EMPLOYMENT PLAN 2014

FRANCE

CONTENTS

1. Employment and labour market outlook

Although the policy conducted over the last two years has stabilised unemployment (ILO definition) and reduced youth unemployment, the number of jobless, and especially long-term unemployed, remains too high and France is facing challenges which bases the ambitious reform agenda begun by the government.

IN 2013, UNEMPLOYMENT WAS STABILISED AND YOUTH UNEMPLOYMENT DECLINED

Although the level of employment withstood the economic crisis better than expected, the crisis did cause significant job losses and a sharp increase in unemployment from 2008 onwards.

Effects of the crisis

Employment in the market sector saw continuous growth between 2003 and 2007 (up 3.7% over the period). However, three quarters of the 580,000 jobs created were lost in 2008 and 2009 and the weak recovery of 2010 and 2011 (155,000 more employees) was cancelled out in 2012. By the end of 2012, total market sector employment was scarcely higher than in the third quarter of 2009, the lowest point hit during the crisis.

The unemployment rate, meanwhile, firstly rose sharply in 2008-2009 (up 1.8 points), and then less so from 2009 to 2010 (0.2 points). After declining during 2010, it climbed again from mid-2011 until 2012. The crisis has not caused a large withdrawal from the labour market. It is quite the opposite, with reforms which could have "artificially" increased unemployment statistics, such as the end of early retirement public schemes and the requirement for older unemployed people to register as jobseekers to be entitled to unemployment benefits.

The current situation

In 2013, employment in the market sector dropped slightly (down by 0.4%). In the fourth quarter of 2013, it began to climb again, with a 0.1% increase, before experiencing a fall (20,000 fewer jobs) in the first quarter of 2014, entirely attributable to the temporary jobs market. In the second quarter of 2014[1], employment experienced a very modest increase (8,000 more jobs).

The unemployment rate, meanwhile, was a steady 9.8% in metropolitan France in 2013, and youth unemployment fell.

Totalling 9.7 % in the second quarter of 2014[2], the unemployment rate in metropolitan France decreased by 0.2 point in one year. This rate has remained stable at this level since the fourth quarter of 2013.

The situation for two categories of vulnerable people on the labour market, youth and the over-50s, consequently either improved or slightly worsened over previous years. The youth unemployment rate, totalling 22.7%, was significantly down, by 1.2 point in Q4 2013 and 2.6 points over one year. In Q1 2014, this rate increased very slightly at 22.8%, down by 2 points over one year. The rate for the 50s and over, totalling 6.4%, was down by 0.3 point in Q4 2013 and slightly up (by 0.1 point) over one year. In Q1 2014, this rate increased to 6.7%, then decreased to 6.6% in Q2 2014[3].

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[1] *Provisional data*
[2] *Provisional data*
[3] *Provisional data*

THE MACROECONOMIC CONTEXT FOR THE LABOUR MARKET IN 2014

The risks on the outlook seem to be balanced. The momentum of French exports will depend on our partners' growth which may be impacted by several factors such as the EU policy mix, especially the effectiveness of monetary support and pace of fiscal consolidation, and changes in borrowing terms for businesses in the euro area, the depreciation of the euro following the ECB's policy announcements in June and September, which could boost exports, as well as the recent drop in oil prices or the geopolitical situation. In the last available official projections, France's growth is expected to be 0.4% in 2014 and 1 % in 2015.

If challenges remain (see below), the French economy benefits from sound economic foundations, and in particular decent prospects for potential growth in the medium and long term. Structurally speaking, the French economy actually has many assets, in that it is diversified and has world-beating companies in many industries; it has a highly qualified and very productive workforce along with excellent infrastructure; France's demographic structure is one of the most dynamic in Europe which gives the country positive long-term growth prospects that are much greater than the average in the euro zone; household debt is lower in France than in the euro zone as a whole; and despite French companies carrying slightly higher debt than the euro zone average, their financial situation is healthy. Lastly, the soundness of the bank sector is another reason why France saw the crisis through in relatively better shape than the euro zone on average.

TABLE 1 : IOs data, plus additional national updated data

Table 1: Economic and labour market conditions, 2008 (LHS) and 2013 (RHS)								
	GDP growth (%)		GDP per capita (USD terms)		Employment Growth (%)		Employment to population ratio (age 15-64) (%)	
France	0.2	0.3	30 984 constant prices (44 279 current prices)	29 863 constant prices (41 636 current prices)	0.5	-0.1 (-0,2 updated nat. source)	64.8 (64.9 updated nat. source)	64 (64.0 updated nat. source)
G20 Average	1,4	1,9	25 339	26 243	1,0	1,0	64,5	64,4
	Unemployment rate (age 15-above) (%)		Incidence of long-term unemployment (age 15-above) (%)		Youth unemployment rate (age 15-24) (%)		Youth unemployment to population ratio (age 15-24) (%)	
France	7.4 (7.1 updated nat. source)	9.8	37.0 (36.2 updated nat. source)	40.1 (40.2 updated nat. source)	18.6 (18.3 updated nat. source)	23.9	7.1	9.0 (8.9 updated nat. source)
G20 Average	6,3	6,1	24.1	31.0	15.0	15.5	6.9	7.8
	Participation rate (age 15-64) (%)		Female participation rate (age 15-64) (%)		Informal employment rate		Collective bargaining coverage (%)	
France	70.0 (69.9 updated nat. source)	71.2 (71.1 updated nat. source)	65.4 (65.2 updated nat. source)	67.0 (66.9 updated nat. source)		N.A.		92.0 (98% acc. nat. source)
G20 Average	70.7	71.6	62.3	65.0				28.8
	Minimum wage (% of average wage)		Gini coefficient (2008-2011)		School completion rate (age 20-24) (%)		School completion rate (age 25-64) (%)	
France	49.5 (46.5 acc. Eurostat)	49.8 (46.1 acc. Eurostat in 2011)	0.29	0.31	83.8	86.4	69.6	75.1
G20 Average	34.9	34.9	0.34	0.38	76.5	78.9 (2012)	69.8	74.2 (2012)

Table 2: Labour market forecasts for 2014	
Employment growth	Gross wages (including employers' social contributions
+0,6%	+2,1%

2. Employment challenges for France

The French economy is still facing important challenges, i.e., competitiveness and unemployment.

Competitiveness: French exports are particularly sensitive to price competition because of our specialist areas, such that changes in cost competitiveness relative to our main competitors have had an adverse effect over the 2000s, as have changes in exchange rates. Companies have had to cut their margins to curb lost price competitiveness, which has helped to make innovation more difficult and has affected competitiveness other than on price. The "*CICE*" tax credit for competitiveness and jobs, which came into force in 2013, reduces labour costs by €20bn per year by 2017 and is starting to bear fruit. It is completed by the Responsibility and Solidarity Pact which amplifies labour taxes cuts. However, to strengthen the French economy's capacity to create jobs, yet more must be done and sufficiently strong growth needs to be found to bridge our output gap.

Unemployment: The number of jobless, and especially those who have been jobless for over a year, remains too high, although the policy conducted over the last two years has stabilised unemployment as defined by the ILO, and has in particular reduced youth unemployment in 2013. How the labour market operates needs to be improved, and unemployment must still be combated, especially among young people, the over-50s and the long-term unemployed.

The government's assessment of the challenges the French economy is facing is therefore harsh, and the reform agenda aims to bridge those gaps, with plans to sustain growth and employment, and reinvigorate our competitiveness, while improving both the operation of the labour market and the situation of vulnerable categories on the labour market.

CHALLENGE: REINFORCE BUSINESSES' CAPACITY TO CREATE JOBS BY BOOSTING THEIR COMPETITIVENESS THROUGH ENHANCEMENTS OF THE LABOUR COST REDUCTION POLICY

To help kick start the economy and employment, the government intends to give businesses new financial flexibility and improve their cost-competitiveness by enhancing the policy of reducing labour costs which began with the "*CICE*" tax credit for competitiveness and jobs. The "*CICE*" tax credit for competitiveness and jobs, which came into force in 2013, reduces labour costs (by €20bn per year by 2017) and is already starting to bear fruit.

The "Responsibility and Solidarity Pact", implemented as part of the country's social dialogue, in particular provides for a further reduction in labour costs in addition to the "*CICE"* tax credit, bringing the total decrease in labour costs to €30bn, an amount comparable to the social security contributions that fund family allowance benefits.

The rules for relief on these charges aim to maximise the impact on competitiveness and employment, and in total, 90% of employees are eligible. In exchange, businesses will make commitments in terms of employment, especially of young people, vocational training and job quality.

At the same time, reforms intended to improve businesses' environment will be stepped up, notably by simplifying businesses' paperwork.

With the "Responsibility and Solidarity Pact", businesses will be given new flexibility, helping to kick start the economy and employment.

CHALLENGE: IMPROVE THE FUNCTIONING OF THE LABOUR MARKET, ENCOURAGE A BETTER MATCH WITH SKILLS NEEDS AND AN INCREASE IN THE VALUE OF HUMAN CAPITAL

Structural reforms to bring about long-term improvements to the functioning of the labour market are combined with actions with immediate effect, directed in particular to young people and the over-50s (see next section).

The national multi-sector agreement of 11 January 2013, reached by the social partners (i.e. employer organisations and employee representative bodies) and transposed by the legislation of 14 June 2013 on the protection of employment, improves the functioning of the labour market in a direction that is more favourable to employment. Indeed, it gives a framework for agreements on continued employment in the event of a worsening business' economic situation while protecting the careers of workers, especially the least secure. This law also curbs some of the legal unpredictability around dismissal, which could explain some companies' reluctance to recruit staff on permanent (open-ended) employment contracts.

In the wake of the 11 January 2013 agreement, the social partners signed a second national multi-sector agreement on 14 December 2013 reforming the vocational and professional education and training system. This agreement was transposed into the legislation of 5 March 2014 on vocational education and training, employment and social democracy. It means a general reform to the system, in particular making the portability of individual training entitlements possible (with the creation of an individual training account) as well as considerably simplifying the current system. The new law means the new mechanism can improve training supply, especially for the more vulnerable (the unemployed and young people in particular) and it also aims to provide training that better matches the needs of the economy in the short and medium terms.

At the same time, the "Priority training for employment" plan was launched in July 2013, enabling jobseekers to obtain training in sectors offering employment opportunities. The scheme was renewed in 2014 with a target of 100,000 additional training courses given.

Furthermore, the framework and planning law (i.e. covering several years of budget) reforming the French education system of 8 July 2013 and the law of 22 July 2013 on higher education and research aim to reduce school dropout rates and improve young people's workplace integration. They also make provision for closer ties between the academic world (schools and universities) and the world of work through the development of apprenticeships and training included within educational courses, and mechanisms to improve the workplace integration of graduates.

Regarding unemployment benefits, the agreement reached in March 2014 will further ease the return to labour market. With this new agreement, unemployment benefits will become refillable (finding a new job won't cancel the rights for unemployment benefits previously earned). These measures will complete the already wide range of measures implemented in the past years, notably with the Job security Act. Reforms aiming at improving vocational training system (voted in March 2014) and enhancing the efficiency of the public service for unemployment will prevent human capital depreciation and hysteresis effects on the labour market. All together, these reforms should contribute to reducing the long term unemployment and should therefore improve the potential growth of the French economy.

CHALLENGE: SUPPORT THE MOST VULNERABLE CATEGORIES ON THE LABOUR MARKET

Improve the activity rate and employment rate (youth, the over-50s, women)

Over the last 30 years (1985-2012), the active population has increased by 17%, mainly because of demographic growth. The activity rate for those aged 15-64 has also risen, from 67.6% in 1985 to 71,2% in 2013.

Young people aged 18 to 24 have an activity rate of 51%. This rate, which had experienced a sharp decrease until the end of the 1990s, has climbed slightly since, before declining with the 2008 crisis and a reversion to a longer education.

Those in the 55-64 age group have an activity rate that is still low although it has increased a great deal (49.1% in 2013 compared with just 39% in 2003), even more for women than for men.

Despite the strong increase, which is ongoing, in the proportion of women on the labour market and the slight decline in the activity level for men, a gap still exists between the activity rates for men and women. In 2013, women account for almost half of those defined as active. 67% of women are active compared with more than 75% of men. In 1975, only 53% of women were active compared with 84% of men.

Looking beyond activity rates, employment rates need to be improved for the most vulnerable groups on the labour market.

With the worsening economic situation, the employment rate among the 20-64 age group, measured as an annual average, in fact dropped from 2008 to 2010, and was then steady in 2011 and 2012. On average across the year 2012, 69.3% of people aged 20-64 were in employment, being 1.1 points down on 2008.

The youth employment rate has decreased with the crisis, dropping for those aged 18-24 from 51% in 2007 to 47.1% in 2012.

The employment rate for men aged 55-64, adjusted for demographic effects, was stable from 2003 to 2006, and has increased since then, while that for women in the same age bracket has increased continuously since 2003.

Since the crisis, the employment rate for men (73.8% in 2012, being 1.7 points less than 2008) has dropped more sharply than that for women (65.0% in 2012, 0.5 points down on 2008).

Combating long-term unemployment

Aside from fluctuations linked to the economic cycle, the number of long-term unemployed in France has varied little overall since the mid-1980s. Before the crisis, reforms conducted over a long period did however enable vulnerability to long-term unemployment to be reduced by 0.2 points, from a figure of 0.6 points on average to just 0.4 points in 2006-2007. In other words a one-point increase in the overall unemployment rate led, on average over a long period, to an increase of slightly over 0.6 points in the long-term unemployment rate, but only an estimated 0.4 points rise in 2006-2007.

The effects of the crisis on the labour market initially led to a reduction in the proportion of long-term unemployed, with the sudden increase in the number of newly unemployed. It is therefore logical that only one year after the downturn in other labour market indicators, the proportion of long-term jobseekers started to rise.

Long-term unemployment has risen in France in proportions that are comparable to previous crises, despite the downturn being worse in 2008-2009. The crisis has not caused a large withdrawal from the labour market, quite the opposite, and certain reforms could have “artificially” increased long-term unemployment statistics, such as the end of early retirement public schemes or the requirement for older unemployed people to register as jobseekers to be entitled to unemployment benefits.

The number of LT job seekers registered by Public Employment Services, with no work or reduced work (part time or on a fixed-length contract) rose by 9.6% in one year, accounting for 2,168 thousands persons in August 2014. The proportion of job seekers with no or reduced work, registered for one year or more was 42.7 % in August 2014

Long-term unemployment needs to be averted – short term measures have been implemented to support the youth and seniors (the over-50s) employment (“Jobs for the future” and “Generation contracts" – French government measures promoting the employment of the under-26 and the over-55 age groups) and to avoid the phenomenon of loss of employability against a backdrop of high unemployment (the “hysteresis” effect). These schemes are maintained and boosted: 80 000 additional subsidized contracts (Integration in employment contracts) will be deployed in 2015 targeting seniors, handicap people and long-term unemployed. These measures, supplemented by training schemes for young people as part of apprenticeships, have already reduced youth unemployment in 2013, especially in those with few qualifications. In fact, of the beneficiaries under the “Jobs for the future” scheme in 2013, some 80% were young people who had failed or not taken the school exams aged 18 (i.e. the *baccalauréat*) and more than 40% had no qualifications at all. These schemes continue to expand in 2014. Lastly, the government will make driving lessons and tests more affordable for young people, with a view to improving their access to the labour market.

Two reforms will combat long-term unemployment in a lasting way, firstly the national multi-sector agreement of 22 March 2014 on unemployment benefits makes it easier for the unemployed to return to work, especially with the introduction of “entitlement roll-over” on 1st October 2014 (benefit entitlement depends on previous contributions, and entitlement is now increased if a new job proves short-lived), and secondly improving the effectiveness of the Public employment service has been deemed a priority by the government, which has given extra resources to job centres to provide a more individualised approach to counselling.

3. Current policy settings and new commitments

The government has two strategies:

- Strengthen the French economy and its capacity to create jobs, while making targeted efforts to improve the spending power of low-income households, through the implementation of the "Responsibility and Solidarity Pact". It will be gradually rolled out until 2017 and will push up the activity rate by half a point and generate 210,000 additional jobs. The 2014 forecast of GDP growth rate was cut back to 0.4% in the last budget law for 2015 (compared with 1.0% in April 2014) to take into account the weaker than expected economic climate in Europe. The government's prospect for a gradual acceleration of activity (+1.0% in 2015) is consistent with the latest forecasts by the OECD, the Consensus Forecasts and the IMF. Growth should rise to 1.7% in 2016, 1.9% in 2017 and 2% in 2018-2019.
- Further consolidate our public finances in order to regain fiscal room for manoeuver and decrease government debt so as to assure our sovereignty while financing our priorities (education, justice and security). The two go hand-in-glove – without control over public spending, there can be no sustainable recovery. By restoring businesses' margins, improving their competitiveness and giving a boost to confidence in the economy, this strategy will enable businesses to export, invest, and recruit more, and households to support the economy. This strategy will therefore address the three main gaps of the French economy: employment gap, competitiveness gap and public finance gap.

BROAD ECONOMIC SETTINGS

France is undertaking reforms that aim at fostering the ongoing recovery, lifting the potential growth and increasing the job intensity of economic growth, in order to sustainably support higher living standards and to significantly lower the unemployment.

Macroeconomic policy

Facing a negative output gap in the Euro area weighting on the inflation rate, the ECB monetary policy remains accommodative: the main refinancing operations are conducted at fixed rate with full allotment, and the ECB decided strong measures over the summer, comprising negative deposit rates, liquidity measures and transmission channel improvement. On the conventional side, the refinancing rate has been lowered at a record of 0.05%, with deposit rate in negative territory at -0.2%. In order to reach the longer end of the curve and make sure bank lending to the real economy is not withheld, a series of Targeted Longer-Term Refinancing Operations (TLTROs) have been decided. The ECB decided to stop SMP sterilization and announced asset purchases, which will support liquidity conditions. Finally, the announcement of ABS purchases will provide a strong push for this market which can contribute to the restoration of credit transmission. The recent euro depreciation is partially due to these ECB announcements at a time when monetary policy discussions in other areas are more focused on tightening, reflecting the growing cyclical divide between the euro area and its partners. The risk of deflation seems to be limited from now on, but a too prolonged period of low inflation makes macroeconomic and fiscal adjustments more difficult and could have long lasting consequences. The ECB is closely monitoring prices developments and has clearly communicated its ability and its readiness to act if risks of a too long period of low inflation where to warrant it. Other policy levers have to be mobilized in a coordinated fashion at the euro area level so as to strengthen investment, job creation and potential growth.

Besides, a strong oversight of the whole financial system is the key to strengthening financial stability. In France, domestic developments are monitored by the *Haut Conseil de stabilité financière* (HCSF - High Council for Financial Stability), whose powers of intervention have been reinforced, and now include binding recommendations.

On the fiscal side, the Government is committed to pursue its efforts to restore public accounts balance in structural terms. The government deficit needs to be reduced in order to stabilize and then decrease the debt ratio. This is also the prerequisite for growth. The consolidation of our finances started in 2011[4] and will continue beyond the end of the five-year presidential term in 2017: the pace of rebalancing of our structural deficit will accelerate in 2015-2017, starting at 0.25pt reduction in 2015 and 2016 and 0.5 from 2017 onward. This effort should lead to a deficit below the 3% target in 2017, corresponding to a two-year postponing due to lower-than-expected growth and inflation. Thanks to an unprecedented €50bn savings plan between 2015 and 2017, government expenditure growth will hit historically low rates. This will enable us to continue cutting deficits while cutting taxes.

All the efforts will be focused on reducing public spending from 2015, with at least €50bn of expenditure cuts over the period 2015-2017. This amount – unprecedented in France - will be reached thanks to both the setting up, in 2014, of the Strategic Council on Public Expenditure and the implication of every public administration entities. The Council is currently reviewing all fields of public expenditure - central government's, local authorities' and social security administration's - in order to identify the less efficient expenditures and to put forward structural measures for public savings while, taking into account impacts on fairness, growth and employment. Chaired by the President, the Council will be able to make strategic decisions regarding public expenditure and to enforce them steadily.

With its policy framework reforms, the government is seeking a reduction in production cost for both public and private entities. Fiscal framework will be simplified to reduce optimisation opportunities and increase efficiency. The act for devolution of public prerogatives will allow for public expenses improvements through an increase of inter-municipality and the suppression of redundant hierarchical level. The first bill on local government reform was passed after a first reading by the National Assembly on 23 July 2014. It reduces the number of metropolitan regions from 22 to 13 and introduces a new map that has already achieved parliamentary consensus and factors in the cooperative efforts made by the regions. The second bill, which redraws France's regional boundaries, grants regions new areas of competence. This reform means that local governments will be managed more efficiently, and goes hand in hand with a decentralized, legitimate and consistent government at regional level.

Enhancing tax efficiency is also part of the government fiscal consolidation strategy. In the 2014 initial budget Act, government has committed to assess the effectiveness and the efficiency of fiscal expenses in order to be able to suggest reforms to reduce this cost. Recent reforms specifically contribute to this objective:

- The reduction in the gap between the intermediate (raised from 7% to 10%) and standard rate of VAT (raised from 19.6% to 20%). The focus of some lower VAT rates, such as for personal services, is now placed on activities that help the most vulnerable individuals..
- Several tax and social security expenditure schemes have been changed or eliminated to make the system more fair, straightforward and efficient. In keeping with the recommendations of the Fragonard Report on family benefits, the family deduction was capped at €1,500 instead of €2,000 for each child in the 2014 Initial Budget Act. The income tax exemption on the pension bonus for parents with three or more children has also been abolished, along with the tax exemption on the share of supplementary group health insurance premiums paid by the employer.

In addition, a carbon content was introduced in energy taxes initiating a three year increase in the value of carbon (7€/ton in 2014, 14.5€/t in 2015 and 22€/t in 2016) which could eventually lead to an increase in energy taxes of about €4bn by 2016. In parallel, some non-ecological fiscal expenses will also be reduced.

To narrow the output gap more quickly, the government has included in the Responsibility and Solidarity Pact measures to support purchasing power of the poorest workers. One of these measures, the reduction of income tax for households near the minimum wage, has been implemented as soon as 2014, thus alleviating the tax burden for more than €3m low income households, representing over €1bn of purchasing power gains this year. This tax cut will be amplified in 2015 bringing the number of households impacted to €9m and triggering substantial effects on

[4] *In 2012 and 2013, the French Government cut the structural deficit by 2.2 points. Due to an adverse economic environment (low growth and disappointing tax receipts), the massive efforts resulted however in a lower reduction of the public deficit, of 1.0 point of GDP.*

consumption, employment (making the work pay through a lower labour tax wedge) and thus reducing the output gap.

In spite of a tight expenditure control, French public deficit will be superior to the target set for 2014 due to lower-than-expected economic growth and inflation and changes in accounting conventions. French public deficit will be above 4% (4.4%) in 2014 and 2015 (4.3%). Pubic deficit's reduction is the condition to stabilize and then reduce the share of the public debt in the GDP. Reducing the public deficit is the assurance of maintaining favourable financing conditions for the State hence for businesses and households. Such efforts are also expected to trigger a positive confidence shock that will benefit to the whole economy. Special attention is paid to make sure that the path of fiscal consolidation is carefully calibrated not to hinder the recovery. Our fiscal strategy is designed to restore fiscal leeway necessary to implement the structural reforms described below. Consequently, the French Government remains strongly committed to restoring public finances. France will keep cutting public deficits at an appropriate pace and without resorting to tax hikes. Our objective is to get back under the 3% deficit threshold in 2017.

Regulation, finance, incentives, investment and entrepreneurialism

In addition to the "Responsibility and Solidarity Pact" measures aimed at improving the price competitiveness of our businesses (see Labour Market Regulation section), the government also intends to improve competitiveness away from prices, in several areas:

1. ***By supporting R&D and innovation:***
   - Maintaining and extending tax incentives to encourage businesses to invest in R&D – the research tax credit is maintained until 2017 and its framework will be simplified. This financing scheme has also extended through the innovation tax credit, in particular for small businesses;
   - Increased support for innovative companies through the "Young innovative businesses" scheme and Bpifrance (public investment bank), created by the law of 1 January 2013, with a program of financial support for individual projects up to €0.4bn and bank finance under favourable terms (low interest loans, delayed-repayment loans, pre-financing of the research tax credit, etc.);
   - Implementation of the third phase of the competitiveness clusters (2013-2018), which will bring about innovative ecosystems and facilitate links between scientific research findings and commercial applications;
2. ***By facilitating business financing***
   - Improve mid-caps access to equity markets through the review of framework governing the asset allocation of pension funds, or reforming life-insurance with the creation of new financial products;
   - Easing SME's access to finance and fostering greater financing for long-term investment by (i) providing a clearer framework for private transactions between mid-caps and a small number of institutional investors (Euro PP), while enabling insurers to allocate a greater proportion of their assets to lend to (unlisted) mid-caps (either directly provided that they demonstrate their ability to manage this credit exposure or through dedicated funds); (ii) enhancing financial intermediation through securitization within a sound regulatory framework and (iii) ensuring that the rule of law is effectively applied in intercompany (trade) credit, making it easier to control and impose fines to firms imposing excessively long payment terms to their furnishers.
3. ***By implementing an ambitious and painstaking public investment strategy serving future growth:***
   - With the future investment programme, which is a ten-year, €47bn plan launched in 2009 aiming to place France on a new, stronger and more sustainable growth curve. While two thirds of the €35bn first tranche was allocated to higher education and research, the second tranche, approved by Parliament on 30 December 2013 (€12bn) supplements financing for industrial innovation and energy transition;
   - With the monitoring of the implementation of 34 priority industry plans for French industry, and the selection this summer of the 58 first laureate projects intended to prepare for tomorrow's industry in the

context of the "Worldwide Innovation Challenge" (€300m budget) proposed by the committee for innovation chaired by Anne Lauvergeon.

- With the identification of the investment needs with the greatest economic and social returns, in particular in the fields of water, energy and transport networks, thermal renovation, agriculture and forestry or in the digital sector. France strategy, a governmental agency for planning, will lead this project in association with the social partners.

4. ***By increasing simplification measures to lighten the administrative burden and reduce the response times of government departments, which are holding businesses back:***

- By implementing and extending the three-year government-wide simplification programme launched on 17 July 2013 comprising more than 200 measures, 123 of which are directly linked to running businesses. For example, the "Tell us once" scheme, the aim of which is to enable businesses to reduce the amount of information they send to government departments by around 30% by 2015 and 50% by 2017;
- By setting up a Business Simplification Committee, created in January 2014, which presented 50 new reform measures on April 14. Any new legislation or regulation will consequently need to be submitted to the simplification committee which will assess its consequences, applying a principle of "no additional regulatory burden". "Guaranteed responses" will be developed, enabling businesses to ask government departments about the interpretation of regulations before, for example, undertaking investment. The response provided is then binding on that department, delivering better stability and visibility. The tax authorities will now publish their guidance on a set date, the first of every month, giving businesses greater visibility. To streamline recruitment, the employer registration documentation ("Titre Emploi Service Entreprise"), used for online submissions regarding new starters, social security reporting and payment within a single document, will be extended to businesses with fewer than 20 employees. In addition, several simplification measures have been identified in the spring, in particular simplification of payslips. The government has also put a special focus on the need to review staff thresholds in firms, which are sought to complexify firm's growth. Debates on this matter with social partners are expected to bear results by end-2014. The Responsibility and solidarity pact has paved the way for this thresholds reduction process with the alignment of employers' social contribution exemption for all companies, regardless of their size.

5. ***With business taxation that encourages investment:***

In addition to lightening the administrative workload, the government is undertaking to reduce the tax burden on companies, to encourage investment. This entails:

- Abolishing the "company social solidarity contribution" (an additional social security levy) paid by 300,000 firms (a total of €6bn will be saved by companies);
- Abolishing the company tax surcharge, and cutting the standard corporation tax rate from 33.33% to 28% in 2020, with a first step in 2017.
- Abolishing dozens of complex, low-yield taxes.

LABOUR MARKET AND SOCIAL PROTECTION

Labour market regulation

1. ***Make further efforts to reduce labour costs***

Continue the implementation of the tax credit for competitiveness and jobs

With the "*CICE*" tax credit for competitiveness and jobs, the government intends to make considerable efforts to reduce the cost of labour.

In force since 1 January 2013, the "*CICE*" tax credit is already a major financial help in reducing labour costs, being worth a total of €20bn per year by 2017. This reduction in the cost of labour takes the form of a tax credit although that makes no difference to its effect, as it benefits all businesses whether or not they pay corporation tax.

The targeting selected for this scheme (a 6% uniform rate on gross wages which applies up to 2½ times the minimum wage) makes it possible to support employment while offering substantial direct support to exporting companies by increasing their cost competitiveness. For example manufacturing receives 18% of all *CICE* tax credits, which is the same proportion as its proportion of total payroll costs (see *CICE* evaluation report); it will also benefit from lower labour costs in other sectors through the resulting effects on its own purchases.

Labour costs at the minimum wage level in France, already reduced through cuts in social security contributions on low wages, are reduced further by implementation of the "*CICE*" tax credit. According to recent estimates by INSEE (French national statistics office), the "*CICE*" tax credit has already had a positive effect on employment, of the order of 30,000 jobs in 2013. The "*CICE*" scheme, the rate of which rose from 4% to 6% on 1 January 2014, is expected to help create 280,000 jobs by 2017, a figure consistent with INSEE's assessment in its December 2013 economic trends report.

Further reduce labour costs with the Responsibility and Solidarity Pact

In addition to implementation of the "*CICE*" tax credit for competitiveness and jobs which, further to the general decrease in businesses' costs, helps to reduce labour costs, on 14 January 2014 the French President announced a measure to cut labour costs by another €10bn, which together with the "*CICE*" tax credit, represents a financial effort totalling €30bn, the same sum as the social security contributions paid by businesses to fund family welfare benefits.

This cut in businesses' cost burden is one of the mainstays of the Responsibility and Solidarity Pact as presented by the Prime Minister on 8 April 2014, which has the twin objectives of encouraging job creation and improving the competitiveness of the French economy and its export capability.

The Pact is built around several mainstays, namely further reductions in employers' social security contributions financed by spending cuts; modernisation of the tax system and a lower tax burden for businesses; a reduction in red tape; and employment commitments for individual industries. The Pact includes social welfare measures to improve households' purchasing power, especially those on the lowest incomes.

The Responsibility and Solidarity Pact makes provision for further reductions in labour costs to meet the twin objectives of encouraging job creation and improving the competitiveness of the French economy and its export capability. In particular, labour costs at the minimum wage level in France will be reduced by the abolition of employers' contributions paid to URSSAF (the French social security contributions collection agency) excluding contributions towards unemployment benefit, as well as a review of the existing scale of reduced contributions applying up to 1.6 times the minimum wage. Above 1.6 times the minimum wage and up to 3.5 times, contributions to fund family welfare benefits will be cut by 1.8 points. In total, the additional reductions on wages less than 1.6 times the minimum wage, and those on wages between 1.6 and 3.5 times the minimum, will each amount to €4.5bn in 2016. Family welfare contributions will also be reduced by €1bn for sole traders/the self-employed. These reductions are all in addition to the "*CICE*" tax credit scheme, extended beyond 2014, making a total of €30bn by 2017, being a sum equivalent to the contributions funding family welfare benefits.

The objective of these reductions is to maximise the impact on competitiveness and employment, and in total, 90% of employees are eligible, with a special effort directed at the low paid.

In exchange, businesses will make commitments in terms of employment, especially of young people, vocational training and job quality. These commitments in exchange, outlined in the agreement between the social partners (i.e. employer organisations and employee representative bodies) on 5 March 2014, will be set out in full during the current or coming negotiations in each industry. A national committee is in charge of the follow-up of these negotiations.

In total, implementation of the reductions in businesses' social security contributions and the welfare (or "solidarity") measures included in the pact will at the very least increase the activity rate by 0.6 points by 2017 and create 190,000 jobs.

Table: Assessment of the overall impact of the Responsibility and Solidarity Pact (including solidarity measures)

	2015	2016	2017	2018	2019
GDP	+0.2%	+0.4%	+0.6%	+0.8%	+0.9%
Employment	50 000	130 000	190 000	210 000	210 000

Apply new minimum wage setting mechanism

At the same time, the government continues to ensure that changes in the minimum wage support job creation and competitiveness, given the existence of wage support mechanisms and exemption from social security contributions. It does so by guaranteeing the purchasing power of the lowest paid employees and their involvement in the country's economic development, while ensuring that any change to the minimum wage remains in line with changes in productivity, so as to not adversely affect the employability of young people and those with fewest qualifications.

In accordance with the law of 3 December 2008 on income from employment, a group of independent minimum wage experts provides annual recommendations on changes to the minimum wage. In line with the experts' recommendation at the end of 2013, the government decided to set the gross hourly minimum wage at €9.53 with effect from 1 January 2014 (up from €9.43 in 2013). This increase is restrained (up 1.1% after a 0.3% rise in 2013) and maintains the employability of those with fewest qualifications, while delivering increased purchasing power to the lowest paid employees given the inflation rate (0.6% over the year).

2. Continue to improve the labour market's efficiency (Multi-sector agreement of January 2013, legislation of 14 June 2013)

Implement the labour market reforms ratifying the national multi-sector agreement reached by employers' organisations and trade unions

The competitiveness and potential for growth of an economy also depend on the proper functioning of its labour market and the quality of industrial relations and labour negotiations (its "social dialogue").

In terms of social dialogue, French labour market reforms are intended to combat segmentation of the labour market by reviewing certain aspects of employment protection legislation, through consultation with social partners in accordance with nationwide practice, especially as regards dismissal and redundancy.

The national multi-sector agreement on employment protection of 11 January 2013 will make it easier for businesses to adapt to changes in the economic environment, by giving them new methods for internal adaptations enabling jobs to be maintained and providing a more predictable legal framework in the event of large scale redundancies. This agreement will moreover encourage recruitment on permanent (i.e. open-ended) employment contracts, thereby combating labour market segmentation.

Employees will also gain new entitlements – universal complementary health insurance cover, "entitlement roll-over" (see earlier) for unemployment benefits, a seat on the company board, the setting up of individual training accounts, etc.

The reaching of this agreement illustrates the government's determination to undertake far-reaching reforms and confirms the effectiveness of the method chosen by the government, based on social dialogue and accountability of the negotiating parties.

The national multi-sector agreement of 11 January 2013, reached by the social partners and transposed by the legislation of 14 June 2013 on protecting of employment, is an ambitious step towards lasting improves in how the labour market operates. The legislation expands the mechanisms by which businesses can operate internal flexibility to encourage early and negotiated adaptations to jobs with employee representatives while improving employees' job security. In particular, several flexibility mechanisms have been created through internal mobility agreements, a simplified part-time working scheme, agreements for continued employment in the event of long term deterioration in the economic environment, and greater employee consultation to agree on necessary redeployment measures.

It is still too soon to draw any conclusions from the implementation of this very recent legislation, which continues. Recent agreements between employers and employees do however show that businesses have taken the spirit of the 14 June 2013 legislation on protection of employment on board and are using the internal flexibility mechanisms made available. Company agreements involving these issues have been signed with major French businesses in recent months.

3. Combat labour market segmentation and protect career paths

Continue the implementation of several mechanisms used to combat labour market segmentation

The French labour market appears to be relatively segmented, between those in stable employment and those combining short employment contracts and periods of unemployment. This situation is harmful:

- socially: lack of security for employees on short-term contracts (risk of unemployment, weak negotiating position);
- economically: short-term contracts restrict access to ongoing training and the building up of "company-specific human capital", cause recurring absence from the labour market and increase the costs of the matching process on the labour market.

Moreover, such segmentation tends to increase inequality because it affects certain categories of people in particular (young people, women, low-skilled).

Several reforms have been or will be implemented to improve certain work situations:

- Temporary work: during negotiations for the national multi-sector agreement of 11 January 2013, the signatories invited the temporary work sector to plan a collective agreement to protect the career paths of temporary workers. To this end, on 11 July 2013, the social partners agreed to give temporary work agencies the option to recruit employees on permanent employment contracts and then make them available to its user businesses. Working under such permanent contracts now comprises periods of working on assignments and periods of not working, together with guaranteed monthly minimum pay equal to the minimum wage. The agreement sets a target for temporary work agencies of 20,000 temporary workers recruited as permanent staff within three years. This scheme forms part of the protection of career paths, with in particular the establishment of a temporary worker career path protection fund, specific support measures, and easier access for employees to credit and housing.
- Fixed-term contracts: employer organizations and employee representative bodies have put in place an unemployment benefit employers' contributions adjustment mechanism, in order to reflect the stipulations of the national multi-sector agreement of 11 January 2013. The introduction of an increased employers' contribution rate for short, fixed-term contracts and exemption from contributions when recruiting a young person on a permanent contract consequently help to combat labour market segmentation.
- Part-time working: the law also aims to combat lack of job security and improve the situation of part-time workers (80% of whom are women) by introducing an obligation to undertake negotiations on the organizational arrangements for part-time working in those industries making a structural use of it. By 15 April 2014, some fifteen specific industry agreements had already been reached, covering more than 500,000 part-time employees. In addition, the law establishes the universal principle of a basic minimum of 24 hours per week except for younger employees or those on a workplace integration scheme. Derogation can be negotiated by social partners.

Implement the social partners' agreement reforming unemployment benefit which helps to protect career paths

The agreement on unemployment benefit reached by the social partners (i.e. employer organisations and employee representative bodies) on 22 March 2014 helps to protect career paths and encourages restarting work. The introduction of "entitlement roll-over" gives one million jobseekers a year, who re-register at job centres after having taken a job, extended entitlement to benefit. By improving the unemployment benefit situation of those alternating periods of unemployment and short-term jobs, this rolling over of entitlements will encourage the unemployed to take jobs by protecting them against benefits stopping sooner in the event they become unemployed again. (Note: in

France, unemployment benefit is dependent on having worked for a certain period before claiming, and its level dependent on previous pay.) It will affect €1.2m jobseekers claiming benefit on "reduced working" (i.e. temporary work, part-time work or fixed-term contracts, all potentially reducing entitlement to unemployment benefit).

4. Further improve occupational health and safety

The Second Strategic Action Plan on Health and Safety at Work 2010-2014 determines the broad outlines of the French health and safety at work policy. It aims to ensure a global coherence between actions undertaken by all relevant stakeholders.

This strategic framework is based on 4 main pillars, 14 objectives and 36 measures:

- The first pillar, « Improve OSH data and expertise » aims to improve knowledge production and to better structure research and training in this field. This includes the establishment of the ANSES (Agence nationale de sécurité sanitaire de l'alimentation, de l'environnement et du travail – French Agency for Food, Environmental and Occupational Health Safety).
- The second pillar, "Continue an active occupational risks prevention and work safety policy", reflects the determination to focus French OSH policy on:
    - priority risks (such as chemical risks, psychosocial risks, musculoskeletal risks which register disturbing trends, or emerging risks associated for example with nanotechnology)
    - priority economic sectors with a significant occurrence of occupational accidents, such as the construction industry or the agricultural and forestry sectors
    - priority workers, such as vulnerable workers or workers with specific working conditions – new recruits, seniors, seasonal workers, farmers…).
- The third pillar « Encourage risk prevention in companies, especially in SMEs and very small companies" aims to improve knowledge and best practices dissemination among companies and workers. The ministry-run website www.travailler-mieux.gouv.fr ("work better") is a very important tool which helps demultipliying the work undertaken by labour inspection and risk prevention services.
- The fourth pillar « Action Plan management, communication, development and diversification of intervention tools for a better effectiveness of the OSH legislation" aims to improve coordination and mobilization of local stakeholders. A steering committee and an assessment committee have been set up : they meet twice a year in order to assess the implementation of the Strategic Action Plan, using data provided by national and local authorities and stakeholders.

The construction industry has been the priority target of the 2014 Labour Inspectorate Services Work programme. This sector has indeed a high level of risk: it represents almost 18% of work stoppages and a frequency index that is more than twice the average of all economic sectors.

The priority areas of inspection are:

- Prevention of the risk of falling from a height

    Those falls represent 16% of all accidents and 1/3 of deaths in this industry. In 2014, a communication campaign has been launched for non-professionnals in this sector, in order to improve their awareness. Those actions are undertaken in close cooperation with the social partners, the Working Conditions Steering Committee and the national OSH institutions.

- Prevention of the risk of inhaling asbestos fibres

    Asbestos fibers represents the second cause of occupational diseases (after musculoskeletal conditions) and the first cause of occupational death (excluding work accidents). Each year, around 4000 to 5000 occupational diseases associated with asbestos are registered, among them 1000 cancers. Those diseases rank at the top of all occupational diseases compensation expenditures. In the construction industry, sub-trade workers are the most affected.

A new Strategic Action Plan on Health and Safety at Work 2015-2019 is currently under preparation. The Working Conditions Steering Committee, involving the Ministry and the social partners, will present its propositions for this new Action Plan by the end of 2014. It will make the maintenance of elderly workers in employment a key axis. Experiments will be carried out to prevent occupational exclusion of sick or/ and vulnerable employees.

Social protection

France's objectives are to maintain a first-rate social protection system while ensuring its financial sustainability, especially as regards pensions and health insurance.

France has also produced a poverty reduction plan.

1. Implement pension reform

Implement pension reform

After an assessment and consultation phase ending in September 2013 with the submission of draft legislation by the government, Parliament passed the law "guaranteeing the future and fairness of the pensions system" on 18 December 2013. This law, which came into force on 20 January 2014, is an ambitious reform which will enable the French pensions system to respond to changes in French society so as to (i) ensure the long-term future of pension schemes, (ii) make the system fairer, and (iii) simplify the system and strengthen its governance.

The total financial adjustment needed will be split in a balanced manner between reducing spending and increasing funding, while avoiding any increase in labour costs. Pension reform will thus generate, by 2040, a net gain for all schemes combined of €18.6bn, improving the sustainability of public finances by 0.5 points of GDP at current value (equivalent to an immediate and long-term improvement in the structural deficit of 0.5 points of GDP). These effects are in addition to those from the 2010 reform which are still on the increase.

By 2020, the reform will firstly deliver a swift response to the financing problems facing the pay-as-you-go pensions system. The pension schemes' deficit will consequently be reduced by €4.1bn from 2014 and €8.1bn by 2020, thereby restoring the balance of the pension system (disregarding the AGIRC-ARRCO private top-up, and fully funded, pension schemes). It will be based on fairly sharing the financial burden between all stakeholders – workers, employers (higher contribution rates) and pensioners (tax on pension increases for parents of at least three children and postponement of the pension payment review from April to October). In addition, the increase in employers' pension contributions has been offset under the social security finance bill for 2014 in order not to increase the cost of labour, in line with the Business Simplification Committee's recommendations.

Beyond 2020, financing effort will also entail a longer period of pension contributions to obtain a full pension, reaching 43 qualifying years by 2035. This increase will help to improve pension schemes' balance by €5.4bn by 2030 and €10.4bn by 2040, and along with short term measures will mean basic schemes' balance is maintained until 2040. In addition, the effective retirement age will automatically increase with the longer period of pension contributions, which should increase the employment rate in the over-50s and thereby increase the economy's potential for growth. However, so as not to penalise scheme members who started their working lives early, the statutory retirement age is kept at 62.

Moreover, this reform also improves the pension system's governance by setting up an oversight mechanism in the form of a pension monitoring committee which will be tasked with monitoring the financial situation of pension schemes, issuing an annual report and raising warnings in the event of significant deviation from the planned path.

Lastly, the government continues to take steps to make the pensions system fairer. The "long career" mechanism of July 2012 had already made the pension system fairer by allowing scheme members who started working before the age of 20 and who had the required number of qualifying years' contributions to retire from the age of 60. This mechanism, fully financed, does not jeopardise the statutory retirement age of 62. In addition, the reform takes better account of the physicality of the work and anticipates specific measures for a fairer pensions system (for women, young people, career breaks, small pensions, those having contributed to more than one scheme, those with disabilities).

In 2015, a new mechanism will allow individuals with arduous work conditions to collect points on an account which can be used:

- to follow a training in order to reorient to a less arduous and tedious work;
- to maintain the level of the ongoing remuneration in case of moving from full time to part time work;
- to acquire additional entitlement to obtain full pension.

2. *Improve the cost-effectiveness of health spending*

Continue with efforts aimed at controlling health public spending and improving its effectiveness

In 2014, the setting of a rate of increase for "*ONDAM*" (national health insurance spending target) at 2.4% (the lowest rate since 1998) consequently represents a very significant effort to control health public spending and is a more ambitious target than that adopted under the government finance planning law passed in 2012. Meeting the target requires €2.4bn of savings to be made, including more than €1bn in lower prices on health products. Some €400m of savings are also expected from better control over volumes (steps taken on drugs prescribed and dispensed, with a view to increasing generic drugs' market share).

Roll-out of the National Health Strategy will also help meet this objective by improving health care organisation and its efficiency. Development of day surgery and remote medical care will accordingly continue. Implementation of France's National Health Strategy also includes new pricing arrangements adapted to an approach based on patient progress.

Efforts to control expenditures and improving its effectiveness in the health sector continue. The 2015 Social Security budget bill set a rate of increase for "ONDAM" at 2.1%, which involves €3.2bn savings. Part of the 2015 bill deals with a family policy modernization.

3. *Reduce the number living in poverty or marginalised*

Reduce the number living in poverty

The poverty threshold, defined as 60% of the population's median standard of living, was €987 per month in 2012. Poverty affects €8.5m people in France, or 13.9% of the population, compared with 14,3 % in 2011.

The government's strategy for poverty reduction is described in a long-term poverty reduction and social inclusion plan: Through the committed involvement of all stakeholders, several measures were decided upon:

i. To deliver rapid help to those in most need of it, income support ("*RSA*") was given a special 2% one-off increase on 1 September 2013, in addition to its annual index-linked increase, making 3.75% for 2013. The government also set itself the target of increasing income support by 10% above inflation altogether over 2013-2018. Another 2 % one-off increase has been announced on 1 September 2014, here again, in addition to its annual index-linked increase (1.3% on 1 January 2014).

ii. As regards health and access to healthcare, the income caps on universal complementary health insurance cover (the "*CMU-C*" scheme) and on financial help for top-up health insurance (the "*ACS*" scheme for those not eligible for "*CMU-C*") were raised ny 7% above inflation simultaneously on 1 July 2013, making a further 750,000 people eligible for the schemes.

iii. To combat the failure to take-up social welfare entitlements which diminishes the effectiveness of social policies and the countercyclical effect of the automatic stabilisers that social provisions involve, management and target agreements for social security agencies always include the arranging of "entitlements interviews", which are meetings enabling an in-depth and comprehensive examination of disadvantaged individuals' overall situation with the aim of informing them of their entitlements and supporting them in obtaining them.

iv. Trials of the simplified application form, known as "single submission", will enable testing of automatic receipt of certain social welfare benefits, together with simplification of the combined application procedure for a number of benefits, the top priorities being income support, housing benefits and financial help for complementary health insurance.

All these measures to combat poverty and social exclusion supplement the strategy as regards employment and education for the most disadvantaged (see above: “Jobs for the future”, the framework law on restructuring France’s schools, etc.).

Housing policy also helps achieve the reduction target for those marginalised through a policy of access to housing. The long-term plan accordingly provides for the creation or making permanent of 7,000 accommodation places in 2013. Lastly, a housing investment plan sets a target of producing 150,000 leased social housing units per annum plus the energy-efficiency refurbishment of 120,000 social housing units annually.

Active labour market programs

1. *Enhance active employment policies such THAT public employment services deliver more effective personal support and guidance*

Strengthen public employment services and improve their effectiveness

Despite budgetary constraints, efforts towards improving the effectiveness of public employment services (PES) are a priority. The state’s subsidy to France’s job centres totals €1.5bn for 2014, an increase of €70m over 2013.

The government also intends to individualise the service delivered to jobseekers by the PES. The “Job centre 2015” strategy plan which establishes a range of new services makes individualised services to jobseekers a central component in the support and guidance it offers. Several measures consequently underpin this individualised service. Some 2,500 additional staff have in fact been assigned to monitoring and supporting jobseekers, and an internal reorganisation made it possible to redeploy staff towards the support and guidance component to reduce the number of job seekers per counsellor. In addition, new support arrangements conducted in partnership with local councils (*département* level) have been set up to meet the needs of jobseekers having a number of social and work-related issues to be resolved.

2. *Act such that unemployment benefit encourages a return to work still further, without compromising jobseekers’ entitlement to benefit and without worsening the System’s Financial imbalance*

Implement the recent unemployment benefit system reforms negotiated by the social partners

Before the current agreement expired, on 31 March 2014, the social partners (employer organisations and employee representative bodies) in fact opened negotiations on reforming the system on 17 January 2014. By a majority decision, the new agreement stipulates the arrangements for an “entitlement roll-over” scheme, the principles of which were laid down in the national multi-sector agreement of 11 January 2013 and by the legislation on employment protection of 14 June 2013, whereby those receiving unemployment benefit extend their entitlement period if they accept short-term employment (over 150 hours), consequently encouraging them to return to work. This scheme will be implemented without worsening the system’s financial imbalance.

In total, the agreement anticipates €800m in measures to redress that balance and €400m allocated to funding “entitlement roll-over”. These amounts are reasonable as they represent some 1% of spending but will reduce the system’s current deficit by 10%.

Lastly, the agreement improves the system’s financial situation, currently running at a significant deficit, for the next two years by new cost cutting and income generation measures. The new arrangements for taking compensation payments into account, especially a deferment ceiling, will only affect the 10% of new job seekers who have actually received payments above the statutory minimum outside of a redundancy situation. This ceiling of 180 days will affect approximately 30,000 benefit claimants, out of €2.5m, who will have received more than €16,000 in such payouts. The compensation amount is reduced slightly (0.4 points replacement rate) for the quarter of claimants who are paid above €2,000 per month. In addition, the agreement stipulates an alteration to the special rules regarding those aged 61 and 62, consistent with the reforms of the pension scheme.

Policy measures targeting labour market disadvantage

The government is taking immediate and decisive action to help those marginalised from employment, to help with their long-term integration in the labour market.

1. Improve the employment rate

In France, the employment rate in the 20-64 age group was 69.46% in 2012. Achieving a 75% target employment rate for the 20-64 age group by 2020, as agreed at the European level, depends on both labour market recovery as the crisis ends and structural changes made possible by the steps taken to improve the workplace integration and continued employment of the age groups at either end of the active population (young people and the over-50s) together with active labour market policies intended to combat discrimination.

All the measures in the government's economic policy strategy (the "*CICE*" tax credit for competitiveness and jobs, the Responsibility and Solidarity Pact, labour market reforms) aim to support both demand for and supply of labour, helping to achieve the objective of higher employment rates.

2. Encourage youth employment

Continue to expand the "Jobs for the future" scheme

The government is giving priority to the implementation of several measures intended to reduce the youth unemployment rate, first of all with the "Jobs for the future" scheme. The "Jobs for the future" scheme entails special contracts mainly used by employers in the social economy and local authorities, intended for young people aged 16 to 24, with few or no qualifications, to provide them with a first job, with a strong emphasis placed on training and support.

To ensure the scheme's growth, the government decided to extend it to the commercial sector of the economy. Of the 100,000 beneficiaries in 2013, some 80% were young people who had failed or not taken the school exams aged 18 (i.e. the *baccalauréat*) and more than 40% had no qualifications at all. Between 1 January and 28 April 2014, more than 27,000 "Jobs for the future" were created, and the target of 150,000 by the end of 2014 has already been reached.

Expand the "Youth Guarantee" scheme

France is in the front line for the implementation of the Youth Guarantee. Based on the objective adopted by the European Council on 28 February 2013, the Youth Guarantee is a new approach to tackle youth inactivity and unemployment ensuring that all young people – whether registered with employment services or not – get a good-quality, concrete offer within 4 months of them leaving formal education or becoming unemployed. The good-quality offer should be for a job, apprenticeship, traineeship, or continued education and be adapted to each individual need and situation. The Youth Guarantee targets NEETs under 25 years of age, mainly referrals from local youth support offices and mainly in single-member or low income households. The scheme, which was launched as part of the national plan combating poverty and social exclusion at the end of 2013, enables youth to build a route to access employment and education/training while giving them financial support for their integration. Before being generalized, the scheme is currently in a trial phase in 10 French *départements* with a target of 10,000 in 2014. The targets for 2015 and 2017 are 50 000 and 100 000 respectively.

Increased use of apprenticeships

The government moreover plans to substantially increase the use of apprenticeship, with a target of 500,000 apprentices by 2017 (see below).

Social dialogue between the government, the social partners and local authorities is currently being held. Discussions and decisions will focus on access to training and removing barriers to mobility and employment.

3. Improve employment prospects for older workers

The over-50s' employment rate in France, equal to 45.6% in 2013, is constantly rising in the wake of the measures taken in recent years (in particular, increasing the contribution period needed to obtain a full pension, introducing the pension uplift (for public sector employees working beyond retirement age), relaxing simultaneous employment and pension rules, complete abolition of exemption from job seeking in 2012).

The activity rate for the 55-64 age group (number of active persons – employed and unemployed – relative to the total population for the age group) has meanwhile increased by 7.9 points since 2008, reaching 47.9% in 2012). The rate for the 55-59 age group is 67.1%, which is a higher figure than the average for European Union countries (64%).

The 2014 pension reform will automatically extend the effective retirement age by gradually extending the period of pension contributions needed to qualify for a full pension.

Improve and continue to expand "generation contracts"

"Generation contracts" are an age-group management tool meeting the need to anticipate skills replacement while encouraging the recruitment of young people and keeping older employees in their jobs. This measure aims to increase the employment rate for both young people and the over-50s simultaneously, these being two weak points in the French labour market, breaking with approaches implemented in the past that "made way for young people", such as early retirement schemes. The "Generation contracts" scheme applies to all companies and all young people, regardless of their qualification level.

Consequently, 20 separate industry agreements have been signed and a further 15 are being negotiated, 12,000 individual company agreements or action plans have been submitted (and some 28,000 requests for help have been logged). The current rate is approximately 500 requests per week. The agreements already signed amount to a commitment of 92,000 youth being hired on open-ended contracts in the three next years.

The Government recently decided to improve the generation contract scheme, with a higher subsidy (X2) for companies who hire simultaneously a young and a senior worker.

In addition, the national multi-sector agreement of 14 December 2013 on reforming the vocational training system will benefit the unemployed over 50.

Improve access of senior workers to work-study contracts

Although large numbers of unemployed senior workers need to reskill or go for training in order to upgrade/gain new skills, very few senior workers enter apprenticeship programmes. The Government recently decided to expand access to specific work-study contracts for senior workers, after consultation of the social partners.

Implement the social partners' agreement on unemployment benefit that encourages continued employment of the over-50s.

Lastly, the social partners' agreement of 22 March 2014 on unemployment benefit encourages continued employment of the over-50s. Maintaining unemployment benefit until the age of retirement on a full pension is gradually increased to 62 (instead of 61) to ensure consistency with the gradual pushing back of the age of pension entitlement to age 62 from 2017, and to thereby increase the over-50s' labour supply.

4. Improve women's Situation on the labour market

Take action to close the gap between male and female employment rates

Even though the female employment rate is high in France, employment for women remains a major and wide-ranging challenge, especially as regards their involvement in the labour market. A wide-ranging strategy to promote equality in the workplace and access to managerial responsibility was set out by the government (sanctions against businesses breaching the equal pay rules, agreement signed between the Ministry for Women's Rights and 27 major companies, increased proportion of women in senior management roles and at board level, etc.). On 6 January 2014, a meeting of the inter-ministerial committee on women's rights adopted a new roadmap, with several objectives:

- close the gap between male and female employment rates. Four reforms, already agreed or begun, aim to achieve this objective, i.e. the planned expansion in childcare services for very young children; reforms of the parental leave; reform of the pensions system; review of the tax system;

- make 2014 the year of sexual equality in jobs through a series of measures to be undertaken so that by 2025, a third of job roles are fully mixed, by getting all stakeholders involved (educations, careers advice, professional bodies, government departments, etc.) in specific and binding targets.

Take action towards genuine equality

On 6 January 2014 the inter-ministerial committee on women's rights met to review the commitments made in late 2012 by all ministers in their roadmap for female-male equality. Of the 45 measures that were decided upon, 42 have already been applied. In addition, for each draft piece of legislation or statutory order, an "equality" impact assessment has been produced, resulting in equality targets being a core element to the pension systems reforms (see below), the restructuring of France's schools, and indeed reforms to the family policy. Likewise, the legislation on higher education and research stipulated parity in the governing bodies of higher education institutions.

In addition, a new legislation on sex equality has just been passed (August 4, 2014) which:

- increases the legal provisions available to encourage company negotiation on female-male equality in the workplace;
- amends the statutory orders of 17 June 2004 and 6 June 2005 in order to include, among the situations leading to a ban on submitting for public procurement and partnership contracts, a breach of the provisions stipulated by the French Labour Code on female-male equality in the workplace;
- stipulates measures encouraging the sharing of parental responsibility, improving the protection afforded to paid maternity and paternity leave, and strengthening support for single parents. Within the pension reform, measures are designed to reduce gender pension gap by reducing the incidence of part time employment on the pension level and better taking into account maternity leave when calculating the requisite number of quarters to obtain a full pension.

Quality jobs for women

New rules are being implemented to provide a framework for part-time working (employment protection legislation, see below) and improve entitlements for part time employees (pensions, daily sick and maternity leave rates).

Create more childcare facilities and encourage fathers' involvement

A plan targeting to provide 275,000 additional childcare places, including 100,000 nursery places, by 2017 has been drawn up. Paid parental leave has been reformed to increase the employment rate in women and encourage better sharing of parental responsibilities.

Encourage female entrepreneurship

In addition, the plan for female entrepreneurship aims to achieve a 10-point increase in the proportion of female entrepreneurs by 2017. It actively involves several ministries along with the public investment bank BPI, the French business start-up agency APCE, the Banque de France, the French institution entrusted with managing public funds CDC, the regions, CCI France and networks such as Initiative France, the *Entreprendre* entrepreneurs' network, the *Fédération Pionnière*, etc.

5. Prevent unemployment from becoming structural

The French Government recently decided to undertake new measures to tackle long-term unemployment, in particular:

- 80,000 more long-term unemployed will benefit from Public employment services intensive support service;
- more long-term unemployed will benefit from training programs tailored to labour market's needs;
- more long-term unemployed will benefit from subsidised-contracts in the private sector (80 000 contracts in 2015, vs. 40 000 in 2014);
- an immersion period of one month (renewable once) on a real work situation will be developed for job seekers in order to maintain labour market attachment;

- the government and the social partners are undertaking social dialogue about long-term unemployment.

The Government announced its will to remove specific barriers to employment (access to public transportation, mobility, literacy programmes). The prevention of long-term unemployment will be an issue of the negotiation of the new convention between the government and the Public employment service for 2015-2017.

SKILLS DEVELOPMENT

School education

1. *Limit school dropout rate and support the proportion of graduates*

Limit the dropout rate

The framework and planning law (i.e. covering several years of budget) on restructuring France's schools of 8 July 2013 makes reducing the number of school leavers with no qualifications a national priority. This law introduced a right for drop-outs to return to school. In 2013, the level of young people aged 18 to 24 living in metropolitan France and holding no qualifications or only the diploma taken at 14 ("*brevet des collèges*") and not in education or training (i.e. the school dropout rate) fell to 9.7% (a 1.9 point reduction from 2012), putting France below the European average (12.7%). Bringing school dropout rates down entails the recruitment of additional staff (60,000 jobs created from 2012 to 2017, of which 22,200 have already been created between 2012 and 2014, and 37,800 are to be created from 2015 to 2017, and the appointment of more than 3,000 dropout counsellors in schools). An action plan is expected to be adopted to improve existing prevention, guidance and reintegration mechanisms (support for young people who have dropped out).

Support the proportion of graduates

The government is also determined to support an increase in the proportion of graduates, especially in higher education, the philosophy being to improve human capital and offer support to growth. With this in mind, the legislation on higher education and research of 22 July 2013 in particular improves the routes between various educational paths.

In the same way, simplification of the range of education options available has already started with the publication in January 2014 of the government order setting a national framework for courses leading to the awarding of academic and vocational degrees. This means making it easier to build a university education retaining a multi-disciplinary approach and simplifying course titles and the range of education options available. In addition, priority has been given to school leavers with vocational and technical *baccalauréats* for access to advanced technical training colleges (leading to the *BTS* advanced technical diploma after 2 years) or university institutes of technology (also a 2-year technical diploma). This easier access will give more satisfaction to such school leavers, who are quite obviously failed by universities, with a 4% success rate in four-year degree courses, whereas 80% of them entering higher education want to go to a technical training college.

Furthermore, the equal opportunities policy has been strengthened by the creation in the autumn of 2013 of two new levels of higher education grant based on social criteria.

Lastly, the October 2013 launch of a national digital development plan (in particular with the creation of the French universities digital platform which already boasts more than 25 MOOCs) aims to diversify teaching methods, helping students to access and pass courses.

These steps, combined with larger numbers (up 1.5% in September 2013), are expected to support a rise in the proportion of higher education graduates. In 2013, this proportion was 44% in the 30-34 age group (43.6% in 2012), making France above the European average (36.8%) and in ninth place out of the 28 member states. This proportion has risen more than 10 points since the start of the 2000s. In addition, the annual performance plan appended to the 2014 government budget on research and higher education sets a target of 50% of the 17-33 age group graduating from higher education by 2015 (48.2% planned in 2014).

2. Scale-up Apprenticeships and vocational training (SEE ALSO section 4 "Monitoring of commitments")

The promotion and scaling up of apprenticeships is one of the main components of France's youth employment policy. The government's target is to increase numbers from 430,000 apprentices now to 500,000 by 2017. To this end, under the February 2014 legislation on vocational education and training, employment and social democracy, the apprenticeship levy was reformed with the setting of new arrangements for splitting the levy, mainly intended to expand apprenticeships by allocating more resources to them through Apprentice Training Centres.

The legislation also affords more protection to the status of "apprentice", by reforming the apprenticeship contract, which will be able to take the form of a permanent contract of employment without calling the apprentice's status into question. This provision affords more protection to apprentices by making it easier for them to obtain bank loans or to secure accommodation. It also reflects some employers' desire to retain the apprentices they train.

In addition, better targeting of help with apprenticeships aimed at small businesses employing apprentices has been put in place. The framework and planning law reforming the French education system of 8 July 2013 and the law of 22 July 2013 on higher education and research aim to improve the workplace integration of young people, in particular by making work-linked training and internships mandatory in vocational master's and degrees which are to be incorporated in a curriculum and include a minimum number of placements. In this regard the target is to double the number of students in work-linked training by 2020.

At the *Grande conference sociale* 2014, the Government announced a new plan to scale-up apprenticeships:

- a meeting involving all stakeholders (the State, regional authorities, social partners, chambers of trade…) took place on September 19th in order to identify and remove all the barriers to apprenticeships development, in particular in the public sector. A joint agenda has been established since, which details operational measures in order to further develop apprenticeships (modification of the conditions for providing the €1,000 per year bonus, better answer the need for support for youth apprentices, work on the apprentice status, etc.).
- provided they belong to a business branch where a collective agreement has been signed, businesses which did not recruit apprentices and which decide to do so will get a hiring subsidy.

Besides the development of apprenticeships, other initiatives are on the way to continue the strategy of improving the transition from school to work, especially with:

- the creation of a public service offering regional guidance (trialled in 7 education authority areas and 6 regions) to make available information on vocational and professional training and workplace integration, and provide a better continuum across education from ages 15 to 21.
- the creation of 14 first "jobs and qualifications campuses" which, within one area, bring together all education and training stakeholders in one field of economic activity (e.g. aerospace, plastics);
- the formation of the national education-economics council which will open up schools and universities to the world of business and will strengthen their partnerships to better adjust school education options. A plan to encourage student entrepreneurship has also been presented, aiming in particular to roll out entrepreneurship and innovation training courses more widely in all paths from degree level; it provides for the establishment by 2016 of some thirty student centres for innovation, transfer and entrepreneurship; and it creates a status of student-entrepreneur for students or recent graduates with business start-up plans. Moreover, a day of discovery of the world of business will be organised in local public educational institutions of each regional education authority.

3. Improve and strengthen life-long vocational education and training

The roadmap established at the end of the round table on social issues in June 2013 made vocational education and training the core of building a framework for the future. This initiative resulted in (i) firstly the "Priority training for employment" plan and (ii) secondly the national multi-sector agreement of 14 December 2013 on reforming the vocational training system, which has since formed the subject of legislation passed by parliament on 27 February 2014.

Continue with the "Priority training for employment" plan, with a focus on long-term unemployed

The "Priority training for employment" plan was launched in July 2013, with the intention of enabling an additional 30,000 jobseekers to receive training before the end of 2013 in sectors offering employment opportunities in the short or medium term (building, transport, health & social care, public works, etc.). Financing totalling €200m has been brought to bear by several relevant organisations. By December 2013, 38,900 jobseekers had registered and 36,750 had already started their training courses.

The scheme has been extended into 2014, with a new target of 100,000 more trainees. On 31 August 2014, 60 756 people had registered and 56 299 had already started their training courses. In order to prevent unemployment from becoming structural, a focus is being made on long-term unemployed.

The first results of the plan are positive: 65 % of the jobseekers who ended training more than six months ago had access to a job and 40 % of the trainees were in work in June 2014.

Implement the vocational and professional training system reform

The national multi-sector agreement of 14 December 2013 on reforming the vocational education and training system has already been enshrined in legislation passed by Parliament at the end of February 2014. It is a comprehensive reform of vocational and professional education and training relating to the mechanisms, financing and governance.

The law establishes an individual training account which is open to anyone as soon as they enter the labour market. Accrued entitlements, wholly transferable when an employee's work situation changes, can be used by individuals at will whether they are employed or seeking work to take a training course from a list drawn up by the social partners that is related to the skills and training needs of the French economy.

The reform also brings about simplification to the financing system with the abolition of three existing employer contributions which are replaced by a single contribution. This single employer contribution will be 0.55% of payroll costs for businesses with fewer than ten employees and 1% for those with more than ten, thereby reducing labour costs for businesses with more than ten employees.

Lastly, the reform strengthens the system's governance, and improves the employer-employee relationship especially as regards individual annual appraisals and collective Forward Planning for Jobs and Skills ("*GPEC*" process).

4. Monitoring of commitments

INTRODUCTION

Youth employment and apprenticeships

1. ***Intensifying national efforts on tackling youth unemployment on one or more measures from a body of policy orientations and common experiences seen in the G20 Task Force on Employment;***

France has made considerable efforts to reduce the impact of unemployment on young people, by targeting those most disadvantaged on the labour market.

It has done this by, in particular, setting up the "Jobs for the future" scheme, financially-assisted contracts targeted towards the most vulnerable young people, with a particular emphasis on support and training.

Young people leaving the education system with no qualifications aged 16-24 are the priority target for "Jobs for the future", especially in those urban or rural areas that are most affected by unemployment. "Jobs for the future" are in the main created by employers from the non-commercial sector (non-profit and local authorities) in activities of established social usefulness and of a kind likely to offer the prospect of long-term recruitment (green and digital sectors, social and healthcare, personal care, events, tourism, etc.). The state contributes 75% of the minimum wage for "Jobs for the future" contracts in the non-commercial sector (35% in the commercial sector). The government has planned the creation of 150,000 "Jobs for the future" contracts by the end of 2014.

Jobs for the future may take the form of fixed-term or permanent (open-ended) employment contracts, and financial support lasts up to three years. The employer must offer a training path. Enhanced support is requested from referrers (generally the local youth support office or job centre for young workers with disabilities) so that the "future job" phase forms part of building a career path. Special education and training schemes have been set up by regional governments, approved joint collection organisations ("*OPCA*", tasked with collecting funds for vocational training) and the joint fund for career security ("*FPSPP*").

By the end of 2013, 100,000 "Jobs for the future" had been created. The target of 150,000 by the end of 2014 has already been exceeded. All objectives have been reached, in terms of the number of young people recruited, the target population and training alike. Two thirds of the 100,000 young people hired by the end of 2013 are being trained, 90% are working full-time and more than half of those with "Jobs for the future" are on three-year contracts. The contract termination rate is very low, scarcely 6%. The profile of the young people involved matches the target, and more than 50% have no qualifications. In addition, more than 60% of contracts signed are long-term (between two and three years) and the average working week is 35 hours (95% in the non-commercial sector and 76% in the commercial sector).

The government has also set up the "youth guarantee" and "generation contracts" schemes (see below).

In addition, reforms have been undertaken to improve young people's access to decent quality jobs.

Following a multi sector agreement between the social partners, contributions towards unemployment benefits are now variable, with an increase in employers' social security contributions for fixed-term employment contracts of less than three months: the rate consequently increases from 4% to 7% for contracts of less than one month, and to 5.5% for contracts lasting between one and three months. Furthermore, there is no increase when a permanent contract is offered after a fixed-term one.

The same agreement stipulates three months of exemption from employers' contributions towards unemployment benefits when young people under 26 are taken on as permanent employees after a trial period. The exemption increases to four months for businesses with fewer than 50 employees.

2. *Programs that have proven effective in allowing a successful school-to-work TRANSITION: quality apprenticeShips*

Most young people in France find a job at the end of their apprenticeship. Several econometric studies find that apprenticeships have a positive effect on young people's inclusion in the labour market. Hence the government plans to substantially increase work-linked training and apprenticeships, including a target of 500,000 apprentices by 2017. Apprenticeships are a priority more than ever, and the preferred route for improving young people's job chances.

The recent legislation on vocational education and training (March 2014) contains an apprenticeship component with three reforms:

- the option of signing an apprenticeship contract as part of a permanent employment contract;
- apprentice training centres to be given a support role to young people looking for apprenticeships;
- rationalisation of the apprenticeship levy collection network, reducing the number of organisations from some 150 in total to around 20 nationally and one per region.

Support for apprentices

This reform, together with several recent decisions, has brought about improvements to support for apprentices.

First of all, regulations have encouraged work-linked training through the awarding of vocational trainee status to young people following courses in work-linked training centres, which gives more flexibility to the scheme and the introduction of the "vocational student" card enhancing the status of apprentice.

Young people wishing to start an apprenticeship can now request a training course called "introduction to work-linked training", which enables them to start a career while retaining their student status. They are not paid to attend this course.

The role of apprentice training centres has now been clarified to provide better support to apprentices, and centres must consequently:

- ensure consistency between the training given at the centre and that given within the business, in particular by organising cooperation between centre trainers and apprentices' supervisors;
- help apprenticeship applicants in finding an employer, and apprentices whose contracts have been terminated to find a new employer, in conjunction with the public employment service.

Moreover, apprentice training centres provide support to apprentices to prevent or resolve social or material issues likely to jeopardise the smooth running of the apprenticeship, and they must also encourage equal opportunities within their organisations and apprentices' international mobility.

Lastly, the legislation now stipulates that apprentice training in the centres is free of charge.

Funding of apprenticeships

The French system for funding apprenticeships involves the apprenticeship levy, a tax paid by businesses used to finance the spending necessary to develop vocational and technical education and apprenticeships. It is in the main paid by businesses employing staff and conducting a commercial or industrial business or trade. The amount is calculated on the basis of the salaries paid by these employers. In 2015, for the levy due in respect of wages and salaries paid in 2014, the apprenticeship levy will be 0.68%.

The government pays in full the various social security contributions (excluding workplace accident and work-related illness contributions) owed by the employer in respect of wages & salaries paid to apprentices. The government also pays employee social security contributions required by statute or industry agreement owed by the apprentices in respect of their wages & salaries. Any outstanding contributions are calculated at a fixed rate.

The French law of 5 March 2014 reformed the apprenticeship levy collection system, brought regions to the fore in the breakdown of the levy, harmonised the training costs calculation method, reaffirmed the principle of there being no financial cost to young people in apprenticeship contracts, and increased the level of inspections and sanctions applicable under apprenticeships.

During a meeting involving all stakeholders on September 19th, the government announced the strengthening of the bonus paid to employers starting new apprenticeship contracts and decided after the last *Grande Conférence Sociale*. This €1,000 per year bonus will be expanded to all firms with less than 250 workers and will complete the bonus already existing for the firms with fewer than 11 workers paid by the regional governments. For the next years, the extension of the bonus will depend on an agreement of branches signed by June 2015.

Labour market relevance of quality apprenticeship programmes

France's law of 7 January 1983 on decentralising continuous training and apprenticeships transferred existing competency as regards apprenticeships to the regions, especially concerning opening and closing apprentice training centres.

Apprenticeships give access to levels of vocational qualification at secondary level or higher:

- the various vocational secondary education diplomas in France, such as the "CAP" and BEP", vocational baccalauréat, vocational and technical school-leavers' certificates;
- the higher education diplomas, such as the two-year "BTS" advanced technical diploma or university technology diploma (also two years), engineering diplomas, business school diplomas, etc.;
- qualifications for vocational purposes on the national directory of vocational certificates.

An active role of business/labour organisations

The social partners (employer organisations and employee representative bodies) are always consulted on apprenticeship reforms.

Moreover, apprentices are employees in their own right. As such, legislation, regulations and industry-wide or company-specific collective agreements apply to them in the same way as to other employees, and social partners within the business are naturally involved in drafting and implementing such provisions.

3. Supporting youth entrepreneurship

The entrepreneurship conferences that were held in 2013 particularly stressed the need to stimulate entrepreneurial spirit and fully mobilise all talent. A number of initiatives have consequently been announced:

- A formal education programme on the spirit of initiative and innovation in secondary education (ages 11-18) and higher education;
- The establishment from summer 2013 of a fund for business start-ups in underprivileged districts, Bpifrance (public investment bank) in particular supports investment funds that are active in disadvantaged areas of (Business Angels des Cités on difficult suburban estates, Citizen Capital). These funds are helping young entrepreneurs to develop projects creating jobs in sensitive urban areas where youth unemployment is particularly high;
- The creation of a "student entrepreneur" scheme enabling those starting a business after their studies to retain their student status;
- At the same time, support for entrepreneurship among under-qualified young people is an important component of the implementation of the European Youth Guarantee. Such young people have a particular need for support to gain confidence and commit themselves. Resources and skills at local youth support offices will be developed to give these under-qualified young people help in starting a business. Similarly, an entrepreneurship school will target those young people most removed from the entrepreneurial arena, living in disadvantaged urban districts.

G20 training strategy

1. Anticipating future skills needs

Observing and anticipating Jobs for the future, roles, skills and qualifications is necessary to enable individuals and business to take control over their choices for the future, and helps inform the decision-making of public-sector and commercial stakeholders as regards employment, strategy direction, education & training, and economic development. Many national, regional and industry stakeholders are carrying out observations and forecasting on employment and skills:

Nationally, quantified medium-term forecasts are being produced by a governmental agency (*France Stratégie*) with support of the Ministries for Employment, Education and the Economy. They are produced periodically and aim to build various quantified scenarios as regards changes in employment by job type.

Regionally, many forecasting exercises are carried out, especially for use as the basis for joint outlook assessments in defining regional vocational and professional education and training development agreements. This work is in particular used to draw up regional maps for both vocational education at school and for apprenticeships.

Various industries have availed themselves of jobs and qualifications monitoring panels whose work, whether forward-looking or otherwise, is used by industry is to determine their training priorities. They will also be used to determine the vocational qualifications eligible for the individual training accounts.

Locally, stakeholders are looking to better anticipate economic and social changes through forward planning for jobs and skills exercises. Co-funded by the government, this work is then used to support the setting of local strategic priorities to both underpin the development of businesses and to enable the economically active to build career paths.

Lastly, French legislation stipulates that all firms with more than 300 employees must negotiate every three years on the forward planning of jobs and skills (the “*GPEC*” scheme). These negotiations, now combined with the setting of training strategy directions, should enable businesses’ social partners to negotiate to determine the issues in terms of job development and/or changes in activities.

2. Labour market information and employment services

An effective public employment service (PES) is an essential prerequisite to help jobseekers, especially the long-term unemployed, and to meet the needs of both jobseekers and of job-creating, wealth-generating, businesses.

Increasing staff numbers and financial resources for French job centres is a priority. Consequently, since early October 2012, 2,000 permanent staff have been recruited to deliver better support to jobseekers. These 2,000 permanent jobs were funded by the government. For 2013, the budget for public service spending was increased by €107m over the figure in the 2012-2014 tripartite agreement, and the decision was made to hire 2,000 new permanent staff. Moreover, job centres are to redeploying the equivalent of 2,000 staff in monitoring and support roles.

The adoption of the “Job Centre 2015” strategy plan for the period 2012-2015 implements the guidelines from the tripartite agreement with three main avenues setting out the arrangements for new services offered by job centres:

- individualised services to jobseekers with three types of jobseeker support offered (enhanced support for jobseekers at risk of difficulties in finding a job ; guided support for jobseekers requiring regular support; monitoring and support for jobseekers close to the labour market). In addition, job seekers have a consultation with an expert advisor within four months of registering at a job centre;
- A separate set of services for businesses, with the creation of a universal service offering online services and an enhanced service offered in addition in a targeted manner to businesses depending on the recruitment potential or issues they are facing. The enhanced service applies in particular to very small businesses and to businesses attempting to recruit those excluded from the job market. Such businesses are given a named contact person for these enhanced services;

- Adaptation of job centres' actions to local requirements, with the locations of PES establishments determined by local government officials, and regional annual agreements reached with local government, local assessments produced and presented to joint regional bodies, decentralisation of job centres' organisation to best meet local needs, and lastly the strengthening of local partnerships (education departments, local councils for income support, and the approved collection organisations tasked with collecting funds for vocational training).

3. *Training quality and relevance, broad access to training*

The government has made restructuring the school system a priority. The government has set itself the target of raising the general level of all pupils and halving the proportion leaving the school system without any qualifications.

The recent framework law on education and research aims to improve guidance, raise the level of qualifications in young people and encourage their joining the labour market by simplifying the range of education and training on offer to make it clear for families and businesses. The intention is to increase the appeal of higher education in France (teaching in foreign languages, online learning, expansion in work-linked training, etc.) and bring higher education and research closer to the world of business with a more noticeable socio-economic representation on the boards and committees running education and research.

The government also wishes to improve the effectiveness of life-long training. In particular, the national multi-sector agreement of 11 January 2013 transposed by the legislation of 14 June 2013 introduces the portability of individual training entitlements through the creation of individual training accounts.

The purpose of the accounts is the practical application of life-long training by opening up access to training, including when switching jobs. They will eventually replace individual training entitlements ("*DIF*"). Individual training accounts are universal (everyone has an individual training account on entering the labour market lasting until retirement), individual (everyone has one, whether employed or a jobseeker) and entirely transferable (individuals keep the same account throughout their career and uses their entitlement regardless of their career path).

Clarification of the responsibilities incumbent on various stakeholders in vocational education and training has begun.

In a similar vein to the negotiations that led to regional councils and the government reaching agreement on long-term strategies regarding the education and training of young people and adults, stakeholders in vocational training in the form of the government, regions and social partners agreed on a three-component emergency plan during the round table on social issues on 9-10 July 2012, implemented in November 2012:

- action on young people who drop out of the school system;
- coordinated work on the "skills" aspect of support to businesses undergoing company restructuring (prepare for employee redeployment before the risk of redundancy, hasten the start of training when redundancy is confirmed, anticipate the skills need for future work);
- Improve jobseekers' access to training, especially by enhancing partnership agreements and developing tools that can be shared between regional departments and the PES.
- The target is to agree a "Young people's educational and vocational success policy" and an "Action plan for jobseekers' training" in each region, clarifying the responsibilities of all stakeholders involved in vocational education and training. The new framework agreement signed in January 2013 between the government and the joint fund for career security ("FPSPP") also includes a company restructuring support component which will be broken down into partnered local measures in the coming months.

Recent country-specific commitments from the G20 employment agenda

1. *Reducing labour costs through tax credits (France)*

In force since 1 January 2013, the "*CICE*" tax credit for competitiveness and jobs is already a major financial help in reducing the cost of labour, being worth a total of €20bn per year by 2017. This reduction in the cost of labour takes the form of a tax credit although that makes no difference to its effect, as it benefits all businesses whether or not they pay corporation tax.

The targeting selected for this scheme (uniform rate applies up to 2½ times the minimum wage) makes it possible to support employment while offering substantial direct support to exporting companies by increasing their cost competitiveness.For example, manufacturing sector consequently receives 18% of all *CICE* tax credits, which is the same proportion as its proportion of total payroll costs (see *CICE* evaluation report) and it will also benefit from lower labour costs in other sectors through the resulting effects on its own purchases.

Labour costs at the minimum wage level in France, already reduced thanks to cuts in social security contributions on low wages, are reduced further by implementation of the “CICE” tax credit. The amount of deductions is consequently lower than in many other European countries up to average pay levels.

According to recent estimates by INSEE (French national statistics office), the “*CICE*” tax credit has already had a positive effect on employment, of the order of 30,000 jobs in 2013. The “*CICE*” scheme, the rate of which rose from 4% to 6% on 1 January 2014, is expected to help create 280,000 jobs by 2017, a figure consistent with INSEE's assessment in its December 2013 economic trends report.

These measures to reduce the cost of labour will be significantly enhanced by the Responsibility and Solidarity Pact, which provides for a €10bn reduction in labour costs, in addition to the €20bn anticipated from the “*CICE*” tax credit, making a €30bn cut in costs by 2016.

A monitoring committee chaired by the Prime minister is in charge of the follow-up and evaluation of these measures.

2. *Labour market reform to encourage jobs and growth (France)*

The concept of “flexicurity” is at the centre of the French Labor market reform. A law was passed, based upon an agreement between social partners. It introduces important breakthroughs that will significantly improve the functioning of the labour market.

The reform should also be seen as a success as regards the method used, namely the decision to give priority to social dialogue. The method was a success in that it allowed strong social and political ownership of the reform. The Government allowed the negotiation to cover a broad set of issues, ranging from short-term contracts to health insurance. These risks paid off: all employers’ organisations, as well as a majority of trade unions, are expected to sign the agreement.

The reform is also a historical achievement, in the sense that negotiations over such a broad agenda had not taken place since 1984.

It entails more flexibility on the labour market, more security both for firms and employees, while at the same time tackling the problem of market segmentation.

The labor market reform enhances the competitiveness and the flexibility of the French economy thanks to the forthcoming “majority agreements” to preserve jobs, which will be signed at firm-level. This is a structural innovation since the firm is recognized as the fundamental centre of decision. These firm-level majority agreements will allow wages and working hours to adjust, on a temporary basis (with a renewable timeframe of maximum 2 years), when economic circumstances make these adjustments necessary. Mobility of workers within companies will be favoured. Companies will be able to dismiss employees who refuse mobility proposals, without it being considered an economic dismissal, thereby reducing costs borne by the firms.

The agreement also enhances security and predictability for firms and employees:

- -for firms, more predictability on collective lay-off procedures: the procedure for collective dismissals will be more flexible and will be accelerated (“jobs preservation plans” or “plans de sauvegarde de l’emploi”). For judiciary procedures, the statutory prescription will be shortened and a maximum scale for compensation will be introduced for ex ante conciliation.
- -for employees, better protection of workers, thanks to enhanced portability of rights: personal training accounts, “rechargeable rights” to unemployment insurance, compulsory complementary health insurance,

and portable rights in case of professional mobility. Further negotiations on part-time unemployment schemes should allow simplifications and a merging of existing schemes; periods of inactivity will also be more strongly oriented towards training.

The LM reform will help to tackle labour market segmentation. On top of the aforementioned elements in favour of mobility and hiring, the objective will be to spur the use of permanent contracts (“contrats à durée indéterminée”) as the main type of work contract. Employers contributions related to unemployment insurance will be increased for short term contracts that do not turn into permanent contracts. At the same time, these same contributions will be reduced for young workers hired on permanent contracts.

The reform is therefore:

- comprehensive: all the issues mentioned in the orientations document prepared by the Government have been covered extensively, unlike previous negotiations which too often led to limited adjustments despite high ambitions at the start of the negotiations;
- balanced: by drawing a win-win agreement, for firms which need more judiciary security and procedures that allow quick adjustments to face evolving market environments, and for employees who seek better protection of their jobs and careers.

3. Reforming welfare and pensions to encourage growth and jobs (France)

The 2013 pension reform, thanks mainly to the longer period of pension contributions, improves the sustainability of government finances by 0.5 points of GDP at current value (i.e. equivalent to an immediate and long-term improvement in the structural deficit of 0.5 points of GDP), while maintaining the cut in labour costs anticipated from the “*CICE*” tax credit. Eventually, pension scheme members starting work at age 23 (the average in France) will be able to retire on a full pension from age 66. These effects are in addition to those from the 2010 reform, which are still on the increase, improving France’s relative position in Europe as regards the current cost of aging populations, already favourable given the dynamism of France’s demographics.

The main aspects of the reform:

After an assessment and consultation phase ending in September 2013 with the submission of draft legislation by the government, Parliament passed the law “guaranteeing the future and fairness of the pensions system” on 18 December 2013.

This law, which came into force on 20 January 2014, is an ambitious reform which will enable the French pensions system to respond to changes in French society so as to (i) ensure the long-term future of pension schemes, (ii) make the system fairer, and (iii) simplify the system and strengthen its governance. The total financial adjustment needed will be split in a balanced manner between reducing spending and increasing income, while avoiding any increase in labour costs. Pension reform will thus generate, by 2040, a net gain for all schemes combined of €18.6bn, improving the sustainability of government finances by 0.5 points of GDP at current value. These effects are in addition to those from the 2010 reform which are still on the increase.

By 2020, the reform will firstly deliver a swift response to the financing problems facing the pay-as-you-go pensions system. The pension schemes’ deficit will consequently be reduced by €4.1bn from 2014 and €8.1bn by 2020, thereby restoring the balance of the pension system (disregarding the AGIRC-ARRCO private complementary, and fully funded, pension schemes). It will be based on fairly sharing the financial burden between all stakeholders – workers, employers (higher contribution rates) and pensioners (tax on pension increases for parents of at least three children and postponement of the pension payment review from April to October). In addition, the increase in employers’ pension contributions has been offset under the social security finance bill for 2014 in order not to increase the cost of labour.

Beyond 2020, financing effort will also entail a longer period of pension contributions to obtain a full pension, reaching 43 qualifying years by 2035. This increase will help to improve pension schemes’ balance by €5.4bn by 2030 and €10.4bn by 2040, and along with short term measures will mean basic schemes’ balance is maintained until 2040. One of the objectives of these reforms is to encourage employees to remain in work, which should increase the employment rate in the over-50s and thereby increase the economy's potential for growth (see Inset 2). However, so as not to penalise scheme members who started their working lives early, the statutory retirement age is kept at 62.

Moreover, this reform also improves the pension system's governance by setting up an oversight mechanism in the form of a pension monitoring committee which will be tasked with monitoring the financial situation of pension schemes, issuing an annual report and raising warnings in the event of significant deviation from the planned path.

This reform is in addition to the social partners' agreement of 13 March 2013 on financial equilibrium for complementary pension schemes (AGIRC and ARRCO schemes) which firstly stipulate lower pension revaluations for three years and secondly increased contribution rates in 2014 and 2015.

Lastly, the government continues to take steps to make the pensions system fairer. The "long career" mechanism of July 2012 had already made the pension system fairer by allowing scheme members who started working before the age of 20 and who had the required number of qualifying years' contributions to retire from the age of 60. This mechanism, fully financed, does not jeopardise the statutory retirement age of 62. In addition, the 2013 reform takes better account of the physicality of the work and anticipates specific measures for a fairer pensions system (for women, young people, career breaks, small pensions, those having contributed to more than one scheme, those with disabilities).

4. Enhancing education, training and skills development (France)

The government has made vocational education and training the core of building a framework for the future. This initiative resulted in (i) firstly the "Priority training for employment" plan and (ii) secondly the national multi-sector agreement of 14 December 2013 on reforming the vocational training system, which has since formed the subject of legislation passed by Parliament on 27 February 2014.

The "Priority training for employment" plan

The "Priority training for employment" plan was launched in July 2013, with the intention of enabling an additional 30,000 jobseekers to receive training before the end of 2013 in sectors offering employment opportunities in the short or medium term (building, transport, health & social care, public works, etc.). Financing totalling €200m has been brought to bear by several relevant organisations. By December 2013, 38,900 jobseekers had registered and 36,750 had already started their training courses.

The scheme has been extended into 2014, with a new target of 100,000 more trainees. On 31 August 2014, 60 756 people had registered and 56 299 had already started their training courses. The first results of the plan are positive: 65 % of the jobseekers who ended training more than six months ago had access to a job and 40 % of the trainees were in work in June 2014.

Reforms of the vocational education and training system.

The national multi-sector agreement of 14 December 2013 on reforming the vocational education and training system has already been enshrined in legislation passed by parliament at the end of February 2014. It is a comprehensive reform of vocational and professional education and training relating to the mechanisms, financing and governance. In particular, this reform establishes an individual training account which is open to anyone as soon as they enter the labour market (*see above*).

APPENDIX: LIST OF RECENT COUNTRY-SPECIFIC COMMITMENTS AND OTHER KEY DOCUMENTS FROM THE G20 EMPLOYMENT AGENDA

SAINT PETERSBURG ACTION PLAN

Structural reforms

Investing in infrastructure, including road, rail and energy (Argentina, Brazil, Canada, India, Indonesia, Saudi Arabia, United Kingdom, United States).

Measures to strengthen service industries (China, Italy).

Reducing labour costs through tax credits (France).

Boosting foreign direct investment through tax and regulatory reform (Japan, Korea).

Reforms to streamline business regulation (Russia, South Africa, Spain).

Tax reforms to reduce the burden on business (China, United Kingdom).

A new disability insurance scheme (Australia).

Reforms to improve skills development through schools and tertiary education (Australia, Brazil, India, Korea, South Africa, United States).

Strengthening active labour market programs to create jobs (Canada, Italy).

Labour market reform to encourage jobs and growth (France, Mexico).

Implementation of the Youth Employment Initiative (European Union).

Reforming welfare and pensions to encourage growth and jobs (France, United Kingdom)

Reducing informality through incentives for SMEs (Indonesia)

Reducing the tax wedge (Italy)

Expanding childcare to encourage women to enter the workforce (Japan, Korea)

Increasing women's participation in the workforce (Turkey)

Implementing stronger financial regulations to increase the resilience of national financial systems (Brazil, France, Germany, European Union, Japan, Korea, Mexico, South Africa, United Kingdom, United States)

Measures to strengthen financial literacy and consumer protection in the finance sector (Russia, Saudi Arabia, Turkey)

Link: http://www.g20.utoronto.ca/2013/2013-0906-plan.html

LOS CABOS JOBS AND GROWTH ACTION PLAN

Promoting investments in infrastructure to increase productivity and living standards in the medium term by addressing bottlenecks (Argentina, Australia, Brazil, India, Indonesia, Mexico, Saudi Arabia, South Africa, UK).

Promoting green and sustainable growth (Australia, Korea, Germany, Mexico).

Encouraging formal sector employment through better education or skill development (Brazil, Indonesia, Mexico, South Africa).

Improving employment opportunities for targeted groups such as youth and persons with disabilities (Canada, Korea, UK).

Encouraging the participation of younger workers through apprenticeships (UK).

Retraining of long-term unemployed (US).

Increasing wage flexibility, such as decentralized wage setting (Italy).

Reducing labour tax wedges (Brazil, Italy).

Unemployment insurance reforms to make it more effective and efficient in supporting job creation (Canada).

Tax and benefit reforms to enhance productivity and improve incentives to work (Australia, Germany, Italy, UK).

Skills development (Spain).

Enhancing education, training and skills development (Australia, Canada, France, Germany, Italy, Turkey, South Africa).

Providing targeted support for the poor or strengthening social safety nets (India, Indonesia, China, Mexico, Saudi Arabia, South Africa).

Encouraging the participation of females in the labour force through, for example, reforming benefit systems and providing affordable child care services (Australia, Germany, Japan, Korea).

Link: http://www.g20.utoronto.ca/2012/2012-0619-loscabos-actionplan.pdf

OTHER KEY DOCUMENTS

G20 Strategies for Youth Employment through the G20 Labour and Employment Ministers Conclusions (17-18 July 2012) (http://www.g20.utoronto.ca/2012/2012-0518-labour.pdf)

'Key Elements of Quality Apprenticeships' (2012) (http://www.ilo.org/wcmsp5/groups/public/---ed_emp/---ifp_skills/documents/publication/wcms_218209.pdf)

'A Skilled Workforce for Strong, Sustainable and Balanced Growth: A G20 Training Strategy' (2010) (http://www.ilo.org/wcmsp5/groups/public/---dgreports/--integration/documents/publication/wcms_151966.pdf)

G20 Labour and Employment Ministers' Declaration, Moscow, 18-19 July 2013 (http://en.g20russia.ru/load/781649316)

The G20 Labour and Employment and Finance Ministers' Communiqué, Moscow, 19 July 2013 (http://en.g20russia.ru/load/781652947)