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France: without a rise in the employment rate, the economy cannot recover

The level of the fiscal deficit and the ratio of public expenditure to GDP would not be abnormally high in France compared with other European countries if its employment rate matched that of Germany or the Northern European countries. In reality, France does not suffer from an oversized State, but from an abnormally low level of output owing to its low employment rate.

The top priority for economic policy is therefore to raise both the employment rate of young people (the employment rate of 15-24 year-olds stood at 34% in France in the second quarter of 2026, compared with 49.3% in Germany, 61% in Denmark, 76.3% in the Netherlands and 44.8% in Sweden) and that of people aged 60 to 64 (the employment rate of 60-64 year-olds stood at 45.5% in France, compared with 67.7% in Germany, 69.5% in Denmark, 66.8% in Finland, 69.2% in the Netherlands and 73.8% in Sweden).

If the employment rate of 15-64 year-olds were the same in France as in Germany, it would be 7.9 percentage points higher in the second quarter of 2026; the level of employment would be 11.4% higher, the level of GDP around 10% higher, and the primary fiscal balance would show a surplus of close to 2 percentage points of GDP; the ratio of public expenditure to GDP, for an unchanged level of public expenditure, would be 52%, which would be close to its level in Germany (50.5% of GDP) or in the European Union as a whole (49.5% of GDP).

The most urgent economic policy task is therefore clearly to raise the employment rate of young people, by improving the quality of jobs, the quality of the education system and the attractiveness of the teaching profession, as well as that of older workers, by strengthening their training and raising the retirement age.

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Concerns are often voiced about the level of public expenditure and the size of the fiscal deficit in France

The ratio of public expenditure to GDP is extremely high in France compared with other European countries (**Chart 1**). In addition, France runs a **fiscal deficit** that is chronically higher than in other European countries (**Chart 2**).

Chart 1
Public expenditure (as % of GDP)

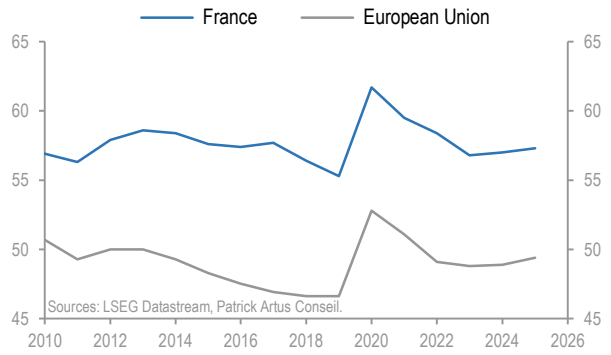
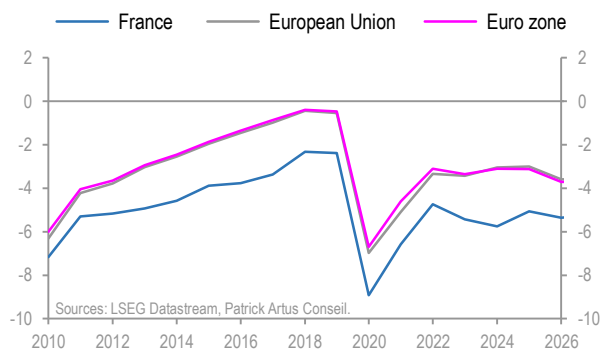


Chart 2
General government balance (as % of GDP)



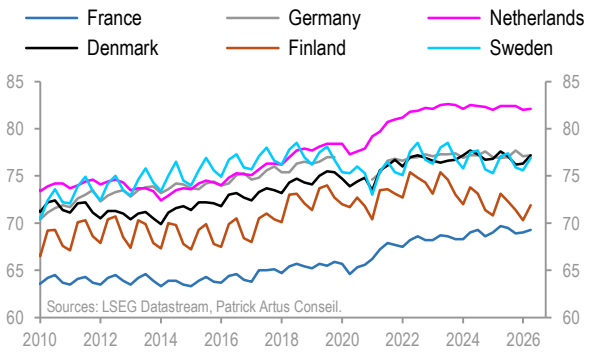
This high level of public expenditure and this large fiscal deficit are often attributed **to the spendthrift nature of the French State**, to France's ingrained habit of solving every problem by distributing public money.

In reality, the size of the State relative to GDP in France results from the low level of GDP, which in turn stems from **the low employment rate**.

A low employment rate in France

The employment rate of 15-64 year-olds is low in France compared with the Northern European countries. **Chart 3** shows the employment rate of 15-64 year-olds in France, Germany, the Netherlands, Sweden, Finland and Denmark.

Chart 3
Employment rate of the population aged 15 to 64 (%)



This gap is mainly due to the **employment rates of young people and older people**. The employment rate of 15-24 year-olds stood at 34% in France in the second quarter of 2026, compared with 49.3% in Germany, 61% in Denmark, 76.3% in the Netherlands and 44.8% in Sweden (**Chart 4**). The **employment rate of 60-64 year-olds** stood at 45.5% in France, compared with 67.7% in Germany, 69.5% in Denmark, 66.8% in Finland, 69.2% in the Netherlands and 73.8% in Sweden (**Chart 5**).

Chart 4
Employment rate of the population aged 15 to 24 (%)

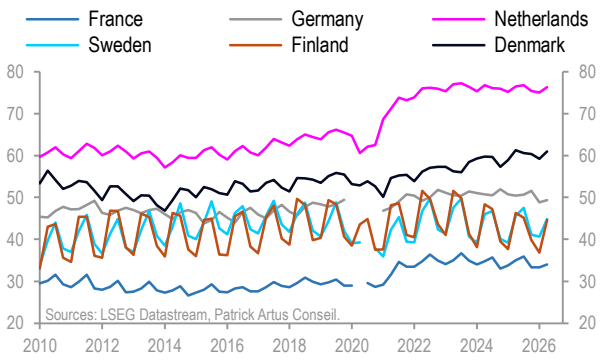
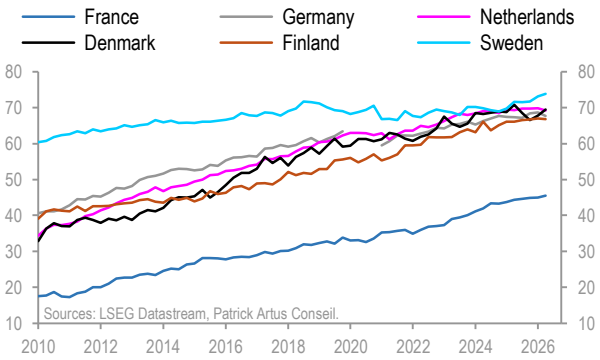


Chart 5
Employment rate of the population aged 60 to 64 (%)



The causes of the low employment rate in France for these two age groups are examined below.

What would the ratio of public expenditure to GDP and the fiscal deficit be in France if France had the same employment rate as Germany?

In the second quarter of 2026, the employment rate of 15-64 year-olds stood at 69.3% in France and 77.2% in Germany, a gap of 7.9 percentage points. If **France had Germany's employment rate**, the level of employment would be 11.4% higher and the level of GDP around 10% higher, allowing for the fact that these new jobs would be less productive than those held by experienced employees. As a result, government revenue would be higher by 4.6 percentage points of GDP and **the fiscal deficit in 2025 would have been only 0.5% of GDP**.

Public expenditure would amount to only 52% of GDP, compared with 57.2% in 2025, and with 49.5% of GDP in the European Union, 50.5% in Germany, 51.2% in Italy and 54.2% in Belgium: the ratio of public expenditure to GDP in France would then not be significantly higher than in many European countries.

How can the employment rate be raised?

As regards **the employment rate of young people**, it is now apparent that 32% of the national education budget is devoted to paying teachers' pensions. As a result, excluding pension expenditure, **education expenditure in France** (4.3% of GDP) is lower than in most European Union countries, in particular Northern European countries such as Sweden, Finland, Denmark and the Netherlands. Moreover, teachers' purchasing power has fallen by around 20% since 2000. The teaching profession should be made more attractive, and teachers' initial and in-service training improved. Lastly, the public return on education expenditure is very high.[1]

As regards **the employment rate of older workers**, it would be necessary **both to raise the statutory retirement age** and **to improve access to training for employees aged over 55**, only 35% of whom have access to training, compared with 55% of 25-54 year-olds. Access to training is also particularly low for the unemployed and for people with low educational attainment, only 26% of whom have access to training, compared with 71% of those holding a qualification above bachelor's degree level (more than three years of higher education).

[1] See OECD, Education at a Glance 2011, "What are the incentives for societies to invest in education?"

Conclusion: without a rise in the employment rate, no solution to the public finance problem

If the employment rate does not rise in France, the only way to stabilise the public debt ratio will be to implement a fiscal austerity policy (the primary fiscal deficit would have to be reduced by 6 percentage points of GDP). Such a policy is unlikely ever to win public support.

Raising France's employment rate to Germany's level would improve the primary fiscal balance by 4.6 percentage points of GDP: without an effective policy to raise the employment rate (reform of the education system, the vocational training system and the rules of the pension system), it will probably be impossible to put the public finances back on a sound footing.

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