITS “2017/2027” PROJECT. IT AIMS TO ZERO IN ON WHAT IS LIKELY TO SHAPE POLICY OVER THE NEXT DECADE BY PUBLISHING A SERIES OF WORKING PAPERS ON TWELVE ISSUES VITAL TO THE FUTURE OF THE COUNTRY. MEMBERS OF THE PUBLIC WILL BE ABLE TO SUBMIT WRITTEN REACTIONS ONLINE. A DEBATE WITH THE AUTHOR(S) AND OTHER EXPERTS WILL THEN BE ORGANIZED FOR EACH ISSUE ON THE BASIS OF THE WORKING PAPER AND THE SUBMISSIONS.

Though developing initial and continuing education to meet economic needs and facilitate job mobility has widespread support, how to exactly go about it has yet to be laid out.

There are other means to boost employment, such as reducing the cost of unskilled work, encouraging those out of work to get back into the job market and

securing workers' jobs. But these need to be assessed in terms of their efficiency and cost to taxpayers.

Job market regulation can serve to spur job creation and enhance the quality of work. The question is how exactly. The legal framework for working hours and employment contracts, for example, can make a significant difference. Social dialogue can also play a part in buoying employment.

UNSATISFACTORY PERFORMANCE

France has been beset by high structural unemployment for thirty years, with the jobless rate never staying below 7.5% for a significant period of time. Is this an indictment of employment policies? Or is the country's job market structurally dysfunctional? And does it point to a preference for the quality of jobs?

This paper looks at the unemployment rate, the proportion of the working-age population employed (i.e. the employment rate) and the quality of work, which is measured by a series of indicators. In each of these three areas France's performance is unsatisfactory, with Germany, Austria, Denmark, the Netherlands, the UK and Sweden – the six target countries – all doing better overall.

A STRUCTURALLY HIGH UNEMPLOYMENT LEVEL

At about 10%, the unemployment rate in France is roughly double the average rate of the aforementioned six countries (Graph 1).

Using the criteria of the International Labour Organization (ILO)¹, there are three million people unemployed in France, with a third having been jobless more than year. If underemployed workers and those who don't meet the ILO's criteria but wish to work are included (dubbed the unemployment "halo"), the figure jumps to more than six million individuals.

Of course, certain parts of the country have had unemployment rates well above 10% for over ten years. Moreover, young people, senior citizens, the undereducated and children of immigrants are particularly hard hit.

Despite this, education rather than age is the major determinant in joblessness in France: those with little or no post-secondary education make up 44% of the working-age population but 58% of the unemployed. This also holds true for the underemployed and those who are in the unemployment halo or have been jobless for a long period of time.

AN EMPLOYMENT RATE RELATIVELY UNCHANGED IN THE PAST DECADE

The employment rate can be used to demonstrate if a low unemployment rate, for example, is related to a reduced proportion of the working-age population gainfully employed. It began to be used in the European strategy for employment by 2000, with a goal of 75% for the population between 20 and 64 by 2020. In

2015, France's rate for this age group reached 69.5%, slightly below the rate before the crisis. Germany, Austria, Denmark, the Netherlands, the UK and Sweden, on the other hand, have all seen their employment rates increase in the past five years (Graph 2).

While it has increased in France in the last two decades, it remains lopsided: the young and old have low rates, but those between 25 and 54 enjoy a high level of employment. The undereducated have, for their part, seen their rate decrease since the 1980s, with the 2008 crisis only making matters worse.

DIMINISHED QUALITY OF EMPLOYMENT NAMELY DUE INCREASED TO JOB INSECURITY

The quality of work can also be used to gauge how efficient the job market is. Indicators for aspects such as the level of security of job contracts, access to training, work/life balance, working conditions, salary level and social dialogue were developed in the 2000s under the initiative of the EU to measure overall job quality. France ranks in the EU average for all indicators, equivalent or lower than the six target countries, which all have less unemployment and a higher employment rate.

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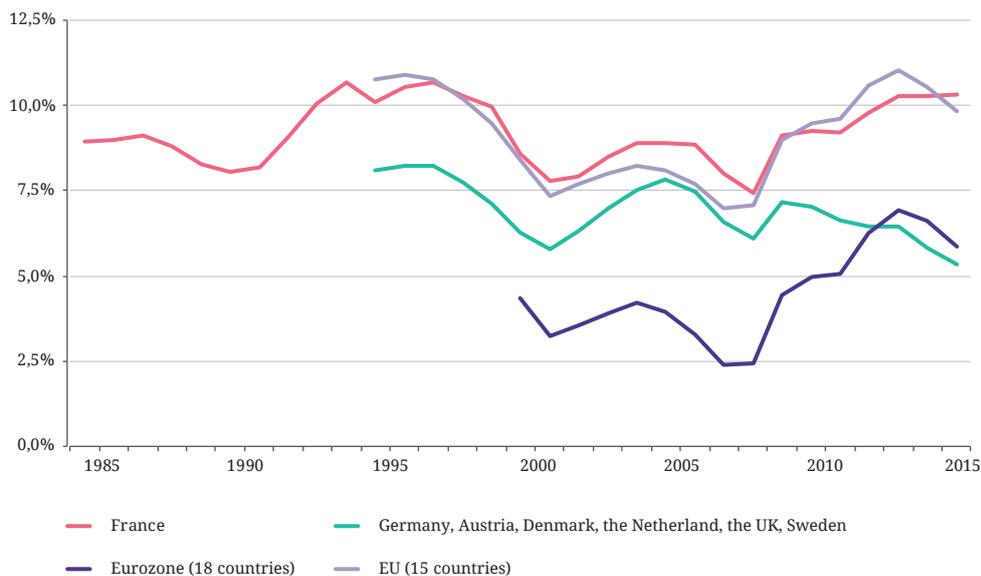
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The situation has gotten worse in France since the crisis with respect to the quality of work. This has not necessarily been the case in countries like Denmark and Austria. Between 2005 and 2010 French workers

1. The ILO considers a person unemployed if they have not worked at all during the week of reference when interviewed, have actively looked for work over the past four weeks and are available to take up a job in the two weeks following the survey.

2 THE UNEMPLOYMENT RATE IN FRANCE AND SIX EUROPEAN COUNTRIES



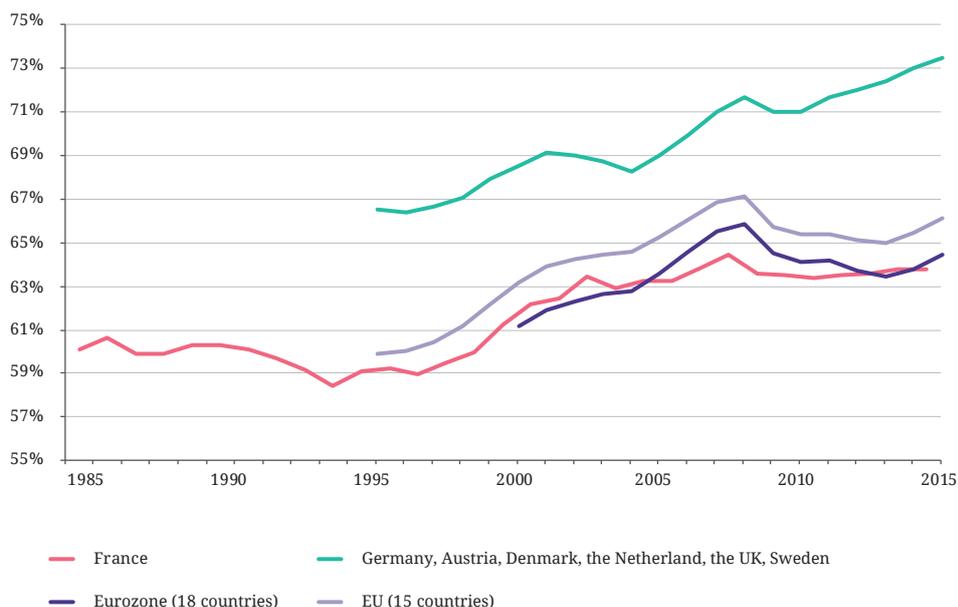
NOTE: ILO definition used to calculate the unemployment rate among 15- to 74-year-olds. Data for France is for the entire country
SOURCE: France Stratégie, based on data from Eurostat and Insee (French National Statistics Office).

experienced an increased workload and less autonomy, less training and career opportunities and a deterioration in work-life balance. In Europe overall there has been a drop since 2008 in the quality of work found after a period of unemployment.^[2] Moreover, more and more people are experiencing periods of unemployment, and turnover is high in general, heightening job insecurity, especially for the least qualified (Graph 2).^[3] Not only have short-term contracts become the main means by which young people enter the job market, but they have become less of a

guarantee for getting a steady job in the past fifteen years. This has only reinforced a loss of skills and increased social tensions and health problems.^[4]

In conclusion, the six target countries – Germany, Austria, Denmark, the Netherlands, the UK and Sweden – show that despite the crisis it is possible to combine a high rate of employment with a low unemployment rate and quality of employment as good as that found in France.

3 THE EMPLOYMENT RATE IN FRANCE AND EUROPE



NOTE: ILO definition used to calculate the unemployment rate among 15- to 74-year-olds. Data for France is for the entire country
SOURCE: France Stratégie, based on data from Eurostat and Insee (French National Statistics Office).

2. Erhel C., Guergoat-Larivière M., Leschke J. and Watt A. (2013), "Tendances de la qualité de l'emploi pendant la crise : une approche européenne comparative". Working paper, No. 131-2, Centre d'études de l'emploi; Flamand J. (2016), "Dix ans de transitions professionnelles : un éclairage sur le marché du travail français", Working paper, France Stratégie, March.

3. Picart C. (2014), "Une rotation de la main-d'oeuvre presque quintuplée en 30 ans. Plus qu'un essor des formes particulières d'emploi, un profond changement de leur usage", Working paper, No. F1402, Insee; Ibid.

4. CESE (2016), "L'impact du chômage sur les personnes et leur entourage : mieux prévenir et accompagner", Avis, May.

THE PERSPECTIVES FOR 2017-2027

Over the coming decade job market policies will be implemented in a context of wide-reaching structural changes. While some changes are assured, others are much more uncertain.

A GROWING AND HIGHLY-SKILLED WORKING POPULATION

As with all advanced economies, the baby boom generation in France has begun retiring and will continue to retire over the next few years, with an estimated 600,000 workers leaving the job market by 2022.⁵ However, this shortfall will be more than made up by the higher retirement age and the younger generations' entry in the job market (Graph 6) (the French National Statistics Office, Insee, forecasts the French working age population to increase by 3% between 2017 and 2027).

The question remains of how many workers from other EU countries and abroad will enter the French job market.

While a rise in the working-age population exemplifies a dynamic economy, it means new jobs will have to be created. What's more, younger workers are more qualified, with a higher level of education than the baby-boomer generation. While this has a favourable effect on non-cost competitiveness, innovation

and growth, its impact on employment will depend on how well the skills of younger workers are suited to the needs of the job market.

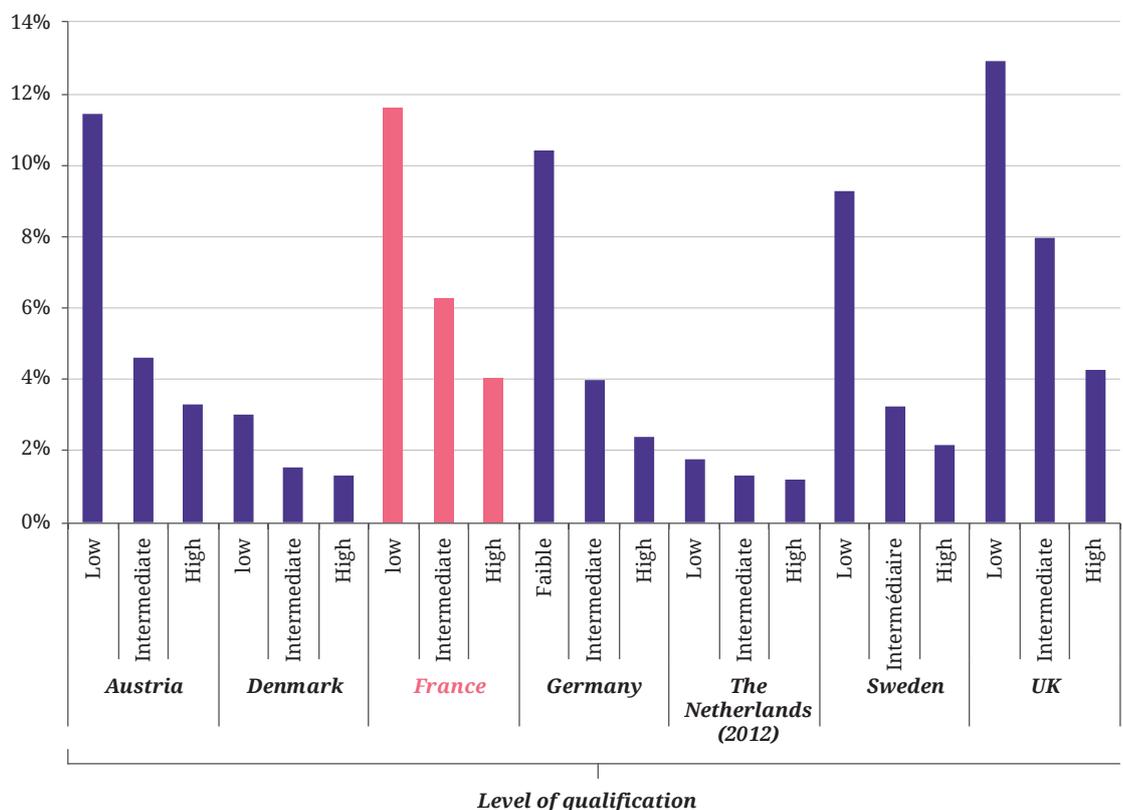
THE STRUCTURE OF EMPLOYMENT UNDERGOING PROFOUND CHANGES

France Stratégie has forecast⁶ that close to one out of five jobs will be for unskilled workers by 2022, with a concomitant increase in the demand for professionals and workers with intermediate skills, namely in the services sector (more than 42% of jobs in 2022).

The digital economy could exacerbate this polarisation of jobs. For example, delivery jobs for e-commerce could increase, while online companies could lead to an increase in workers who perform highly skilled tasks at a distance. This could put a squeeze on workers with intermediate skills, forcing them to compete with unskilled workers.

The public sector in France will also undergo substantial change, with a substantial number of workers retiring over the coming years. Their replacement and the question of reforming public services will impact both the level and the structure of employment in France.

6 JOB MARKET INSECURITY BY LEVEL OF QUALIFICATION, 2013

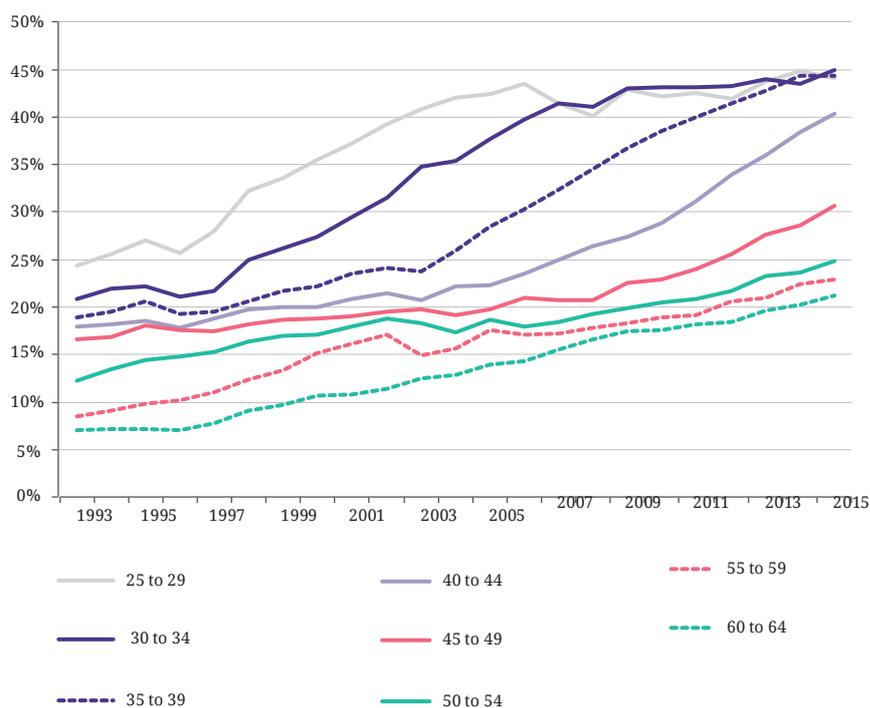


NOTE : Job insecurity is measured by the risk of unemployment and the subsequent loss in wages.
SOURCE : OCDE, Job Quality Database (2016)

5. France Stratégie/Dares (2015), *Les métiers en 2022*, report, April.

6. Ibid

5 THE PERCENTAGE OF UNIVERSITY-LEVEL GRADUATES, BY AGE



SOURCE: France Stratégie, based on Eurostat data.

UNCERTAIN PRODUCTIVITY GAINS

As with other advanced economies, productivity has been on the decline in France over the past few decades. While this trend could continue, it could also be reversed by new technologies. A continued drop could weigh on economic growth. Also, if wage increases exceed productivity gains, structural unemployment will result. On the other hand, if productivity bounces back, it could transform the job market, impacting the employment structure and job creation and destruction.

All in all, the evolution of the job market from 2017 to 2027 will depend a lot on our ability to strike a balance between workers with higher skills levels entering the job market and the demand for jobs that is being shaped by technological change and, in certain professions, workers retiring. It is certain that employment institutions and public policies must be adapted to this new reality.

LABOUR MARKET POLICY OPTIONS AND CATALYSTS

Policies to boost job growth are wide-ranging. Measures to stimulate the growth of companies, develop certain regions or industries and foster investment or innovation all have an impact on employment. This paper is limited to policies that entail spending specifically on job growth and resources devoted to developing skills and regulating the job market.

Targeted spending on things like unemployment insurance, training and aid in small business creation is quite stable, amounting to €51 billion in 2013, or 2.4% of France's GDP (the country is ranked seventh in Europe in this spending). General expenditures, which aim to lower the cost of labour through exemptions from social charges and tax credits, on the other hand, have risen over the past fifteen years, reaching €57 billion in 2015, or 2.6% of GDP.

Yet despite this colossal sum of €108 billion, or 5% of GDP, spent each year boosting employment, the French job market has a decidedly lacklustre record. How can this situation be turned around? One, workers' skills must meet employers' demands, which implies ensuring adequate training opportunities. Two, government spending to boost employment must be made more efficient. And three, there must be an appropriate regulatory framework that strikes a balance between security for workers and adaptability for companies.

ADAPTING SKILLS TO THE JOB MARKET

Work-study programmes

The relationship between schools and companies and skills and companies' needs is of central importance

in the transition from education to the workplace. In this context, public policy has sought to foster work-study programmes continually over the past thirty years. However, the number of students in such programmes in France has plateaued or decreased since 2011 despite a marked increase from 1990 to 2001 (440,000 to 600,000). At the same time, their numbers have increased among students pursuing higher-level degrees irrespective of the fact that their job prospects are better than their less educated peers.

The role of work-study programmes needs to be re-examined over the next decade: can they be extended? What should the role of local and national governments be? Should the state's financial support target more vulnerable students (i.e. those pursuing technical degrees)? How can skills acquired in jobs be enhanced in the classroom?

Continuing education

Despite the fact that companies, the government (both at the federal and local levels) and households spent €31 billion in 2012 (1.5% of GDP) on continuing education for workers and job seekers, unskilled workers and the unemployed have limited access to it in France. To counter this trend, an effort has been made to provide workers with individual tools to obtain training (e.g. training leaves of absence and a personal training account [*compte personnel de formation*]) and put in place programmes to help workers change career paths. France established the council for career development (*conseil en évolution professionnelle*) in 2015 to provide further support. The question remains, how can these initiatives made effective?

Given the likelihood of profound changes in the job market over the next decade, more needs to be done to keep workers' skills up to date and prevent a further increase in long-term unemployment. How can career training be made more accessible, transparent and responsive to changing needs? How can workers build on their job skills? And finally, how can skills acquired through training be given the same weight across different sectors?

SPENDING PRIORITIES TO FOSTER EMPLOYMENT

Lowering the cost of labour

France has pursued a policy of exempting employer contributions on low wages for the past twenty-five years. This is tied up with the overall policy of redistributing wealth through a relatively high and uniform legal minimum wage when compared to the minimum wages in proportion to the median wage in other countries.

While this has reduced wage inequality and boosted job quality, its effect on poverty has been uncertain for the simple reason that a large portion of the population is jobless or forced to work part time. Moreover, the cost of exemptions on low-paying jobs for employers is rising.

Given employer contributions on minimum wage payrolls are now down to zero, should the French government institute exemptions on unemployment insurance or complementary pension contributions if it wishes to continue to reduce the cost of labour? Or rather should it reassess how it finances social protection? It could target, for example, all income or institute a consumption or carbon tax as a means for funding it. In this way the overall cost of labour could then be reduced for all job levels as a way to boost competitiveness.

Another possible path of action would be to set the minimum wage according to age or the region or even the sector, effectively differentiating it to boost low-skilled employment. Fiscal and social measures would instead be implemented to fight poverty and redistribute wealth (e.g. work bonuses [*prime d'activité*], tax credits and social benefits).

Policies encouraging work

As of January 2016 France offers workers a bonus (*prime d'activité*) to round out their wages, the logic being to help workers who earn little and incite the unemployed to take up low-paying jobs. For single workers without children, those who make less than 1.3 times the minimum wage are entitled to benefit.

With a total cost of €4 billion, the effect of this measure has yet to be seen. Past experience shows, however, that women are more likely to take advantage of it, and whether they do or not depends on their family situation. This is because in many cases welfare recipients do not take up low-wage jobs due to family obligations or health reasons. If such initiatives are to be continued, how can they be designed to encourage workers to take advantage of them and, ultimately, create new jobs? Moreover, how can they be combined with other types of aid designed to help with considerations that directly impact work life, such as transport, childcare and healthcare?

Aid for the unemployed

In a context of workers changing jobs more often and an increase in the number of short-term contracts, it is important the government spend on measures to incite people to enter the job market. Unemployment insurance is central in this regard.

In 2014, France made the important decision to allow jobless workers to save their unused unemployment insurance – the rights to which were accumulated in their previous job – in the event they take up a new position.

At the same France updated its national employment centre (*pôle emploi*), which was created in 2008, and put in place new forms of individualised aid for job seekers. What's more, the country offers unskilled workers and young graduates the opportunity of negotiating a contract it subsidises (*contrats aidés*), encouraging employers to take on the most vulnerable in the job market.

Nevertheless, consistently high unemployment and an increase in workers going in and out of employment blunts the effectiveness of these initiatives. According to the Ministry of Labour's statistics office (Dares), roughly one in two job seekers did not receive unemployment insurance in 2015, and a third of the jobless live under the poverty threshold.

Aid for job seekers remains insufficiently personalised and adapted to the diversity of career paths and experiences today. In light of this, should spending be redirected to get more people into the job market or training programmes? Should the balance with wage compensation measures be modified? Or should the unemployment insurance itself be tweaked (i.e. duration, rates or ceilings)? Should what companies contribute and what is paid out to the unemployed vary according to the risk of job loss? And what should the balance be between the rights and responsibilities of workers depending on the level of risk?

HOW A REGULATORY FRAMEWORK CAN BOOST THE JOB MARKET

Beyond spending, the rules governing working hours, job contracts and social dialogue can also serve to spur employment policies.

Working hours

With respect to working hours, France reduced the legal duration of the working week from 39 hours to 35 hours in 2000. At the same time, it exempted certain employer contributions in order to reduce the cost of low-wage jobs.

Nevertheless, the possibility of adapting working hours to industry-specific constraints has since been developed, increasingly as part of company-level collective agreements (e.g. pay agreements covering days worked and not hours [*forfait jours*]). Striking a balance between the legal duration of the workweek and flexible working hours has, however, led to inequality between employees of SMEs and those of large companies.

France's singular decision to set the duration of the legal workweek at a relatively low level and encourage full-time employment has resulted in low rates of part-time employment and longer part-time contracts when they do exist. While this has resulted in a small gap between men and women in terms of hours worked – though the latter are more likely to work part-time – it has increased the workload for certain workers or made it difficult for them to achieve a healthy work-life balance.

The focus on the duration of the workweek in France has meant there hasn't been a wider debate on how to reconcile worker expectations and company needs when it comes to working hours. In other words, how can quality of life be reconciled with competitiveness and employment?

Should the legal duration be changed again? Or should there instead be greater differentiation between dif-

ferent sectors, companies and individuals? And how will this impact wages and time off?

Should those who wish to work part-time for short periods of time be encouraged to do so, as is the case in Germany and the Netherlands, for example, with respect to senior citizens and young people? If so, how can the negative impact of part-time work on careers and pensions be mitigated?

Lastly, what measures should be used to adapt working hours? An "account" to save time off not used that can then be transferred from one job to the next (*compte épargne-temps*)? Rights to sabbatical leaves?

Employment contracts

Policies regarding the contractual relationship between employee and employer in France have alternated between reinforcing worker protection and making work more flexible, both for fixed-term and permanent contracts.

For example, for layoffs involving a group of employees measures have been introduced to protect workers' rights and at the same time encourage out-of-court settlements. In terms of individual layoffs, in 2008 the French government implemented the possibility of terminating a contract by mutual agreement (*rupture conventionnelle*), allowing workers to keep certain rights (e.g. unemployment insurance) and precluding the need for a grounds for dismissal. There remains, however, much debate regarding layoffs, and employers are still wary of litigation in workers' tribunals (*conseils des prud'hommes*).

The government has also made it possible for employers to make use of fixed-term contracts more often. But apart from the job insecurity that results, the net cost of this is considerable: close to €6 billion in 2014 (excluding interim and interim workers in the arts [*intermittents*]). Moreover, the rules tend to favour successive fixed-term contracts rather than permanent ones.

This has led to a predicament where part of the working population today has difficulty finding permanent employment, leading to a two-tier job market. Faced with this, should the government provide companies with financial incentives to sign more permanent contracts? Or should it instead penalize employers taking advantage of fixed-term contracts? Perhaps a third-party body should oversee fixed-term contracts to provide such workers with more stability? Another solution would be to meld the two types of contracts, i.e. make permanent contracts more flexible by modifying the rights that are related to them.

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Social dialogue

Collective bargaining is also an effective regulatory tool for employment policy. It is a means for enhancing job quality and spurring economic growth. There has been a trend in France since the 1980s of recognising companies as the relevant place for collectively adapting job and working conditions to the economic context.

However, a lack of trust between employers and unions, a low rate of unionisation (9% of salaried workers in 2013 in the private sector), a lack of staff representatives in many companies and high unemployment have stalled this process.

Against a backdrop of declining productivity and low inflation, wage negotiations are important. They should aim to adapt pay to the economic context and productivity perspectives. Should then more latitude be given to company-level negotiations? If so, at what point is there a risk of social dumping within a given sector? And what is the role of negotiations on an industry level, which remain crucial, especially for SMEs? How can industries be organised so negotiations can meet their individual specificities while providing a pay framework that fosters new business and worker mobility?

How can compromises be struck to give companies the staff flexibility they need to adapt to the ups and downs of the market while protecting employees and their skills? And if company-level negotiations continue to rise in importance, how can the role of the different parties that negotiate be strengthened and at the same time workers be given an increased say in strategic decisions affecting employment?



Taking stock of global growth over the next decade



Job benefits and protections for 21st century workers



Boosting competitiveness



Capitalising on the digital revolution



Investing in youngsters while dealing with an ageing population



Climate action: now or never



Educational priorities



Europe at a crossroad: moving beyond constructive ambiguity



Debt, deficits and expenditure: Prospects for public finances



Employment and labour market policies



Regional dynamics and inequalities



The economic model and income distribution



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