Flash Economics

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How can labour productivity in France be improved?

While labour productivity continues to rise fairly rapidly in the United States and has remained stagnant across the eurozone since 2017, it has actually declined by 2.4% in France between 2019 and today.

How can this drop in labour productivity be explained?

- By the expansion of apprenticeship schemes, which is the only favourable cause of this decline;
- By the rise in absenteeism;
- By the continued survival of struggling businesses after the Covid crisis – their eventual failure may lead to a temporary improvement in productivity;
- By the low skill levels within the workforce;
- By the poor quality of the education system;
- By the limited size of the industrial and technology sectors, along with insufficient investment in new technologies;
- By the lack of automation and robotisation;
- By the strong protection of employment, which slows down the replacement of less productive jobs with more productive ones.

The list of factors in need of improvement is so extensive that one may doubt France's ability to regain productivity growth in the future. This is, of course, a major issue, as it reduces tax revenues and prevents real wage increases without eroding business profit margins.

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France's particularly troubled situation in terms of labour productivity

Chart 1A shows the evolution of labour productivity since 2010 in the United States, the eurozone, and France; Chart 1B focuses specifically on France.

Chart 1A
Productivity per head (2010.Q1 = 100)

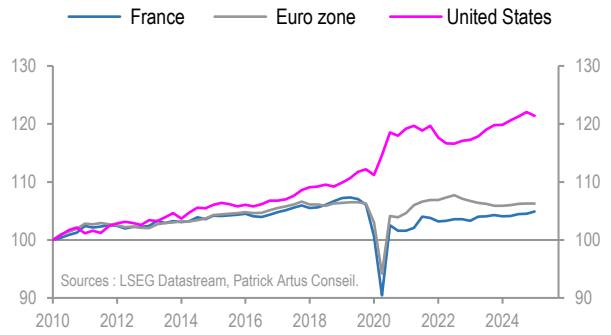
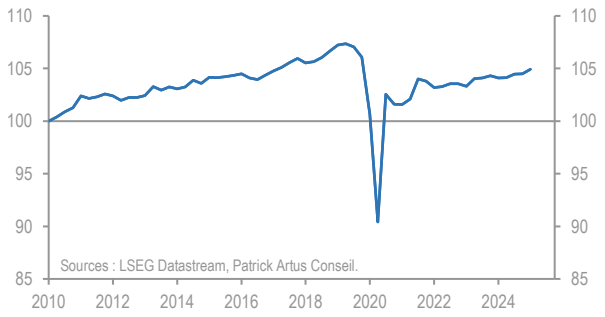


Chart 1B
France: Productivity per head (2010.Q1 = 100)



It is clear that productivity continues to grow at a fairly rapid pace in the United States, has stagnated in the eurozone since 2017, and has declined by 2.4% in France since 2019 (this figure was recently revised—previously, a 4% drop in productivity had been recorded). Periodically, some economists argue that labour productivity in France is set to recover. However, there is reason to be more pessimistic, since **the decline in productivity is largely due to structural causes** that are likely to persist.

Are there cyclical factors that could lead to a recovery in productivity?

Two short-term factors may potentially have a positive impact on labour productivity in France. First, **the reduction in apprenticeship subsidies**: employers hiring apprentices currently receive €5,000 in aid for the first year of contract for companies with fewer than 250 employees, and €2,000 for larger firms.

This replaces the €6,000 flat-rate subsidy introduced at the end of 2022, which itself replaced the €8,000 subsidy in place since 2020. As a result, we can expect the number of apprentices in France to decline (1,043,000 at the end of 2024, compared to 479,000 in 2019). The previous rise in apprenticeship numbers contributed to lower productivity, so this effect should now partly fade.

Second, many companies have been **artificially kept afloat** since 2020 through public support, notably via state-guaranteed loans (PGE). These businesses should have exited the market. The recent increase in **business failures since 2023**—31,200 in 2020, 27,600 in 2021, 41,300 in 2022, 56,000 in 2023, 65,000 in 2024, and 17,800 in the first quarter of 2025—should eliminate a number of low-productivity firms, thereby contributing to a recovery in productivity.

However, we believe that the **many structural factors weighing on productivity will outweigh these short-term improvements**.

Structural factors depressing productivity in France

These factors are numerous and include:

- **The rise in absenteeism** (Chart 2), which reflects a weakened attachment to the value of work;

Chart 2
France: Absenteeism rate (as %)



- The low skill levels within the active population (Table 1);

Table 1: Results of the OECD PIAAC survey (by decreasing score from the 2023 survey, overall score*)

Country	2016	2023
Finland	285	289
Japan	292	285
Sweden	279	281
Netherlands	282	276
Canada	269	267
Germany	271	267
England (UK)	267	266
France	258	253

* In 2016, average score in numeracy and literacy
Source: OECD

- The poor quality of the education system (Table 2);

Table 2: Results of OECD PISA surveys (overall score, by decreasing score in the 2022 survey)

Country	2012	2015	2018	2022
Japan	540	529	520	533
Canada	522	523	517	506
Finland	529	523	516	495
United Kingdom	502	500	503	494
Sweden	482	496	503	487
Germany	515	508	500	482
Netherlands	519	508	502	480
France	500	496	494	478

Source: OECD

- The relatively small size of the industrial sector (Chart 3) and the technology sector (Chart 4), combined with weak investment in new technologies (Chart 5);

Chart 3
Real value added in manufacturing
(as % of real GDP)

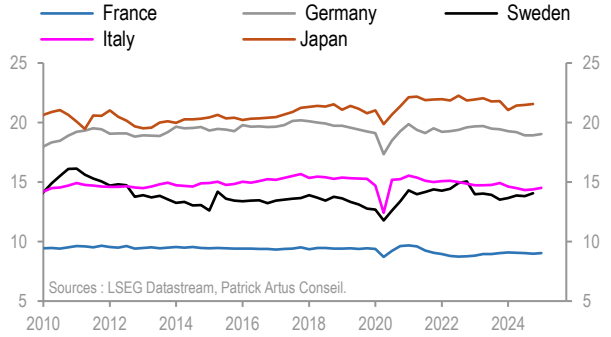


Chart 4
Gross value added of the ICT sector
(as % of nominal GDP)

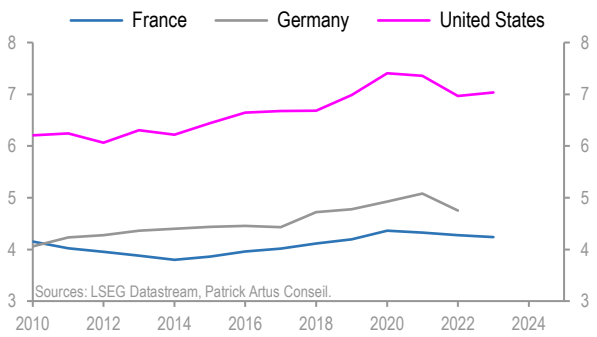
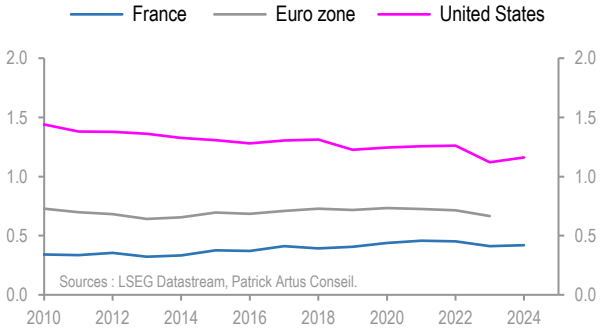


Chart 5
Investment in information and communication
technologies (in value terms, as % of nominal GDP)



- The insufficient level of automation and robotisation (Table 3);

Table 3 : Robots installed per 10,000 employees in the manufacturing industry (2023)

Country	Robots installed per 10,000 employees
South Korea	1012
Singapore	770
China	470
Germany	429
Japan	419
Sweden	347
Denmark	306
Slovenia	306
Switzerland	302
United States	295
Taiwan	294
Netherlands	264
Austria	245
Italy	228
Canada	225
Belgium	224
Czech Republic	207
Slovakia	201
France	**186**
Spain	174

Source : World Robotics 2024

- The high level of employment protection (Table 4), which hinders the reallocation of jobs from less productive firms to more productive firms.

Table 4 : Strictness of employment protection* (2019)

Strictness of employment protection	France	Germany	Sweden	Danemark	United Kingdom	United States
Individual and collective dismissals (regular contracts)	2.68	2.33	2.54	1.94	1.90	1.31
Collective dismissals	3.25	2.61	2.72	2.18	2.31	1.33
Individual dismissals (regular contracts)	2.45	2.22	2.48	1.84	1.74	1.30
Temporary contracts	2.58	1.67	1.55	1.60	0.41	0.27

* Scale from 0 to 6, with values increasing with the degree of stringency of regulation
Sources : OECD

Summary: Do not overlook the structural causes behind the decline in labour productivity in France

The fall in labour productivity in recent years can be partly explained by the expansion of apprenticeship and the artificial survival of struggling, low-productivity businesses. These factors are likely to fade in the coming years. However, it is crucial not to overlook the long-term structural causes behind the weakness in productivity in France: high absenteeism, poor skills and education quality, weak industrial and technological base, lack of automation, and rigid employment protection.

Therefore, one should not expect a significant recovery in labour productivity in the foreseeable future.

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