Flash Economics

N° 109
November 3rd, 2026

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Seven economic policy proposals for France

We believe that an economic policy capable of putting the French economy back on track should comprise seven key components:

1. Facilitate young people's integration into the labour market;
2. Reallocate public spending;
3. Resist calls for a consumption-led stimulus;
4. Replace social security contributions with the generalised social contribution (CSG) or VAT;
5. Accept immigration;
6. Continue to decarbonise the economy;
7. Support innovation.

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Facilitate young people's integration into the labour market

Labour market outcomes for young people in France are very poor: the unemployment rate among 15–24 year-olds stood at 21.9% in September 2026, compared with an EU average of 15.5% (Chart 1). The share of young people neither in employment nor in education or training (NEET) reached 15.1% in France in 2025, compared with 6.3% in the Netherlands and 10% in Germany (Chart 2). Finally, the age at which young people secure their first stable job (a permanent contract or a civil service post) is 27 in France, compared with 22.5 in Germany.

Chart 1
Youth unemployment rate, 15–24 year-olds (%)

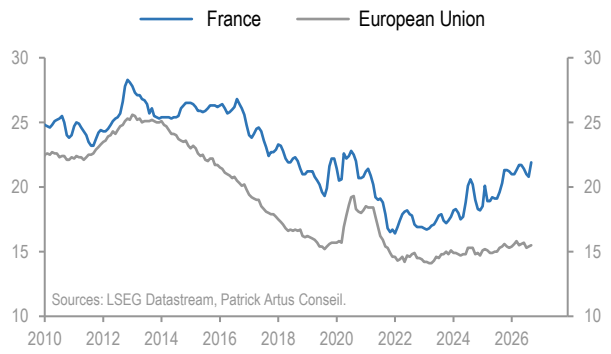
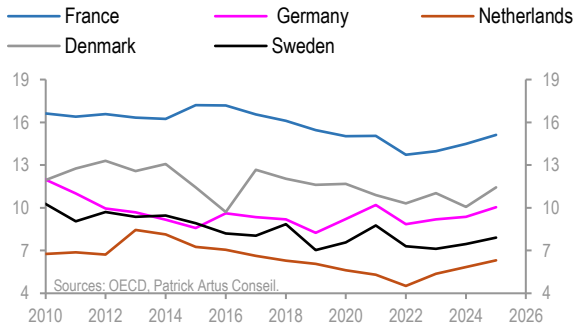


Chart 2
Youth aged 15-29 not in employment, education or training (NEET, as % of the age group)



What can be done?

- **Improve the quality of the education system**: the PISA 2025 survey shows a decline in the skills of 15-year-old students across all assessed domains. France's average score is slightly below the OECD average and well below that of most large advanced economies (Japan, Canada, the United Kingdom, the United States; Table 1);

Table 1: Results of OECD PISA surveys (overall score, ranked in descending order of the 2025 score)

Country	2012	2015	2018	2022	2025
Japan	540	529	520	533	522
United Kingdom	502	500	503	494	498
Canada	522	523	517	506	495
United States		488	495	489	485
Finland	529	523	516	495	482
Austria	500	492	491	486	480
Belgium	509	503	500	486	479
Italy	490	485	477	477	475
Sweden	482	496	503	487	472
Germany	515	508	500	482	472
Netherlands	519	508	502	480	470
Denmark	498	504	501	491	469
Portugal	488	497	492	478	468
France	500	496	494	478	466
Spain	490	491	482	477	462

Source: OECD.

- **avoid cutting public support for apprenticeships**: seven out of ten apprentices find a job quickly, including six out of ten in the company that trained them;
- **make the teaching profession more attractive**.

Reallocate public spending

The aim is not so much to reduce public spending as to improve its efficiency. Public spending in France (57.2% of GDP in 2025) is markedly higher than in the European Union (49.4%, **Chart 3**), mainly because of higher spending on:

- pensions (a gap of 2.7 percentage points of GDP relative to the European Union; **Chart 4**);
- health care (a gap of 1.7 percentage points of GDP).

Total spending on health and social protection amounts to 32.6% of GDP in France, compared with 26.8% of GDP in the European Union (**Chart 5**). When spending is broken down by type, the gap with the European Union is concentrated in social benefits and subsidies.

Chart 3
Public expenditure (as % of GDP)

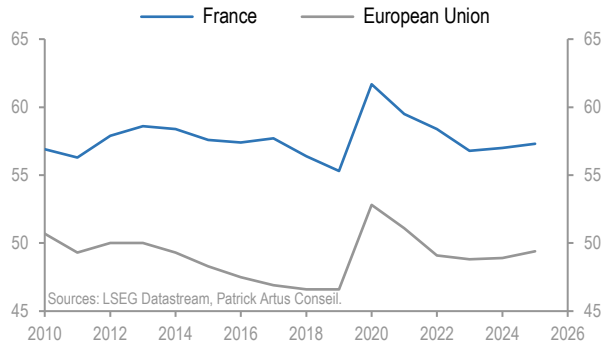


Chart 4
Public pension expenditure (% of GDP)

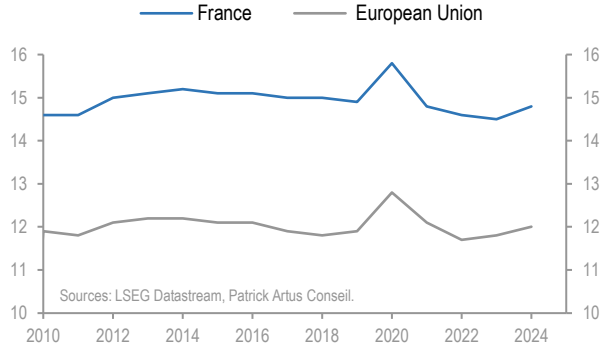
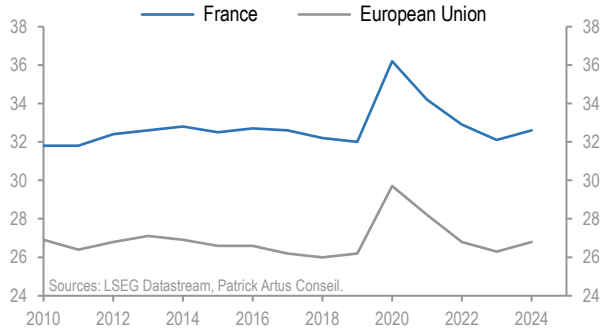


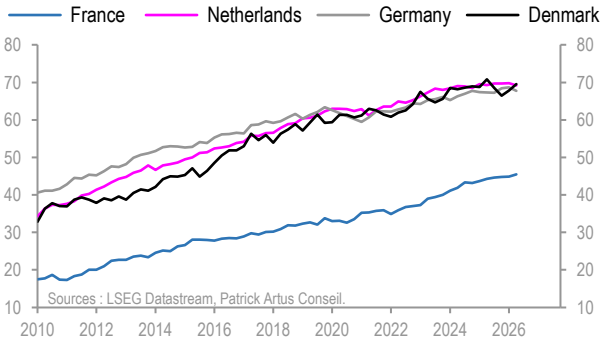
Chart 5
Public expenditure on health and social protection (% of GDP)



France should gradually:

- reduce the burden of pension spending through a temporary under-indexation of pensions and an increase in the effective retirement age (currently 63, **Chart 6**);
- **fully digitalise public administration**;
- **focus health spending on serious illnesses**, so as to create fiscal space for the energy transition, education, support for innovation and research.

Chart 6
Employment rate of population aged 60 to 64 (as %)



Resist calls for a consumption-led stimulus

Political parties' manifestos include many **consumption stimulus measures**, such as cutting VAT on energy or raising the minimum wage (SMIC). Yet the French economy suffers from **significant underinvestment**: in the second quarter of 2026, the investment rate of non-financial corporations stood at 11.6% of GDP in France, compared with 14.2% in the United States (**Chart 7**). There is therefore a high risk that stimulating demand would lead to a surge in imports and a deterioration in the trade balance: the goods trade deficit amounted to EUR 57.4 billion over the 12 months to August 2026 (**Chart 8**).

Chart 7
Investment of corporations
(in value terms, as % of nominal GDP)

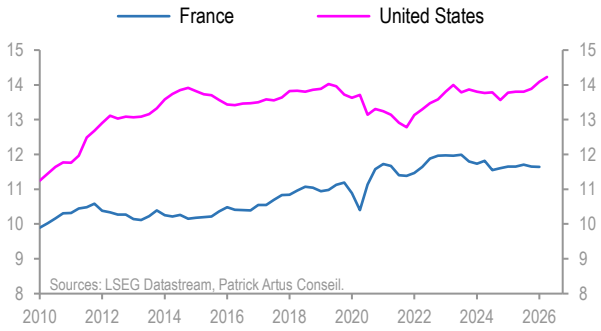
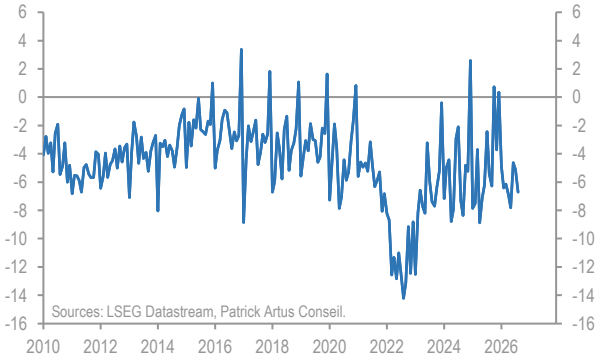


Chart 8
France: goods trade balance (EUR bn, monthly data)



It would be preferable to combine **an investment-led stimulus**, which would boost future output and tax revenue, with **a curb on the number of regulations**. According to indicators tracking regulatory activity, published in May 2026 by the General Secretariat of the Government, the number of legislative articles in the Construction, Environment and Urban Planning Codes, as well as in the General Code of Local Authorities, almost doubled between 2005 and 2026 (+94%).

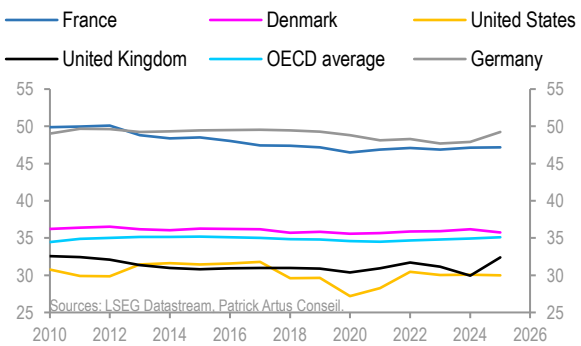
Lower the tax burden on labour

In France, the gap between the labour cost borne by employers and the net wage received by employees is particularly large. **The tax wedge**, which measures income tax plus employee and employer social security contributions as a share of total labour costs, stands at 47%, compared with an OECD average of 35%, 30% in the United States and 32% in the United Kingdom (**Chart 9**). Two forms of **tax shift** could be considered:

- **a cut in employer social security contributions financed by a VAT increase**, which has effects similar to those of an exchange rate depreciation and therefore supports cost competitiveness;

- **a cut in employee social security contributions financed by an increase in the generalised social contribution (CSG)**, which would shift income from pensioners and recipients of capital income to employees, since the CSG is levied on a broader base (all income) than social security contributions (earned income).

Chart 9
Tax wedge* (as % of labour costs)



* Tax wedge calculated for a single worker without children at the average wage.

Accept immigration

The total fertility rate in France fell to 1.56 children per woman in 2025 and, for the first time since the end of the Second World War, deaths exceeded births. **The demographic ratio** (number of contributors per pensioner) stands at 1.77 and is projected to fall to 1.54 in 2045 and then to 1.3 in 2070.

Without immigration, France would face a decline in its working-age population. Moreover, several common misconceptions about the economic effects of immigration need to be qualified, or even corrected[1]. First, empirical studies find no significant negative effect of immigration on wages, as the jobs held by immigrants are complementary to, rather than substitutes for, those held by native-born workers. Second, immigration does not weaken public finances, since immigrant workers are also consumers and contributors to public revenue. Finally, immigrants are increasingly well qualified: in 2023, 52% of new arrivals held a tertiary education degree, compared with 41% in 2006.

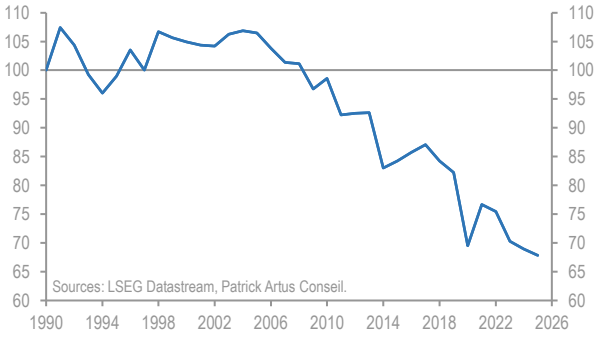
Continue to decarbonise the economy

Since 1990, **decarbonisation in France** has progressed unevenly across sectors. Between 1990 and 2023, **greenhouse gas emissions** fell by 54% in manufacturing, by 37% in the residential sector and by 18% in agriculture, but rose by 3% in transport. Overall, emissions declined by 32% between 1990 and 2023 (**Chart 10**). Meeting **the 2030 target**, i.e. a 55% reduction in emissions relative to their 1990 level, requires cutting them by 5% a year between 2024 and 2030; yet they fell by only 3% in 2024 and 2.1% in 2025.

It therefore appears necessary to accelerate the decarbonisation of the French economy, all the more so as academic research points to a strong negative relationship between rising temperatures and the level of GDP. Given this relationship, even if the European Union were alone in reducing its CO_2 emissions, such a reduction would be cost-effective in light of the additional output it would make possible.

[1] d'Albis H. and Boubtane E. (2021), "Economic immigration in France since 2000" (in French), *Réalités industrielles*, Annales des Mines, May.

Chart 10
France: CO_2 emissions (index: 1990 = 100)



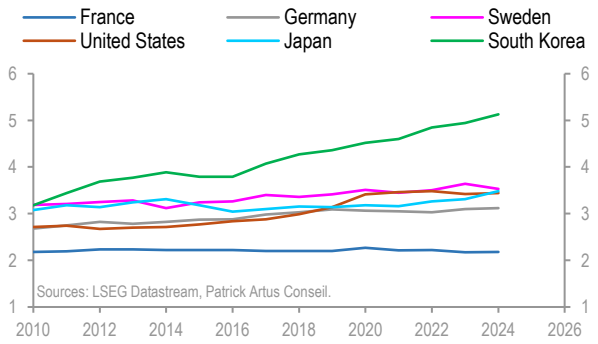
Support innovation

The innovation effort remains insufficient in France. Gross domestic expenditure on research and development (GERD; **Chart 11**) amounted to 2.2% of GDP in France in 2024, compared with 3.1% in Germany, 5% in South Korea and 3.5% in the United States. This shortfall is mainly attributable to **business research and development**, since, as a share of GDP, research spending by government and higher education is comparable to that of other countries.

According to the High Commission for Strategy and Planning[2], other indicators confirm this diagnosis: **France's low share of global scientific publications**, the weak impact of French scientific publications, very limited computing capacity dedicated to artificial intelligence and the small size of the ICT sector.

Support for innovation could take the form of a French or European agency modelled on the US Defense Advanced Research Projects Agency (DARPA), based on close collaboration between public research institutions and businesses.

Chart 11
Gross domestic expenditure on R&D (as % of GDP)



Conclusion: a major risk stemming from the fiscal situation

The deterioration of France's public finances is well documented. The general government deficit stood at 5.1% of GDP in 2025 and is expected to reach 5.4% in 2026, while general government debt is set to exceed 120% of GDP in 2027.

The risk is therefore that economic policy as a whole will be subordinated to fiscal consolidation, which would rule out increasing spending on education and training, financing public investment in digital technologies or research, and supporting decarbonisation. In addition, public opinion is exerting strong pressure to steer economic policy towards supporting purchasing power and

[2] High Commission for Strategy and Planning (Haut-commissariat à la Stratégie et au Plan), "France 2035, France 2050" foresight exercise.

consumption, as well as towards restricting immigration. The seven components of the economic policy we are proposing may therefore never see the light of day.

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