# Flash Economics

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# What are the urgent economic policy priorities in France?

What are the most important economic policy measures a government should implement in France?

- Improve the quality of the education system; without such improvement, youth employment rates will remain low, as will the country's technological level.
- Modernise the productive apparatus; companies spend too little on research and development and invest insufficiently in new technologies, which largely explains the decline in labour productivity.
- Reduce the weight of social protection spending and increase necessary public investment; this likely implies under-indexing pensions to prices and trimming the generosity of health insurance.
- Create the conditions to make postponing the retirement age feasible: effective lifelong vocational training, shifting from job protection to the protection of individuals and their skills.
- Simplify the organisation of the State and local authorities by establishing a system in which a single administrative entity is responsible for each State function.

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## Top economic policy priority in France: improving the quality of the education system

**The low effectiveness of the French education system is well known**. It is clearly highlighted by international assessments (PISA, TIMSS, Tables 1 and 2).

Table 1: Results of the OECD PISA surveys (overall score, ranked in descending order based on the 2022 survey)

| Country | 2022 |
|---|---|
| **Japan** | 533 |
| **Canada** | 506 |
| **Finland** | 495 |
| **Germany** | 482 |
| **Netherlands** | 480 |
| **France** | 478 |

Source: OECD

Table 2 : Trends in International Mathematics and Science Study, TIMSS 2023: Achievement Results in Mathematics and Science (by decreasing score)

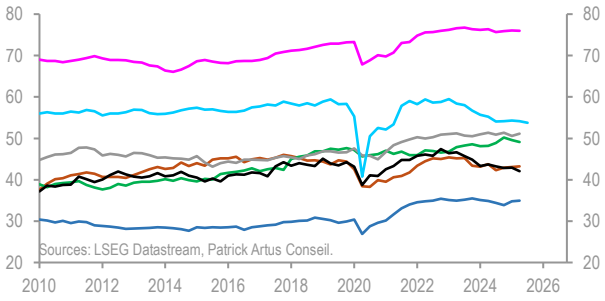
| Grade 4 | | | | Grade 8 | | | |
|---|---|---|---|---|---|---|---|
| **Average Mathematics Achievement** | | | **Average Science Achievement** | **Average Mathematics Achievement** | | | **Average Science Achievement** |
| Singapore | 615 | | Singapore | 607 | Singapore | 605 | | Singapore | 606 |
| Chinese Taipei | 607 | | Korea, Rep. of | 583 | Chinese Taipei | 602 | | Chinese Taipei | 572 |
| Korea, Rep. of | 594 | | Chinese Taipei | 573 | Korea, Rep. of | 596 | | Japan | 557 |
| Hong Kong SAR | 594 | | Türkiye | 570 | Japan | 595 | | Korea, Rep. of | 545 |
| Japan | 591 | | England | 556 | Hong Kong SAR | 575 | | England | 531 |
| Macao SAR | 582 | | Japan | 555 | England | 525 | | Finland | 531 |
| Lithuania | 561 | | Poland | 550 | Ireland | 522 | | Türkiye | 530 |
| Türkiye | 553 | | Australia | 550 | Czech Republic | 518 | | Hong Kong SAR | 528 |
| England | 552 | | Hong Kong SAR | 545 | Sweden | 517 | | Czech Republic | 527 |
| Poland | 546 | | Finland | 542 | Lithuania | 514 | | Ireland | 525 |
| Ireland | 546 | | Lithuania | 537 | Austria | 512 | | Hungary | 522 |
| Romania | 542 | | Macao SAR | 536 | Australia | 509 | | Sweden | 521 |
| Netherlands | 537 | | Sweden | 533 | Türkiye | 509 | | Australia | 520 |
| Latvia | 534 | | United States | 532 | Hungary | 506 | | Lithuania | 519 |
| Norway | 531 | | Ireland | 532 | Finland | 504 | | United States | 513 |
| Czech Republic | 530 | | Norway (5) | 530 | Norway (9) | 501 | | Austria | 512 |
| Sweden | 530 | | Bulgaria | 530 | Italy | 501 | | Portugal | 506 |
| Bulgaria | 530 | | Romania | 526 | Malta | 499 | | Malta | 501 |
| Finland | 529 | | Czech Republic | 526 | Romania | 496 | | Italy | 501 |
| Australia | 525 | | Slovenia | 526 | Cyprus | 494 | | Norway | 488 |
| Germany | 524 | | Latvia | 526 | United Arab Emirates | 489 | | United Arab Emirates | 486 |
| Denmark | 524 | | Hungary | 524 | United States | 488 | | **France** | **486** |
| Serbia | 523 | | Denmark | 522 | Israel | 487 | | Qatar | 481 |
| Belgium (Flemish) | 521 | | Canada | 521 | **France** | **479** | | Israel | 481 |
| Hungary | 520 | | Slovak Republic | 521 | Azerbaijan | 479 | | Romania | 466 |
| Portugal | 517 | | New Zealand | 517 | Portugal | 475 | | Cyprus | 464 |
| United States | 517 | | Netherlands | 517 | Georgia | 467 | | Oman | 456 |
| Cyprus | 516 | | Germany | 515 | Kazakhstan | 454 | | Chile | 455 |
| Slovak Republic | 515 | | Portugal | 511 | Qatar | 451 | | Bahrain | 452 |
| Slovenia | 514 | | Italy | 511 | Bahrain | 426 | | Georgia | 448 |
| Italy | 513 | | Serbia | 510 | Iran, Islamic Rep. of | 423 | | Kazakhstan | 443 |
| Armenia | 513 | | Spain | 504 | Uzbekistan | 421 | | Malaysia | 426 |
| Albania | 512 | | United Arab Emirates | 495 | Chile | 416 | | Brazil | 420 |
| Canada | 504 | | Albania | 491 | Oman | 411 | | Kuwait | 420 |
| Spain | 498 | | Belgium (Flemish) | 488 | Malaysia | 411 | | Saudi Arabia | 419 |
| United Arab Emirates | 498 | | **France** | **488** | Kuwait | 399 | | Iran, Islamic Rep. of | 419 |
| Georgia | 498 | | Cyprus | 487 | Saudi Arabia | 397 | | Jordan | 413 |
| Azerbaijan | 494 | | Belgium (French) | 481 | South Africa | 397 | | Azerbaijan | 411 |
| New Zealand | 490 | | Chile | 479 | Jordan | 388 | | Uzbekistan | 396 |
| Belgium (French) | 489 | | Bahrain | 475 | Palestinian Nat'l Auth. | 382 | | Palestinian Nat'l Auth. | 393 |
| Kazakhstan | 487 | | Qatar | 472 | Brazil | 378 | | South Africa | 362 |
| **France** | **484** | | Kazakhstan | 467 | Morocco | 378 | | Morocco | 327 |
| Montenegro | 477 | | Georgia | 465 | **Average** | **478** | | **Average** | **478** |
| North Macedonia | 474 | | Montenegro | 461 | | | | | |
| Qatar | 464 | | Armenia | 457 | | | | | |
| Bahrain | 462 | | Bosnia & Herzegovina | 448 | | | | | |
| Kosovo | 451 | | North Macedonia | 439 | | | | | |
| Bosnia & Herzegovina | 447 | | Oman | 433 | | | | | |
| Chile | 444 | | Iran, Islamic Rep. of | 432 | | | | | |
| Uzbekistan | 443 | | Saudi Arabia | 428 | | | | | |
| Jordan | 427 | | Brazil | 425 | | | | | |
| Oman | 421 | | Azerbaijan | 422 | | | | | |
| Iran, Islamic Rep. of | 420 | | Jordan | 418 | | | | | |
| Saudi Arabia | 420 | | Uzbekistan | 412 | | | | | |
| Brazil | 400 | | Kosovo | 403 | | | | | |
| Morocco | 393 | | Morocco | 390 | | | | | |
| Kuwait | 382 | | Kuwait | 373 | | | | | |
| South Africa | 362 | | South Africa | 308 | | | | | |
| **Average** | **503** | | **Average** | **494** | | | | | |

Sources: IEA, Trends in International Mathematics and Science Study

If this low quality of the education system, particularly in scientific subjects, persists, the following can be expected:

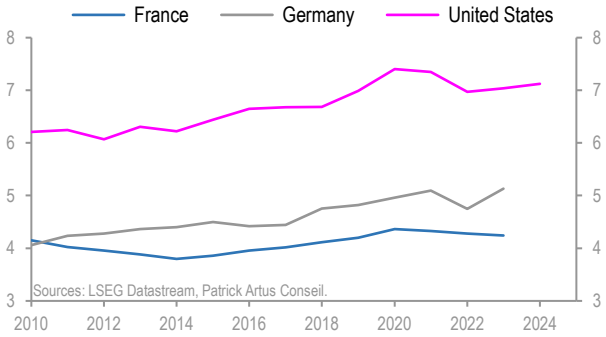
- **a persistent low employment rate among young French people** (**Chart 1**);

**Chart 1**
**Employment rate of population aged 15 to 24 (as %)**




- **the inability to raise the country's technological level** (**Chart 2**);

**Chart 2**
**Gross value added of the ICT sector**
**(as % of nominal GDP)**



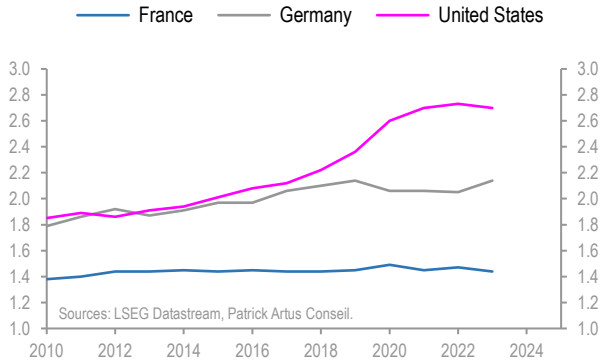

hence the persistence of weak growth and ongoing fiscal difficulties.

## Second economic policy priority in France: modernising the productive apparatus

It is clear that French companies:

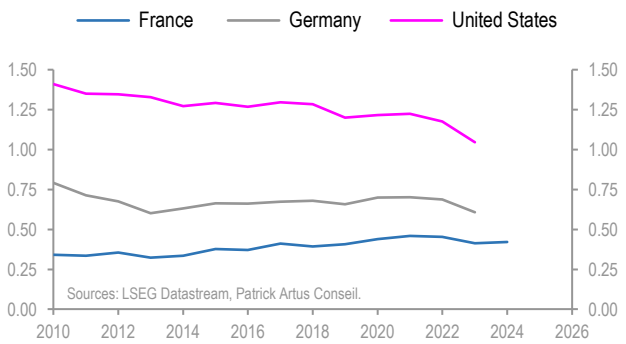
- **do not spend enough on research and development** (**Chart 3**);

**Chart 3**
**Corporate R&D spending (as % of nominal GDP)**



- do not invest sufficiently in new technologies (Chart 4).

Chart 4
ICT investment (in value terms, as % of nominal GDP)




This lacklustre modernisation of companies explains the decline in labour productivity since 2019 (Chart 5).

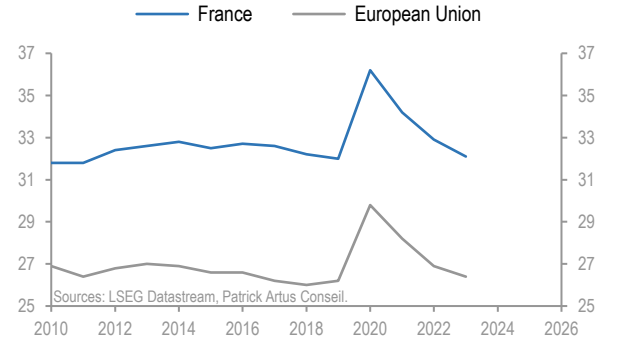
Chart 5
France: Productivity per head (2010.Q1 = 100)




## Third economic policy priority: reducing the weight of social protection spending and increasing the share of necessary public investment

Health and social protection expenditures are significantly higher in France than in other European Union countries (Chart 6).

Chart 6
Public expenditure on health and social protection
(as % of nominal GDP



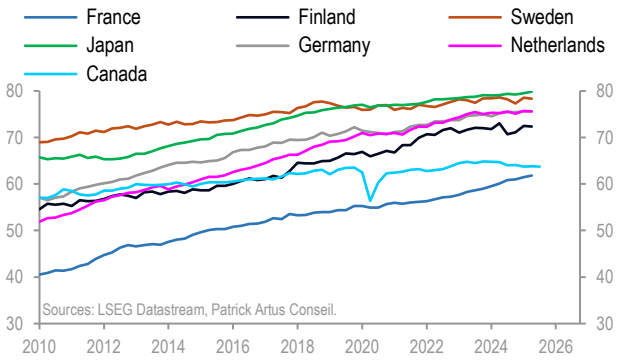

This results from the French preference for security and consumption. However, this preference will need to change to allow for an increase in public investment spending (in energy transition, digital technology, and training), which remains insufficient as highlighted by the Draghi report. This will notably require the sustained under-indexing of pensions to prices and a reduction in the generosity of health insurance.

If this shift in public spending priorities is not carried out, state underinvestment will persist, leading to delays in the energy transition and the development of digital industries.

## Fourth economic policy priority in France: establishing the conditions to make postponing the retirement age possible

**The employment rate of people aged 55-64 is low in France** (Chart 7).

Chart 7
Employment rate of population aged 55 to 64 (as %)




**However, postponing the retirement age alone is not enough; mechanisms must be put in place to make this postponement feasible**:

- effective lifelong vocational training;
- the ability to change careers for individuals working in physically demanding jobs;
- **a shift from strong job protection (Table 3) to protection of individuals and their skills**, following the Danish model. If France protected skills rather than jobs, there would be a faster job turnover towards more qualified positions in more modern companies, which would boost labour productivity.

Table 3: Strictness of employment protection* (2019)

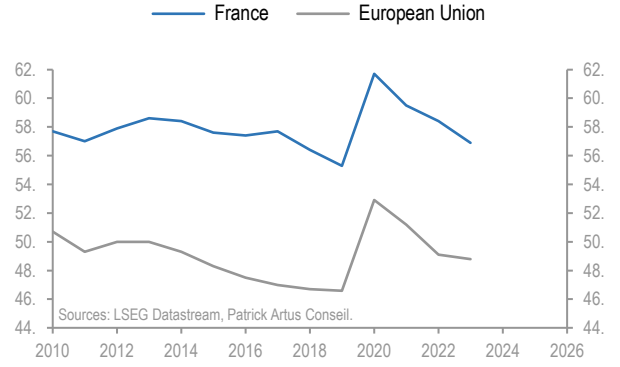
| Strictness of employment protection | France | Denmark |
|---|---|---|
| Individual and collective dismissals (regular contracts) | 2.68 | 1.94 |
| Collective dismissals | 3.25 | 2.18 |
| Individual dismissals (regular contracts) | 2.45 | 1.84 |
| Temporary contracts | 2.58 | 1.60 |

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

## Fifth economic policy priority for France: simplifying the organisation of the State and local authorities

Establishing a public administration structure modelled after Swedish agencies, where a single entity is responsible for each State function, would significantly reduce public spending without compromising the quality of public services (**Chart 8**).

Chart 8
Public spending (as % of nominal GDP)



## Summary: five urgent economic policy priorities which, if not implemented, will lead to low growth and innovation capacity as well as a persistently high public deficit

If France:

- does not improve the efficiency of its education system;
- does not modernise its productive apparatus;
- does not curb the weight of social spending to increase necessary public investments (energy transition, digital sector);
- does not establish the conditions necessary to enable postponing the retirement age (training, professional retraining);
- does not simplify the organisation of the State and local authorities;

France will continue to experience very low labour productivity growth, technological lag, and budgetary imbalance issues.

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