Flash Economics

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Economic policy priorities in France

To rectify France's economic and social situation, we believe that the priorities of economic policy, in the broadest sense, should be, in descending order of importance:

- Reforming the education system, which would improve the academic performance of young French people, particularly in science subjects, increase youth employment rates, and facilitate reindustrialisation and the development of digital services;
- Curb social protection spending and transfers to households and redirect them toward investment, research and development, or business investment support, which would help restore productivity gains and develop strategic sectors (digital, nuclear, critical materials, equipment for the energy transition);
- Shift from job protection to the protection of individuals and skills, which would enable the economy to move upmarket, increase spending on research and development and boost the number of technology companies, and delay the retirement age—a move that implies better training for older workers.

Patrick Artus
Senior Economic Advisor
patrick.artus-ext@ossiam.com
@PatrickArtus
Patrick Artus

Isabelle Gravet
Research Assistant
isabelle.gravet-ext@ossiam.com

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First priority: the essential reform of France's education system

The French education system is of very poor quality. This is demonstrated by:

- France's score on the OECD's PISA assessment (**Table 1**);

Table 1: Results of OECD PISA surveys (overall score, by decreasing score in the 2022 survey)

Country	2018	2022
Japan	520	533
Canada	517	506
Finland	516	495
United Kingdom	503	494
United States	495	489
Sweden	503	487
Germany	500	482
France	**494**	**478**

Source: OECD

- Its score on the TIMSS assessment (**Table 2**);

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

Grade 4			
Average Mathematics Achievement		Average Science Achievement	
Country	Score	Country	Score
Singapore	615	Singapore	607
Chinese Taipei	607	Korea, Rep. of	583
Korea, Rep. of	594	Chinese Taipei	573
Hong Kong SAR	594	Türkiye	570
Japan	591	England	556
Lithuania	561	Japan	555
Türkiye	553	Poland	550
England	552	Australia	550
Poland	546	Hong Kong SAR	545
Ireland	546	Finland	542
Romania	542	Lithuania	537
Latvia	534	Sweden	533
Norway	531	United States	532
Czech Republic	530	Ireland	532
Sweden	530	Norway	530
Bulgaria	530	Bulgaria	530
Finland	529	Romania	526
Australia	525	Czech Republic	526
Germany	524	Slovenia	526
Denmark	524	Latvia	526
Hungary	520	Hungary	524
Portugal	517	Denmark	522
United States	517	Canada	521
Cyprus	516	Slovak Republic	521
Slovak Republic	515	New Zealand	517
Slovenia	514	Netherlands	517
Italy	513	Germany	515
Canada	504	Portugal	511
Spain	498	Italy	511
United Arab Emirates	498	Serbia	510
New Zealand	490	Spain	504
France	**484**	**France**	**488**
Average	**503**	**Average**	**494**

Sources: IEA, Trends in International Mathematics and Science Study

Only 3% of children in France achieved an advanced level in mathematics in the TIMSS survey, compared with 10% across all countries, 15% in the United Kingdom, 40% in South Korea, and 46% in Singapore.

- The high number of young people leaving the education system without a job or qualifications (NEETs, **Table 3**).

Table 3: Youth not in employment, education or training aged 15 to 29 (NEET, as %)

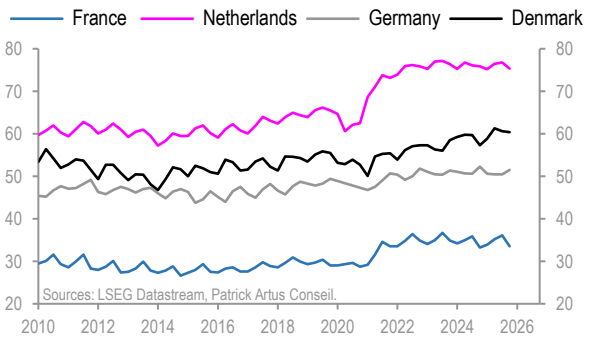
Country	NEET (as %)
Italy	15.2
Greece	14.2
France	**12.5**
Spain	12.0
Finland	10.0
Poland	9.4
Portugal	8.7
Germany	8.7
Denmark	8.0
Slovenia	7.6
Sweden	6.3
Netherlands	4.9

Sources: LSEG Datastream, Eurostat

Improving the quality of the education system, particularly in science subjects, would:

- **Increase the employment rate among young people** (**Chart 1**);

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



- **Assist reindustrialisation** (**Chart 2**) and the development of digital services (**Chart 3**).

Chart 2
Real value added in manufacturing
(as % of real GDP)

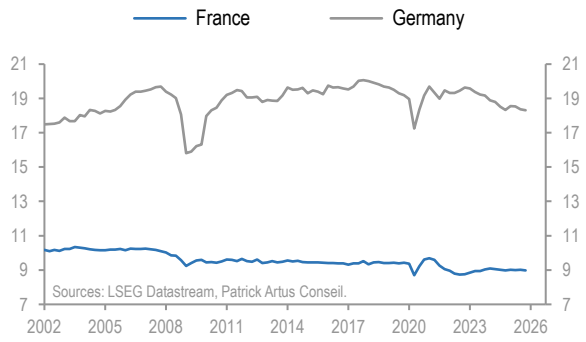
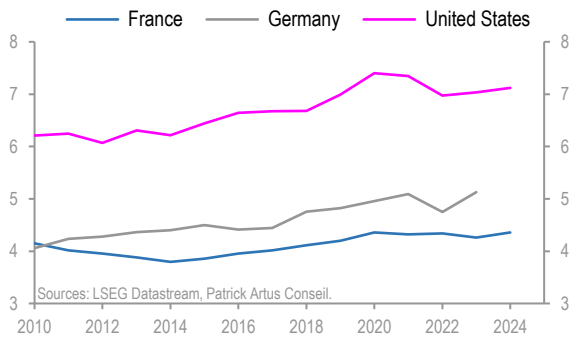


Chart 3
Gross value added of the ICT sector
(as % of nominal GDP)



Reform of the education system will likely involve better training and higher pay for teachers, a shift in teaching methods (moving away from lectures and giving pupils greater autonomy), and a focus on resources for the years during which pupils' basic skills are developed (nursery and primary school).

Second priority: curbing social security spending, to afford supporting investment and research and development

Social protection expenditure is very high as a proportion of GDP in France (**Chart 4**), a situation attributable to the low employment rate (**Chart 5**), the difficulties faced by young people in entering the labour market – as documented above – and the early statutory retirement age.

Chart 4
Public expenditure on health and social protection (as % of nominal GDP)

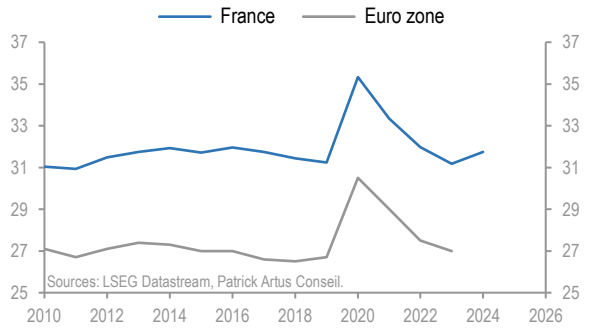
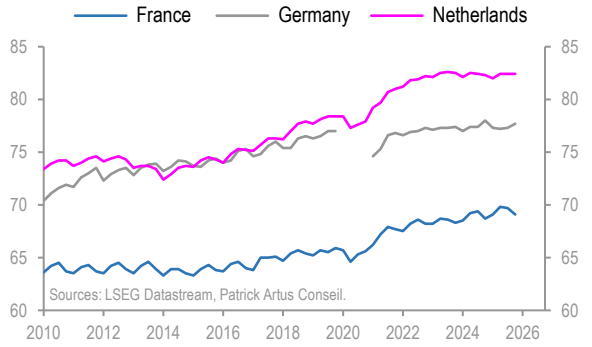
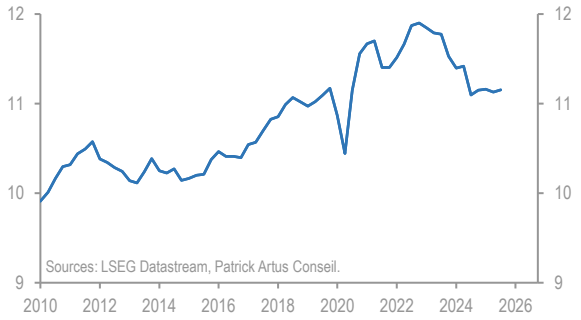


Chart 5
Employment rate of population aged 15 to 64 (as %)



This high level of social protection spending prevents the State from providing sufficient support for the education system (see above) or business investment (**Chart 6**), particularly in the energy transition and digital services.

Chart 6
France: Investment of corporations (in value terms, as % of nominal GDP)



It reveals a **high tax burden** (**Chart 7**), which notably reduces businesses' ability to invest and to increase their research and development expenditure (**Chart 8**).

Chart 7
Tax burden (as % of nominal GDP)

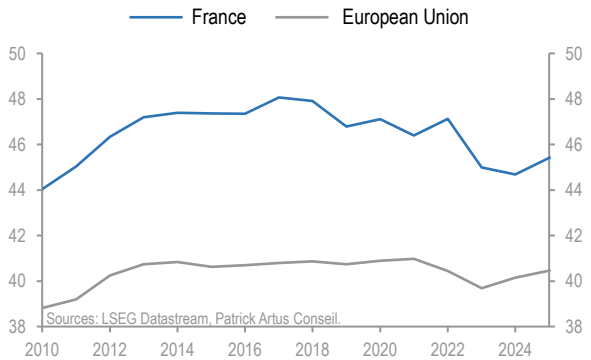
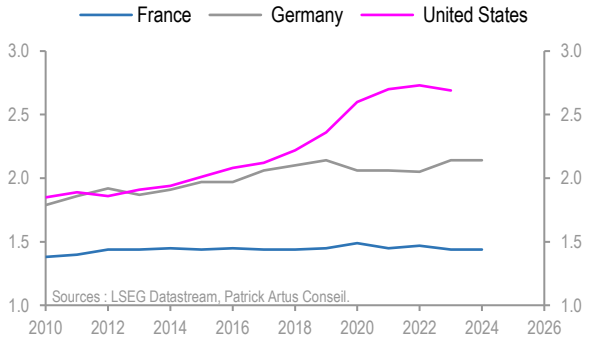


Chart 8
Corporate R&D spending (as % of nominal GDP)



Instead of further prioritising increases in social transfers and purchasing power, it is necessary to **acknowledge that the priority is to address France's underinvestment**; this means curbing the rise in social protection expenditure and transfers to households, to have the resources to spend more on essential investments.

If the **priority were to be in increased investment (both public and private) and spending on research and development**, this could lead to:

- **A recovery in productivity** (**Chart 9**);

Chart 9
France: Productivity per head (2002.Q1 = 100)



- **Faster growth in strategic sectors**: digital services, nuclear energy, the production of critical materials, and the manufacture of equipment for the energy transition.

Third priority: shifting the focus from job protection to protecting people and skills

France is characterised by **strong employment protection**, which means that **redundancies entail very high restructuring costs** (an average of 38 months' salary, covering severance pay and the duration of the redundancy process, during which employees continue to be paid by the company even though they are no longer required for its operations[1]). Employment protection has many drawbacks:

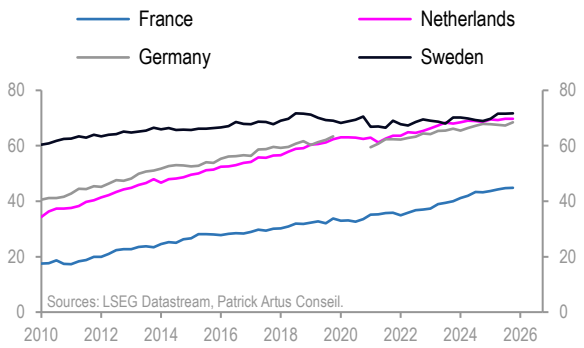
- Discouraging investment in highly volatile sectors or in projects with a relatively high probability of failure;
- Keeping technologically obsolete companies afloat;
- A lack of job transfers from declining companies or sectors to innovative and growing companies or sectors.

Shifting to a model that prioritises the **protection of workers and skills** (as in Denmark, Switzerland and Sweden), with low costs associated with redundancies but a significant investment in training for those who lose their jobs, would enable France to rapidly develop sectors of the future (information and communication technologies, biotechnology, etc.) and raise the skill levels of the workforce.

Furthermore, **this training and reskilling initiative is essential if the country is to raise the retirement age** and address the low employment rate among people aged over 60 (**Chart 10**).

[1] COATANLEM, Y. et COSTE, O. Cost of failure, disruptive innovation and targeted flexicurity. IEP@ BU Working Paper, Bocconi University, 2025.

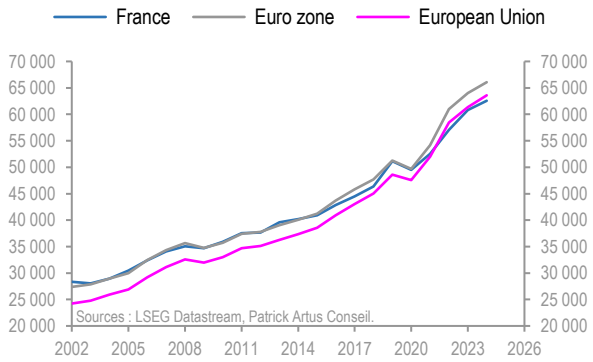
Chart 10
Employment rate of population aged 60 to 64 (as %)



Summary: three essential reforms to revive the French economy

Unless the quality of the French education system is improved, unless social security spending is curbed in favour of public and private investment and research and development expenditure, and unless job protection is replaced by the protection of individuals and skills, France will continue to experience economic decline (Chart 11).

Chart 11
GDP per capita (PPP USD)



If the three reforms suggested here are not implemented, this decline would stem from persistently low employment rates, a lack of productivity gains, underinvestment, and insufficient spending on research and development.

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