France

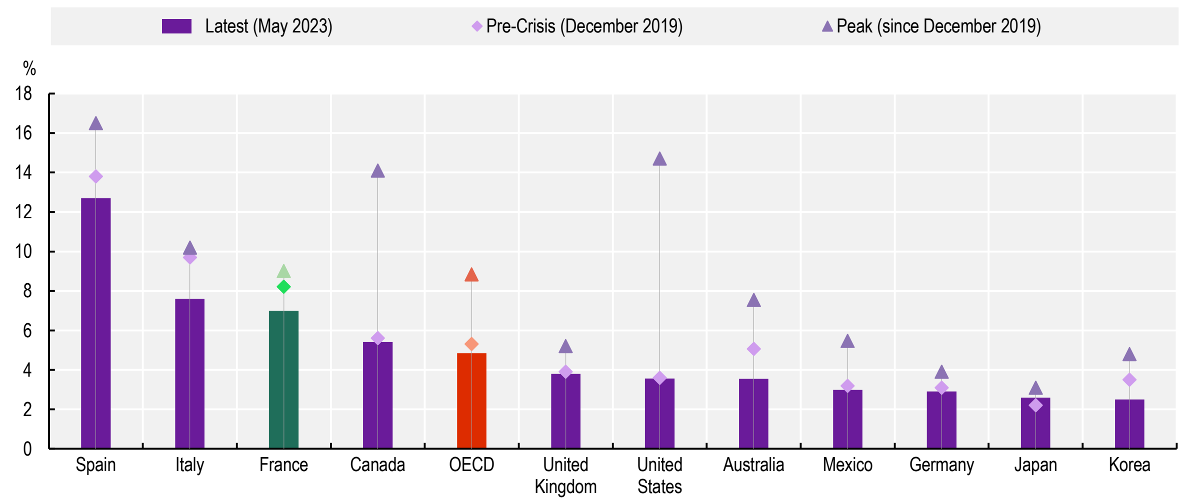
Labour markets have been resilient despite the significant slow-down in economic activity

The labour market recovery from the COVID-19 recession has been strong, but lost momentum in 2022 and early 2023 in the context of the economic slowdown. However, employment and unemployment have held their ground, and job vacancy rates remain high in most countries, despite some signs of easing. By May 2023, the OECD unemployment rate had fallen to 4.8%, a level not seen in decades.

- In France, the unemployment rate has continued falling from its peak of 9% to 7% in May 2023 (Figure 1). This is below pre-pandemic rate of 8.2% and at its lowest level since 1982 but still above the OECD average. In Q1 2023, the employment rate for those aged 15-64 years picked at 68.5% − 2 percentage point above its pre-crisis level in Q4 2019. Despite this significant improvement of the labour market, youth employment rate remains low in France, well below the OECD average, while youth unemployment rate remains high.
- According to OECD projections, GDP growth will slow down to 0.8% in 2023 and increase to 1.3% in 2024. High energy prices, tighter financial conditions and declining real wages hold back private consumption and residential investment. Inflation is expected to remain high at 6.1% in 2023 and to decline to 3.1% in 2024. With slowing job creation, the unemployment rate is projected to stabilise at 7.2% in 2024.
- The reform of apprenticeship and that of unemployment insurance, which encourages people to return to work on permanent jobs and reduces the duration of benefits when the unemployment rate is low, have helped accelerate the fall in unemployment. It now becomes increasingly important to remove the non-financial barriers to participation in the labour market for those who are further away from the job market. The current reform of the public employment service, with the creation of "*France Travail*", aims at better co-ordinating employment, social and training services to boost job re-entry.

Figure 1. Unemployment rates remain low across the OECD countries

Unemployment rate (percentage of labour force), seasonally adjusted



Note: Latest month available refers to March 2023 for the United Kingdom; and June 2023 for Canada and the United States.
Source: OECD (2023), "Unemployment rate" (indicator), https://doi.org/10.1787/52570002-en (accessed on 11 July 2023).

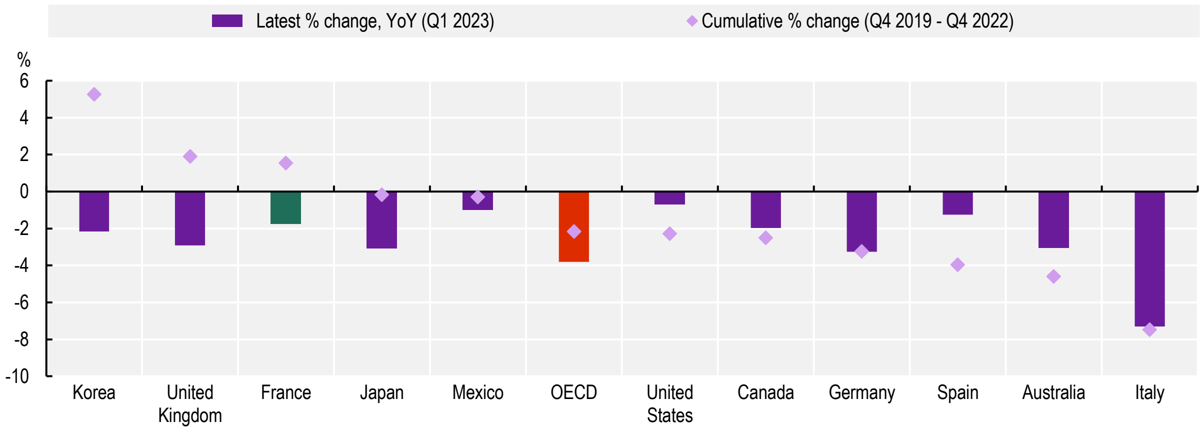
Real wages are falling amid a cost-of-living crisis

Russia's war of aggression against Ukraine contributed to a surge in inflation, which was not matched by nominal wage growth. Consequently, real wages have fallen in virtually every OECD country. On average, real wages were down 3.8% in Q1 2023 year-on-year among the 34 OECD countries with data available. The loss of purchasing power is particularly challenging for low-income households who have less capacity to deal with increases in prices through savings or borrowing.

- Compared to the OECD average, and neighbouring countries, the decrease in real wages in France was relatively modest in Q1 2023 compared to a year earlier (Figure 2) due to relatively contained inflation rates (resulting from the combination of a temporary freeze of regulated energy prices, subsidies and cash transfers measures that are expected to be phased out by the end of 2023) and wages dynamic.

Figure 2. Real wages are falling in most countries

Change in real hourly wages, Q1 2023

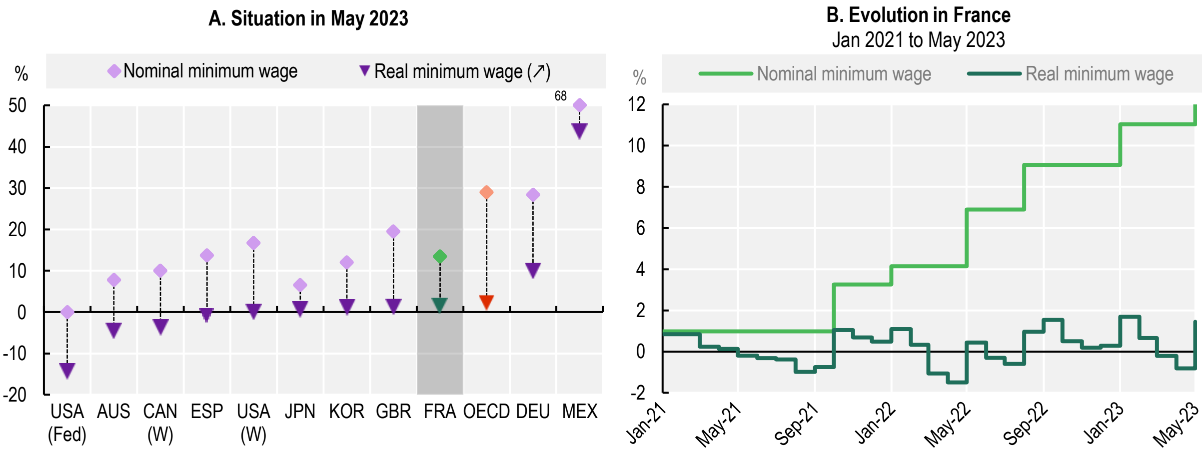


Note: OECD is an unweighted average of 34 OECD Member States (not including Chile, Colombia, Ireland and Türkiye). For the United Kingdom, average weekly earnings are used.
Source: *OECD Employment Outlook 2023*, Chapter 1.

- The automatic indexation of the French national minimum wage (SMIC) helped safeguarding the purchasing power of the low-paid. In 2023, it already increased twice: by +1.8% in January and 2.2% in May 2023, keeping thus pace with inflation over time (Figure 3).
- Beyond minimum wages, collective bargaining can also help mitigate losses in purchasing power: negotiated nominal wages increases allowed to recoup some of the losses in purchasing power of workers but remain below inflation, leading to a decline in real terms of 1.2% in 2022 − much less than the decline observed in Germany, Italy or Spain.

Figure 3. Minimum wages have kept pace with inflation

Cumulative percentage change since December 2020



Note: OECD is the unweighted average of 30 OECD countries with a statutory minimum wage. W: employee-weighted subnational minimum wage. Fed: Federal minimum wage.
Source: *OECD Employment Outlook 2023*, Chapter 1.

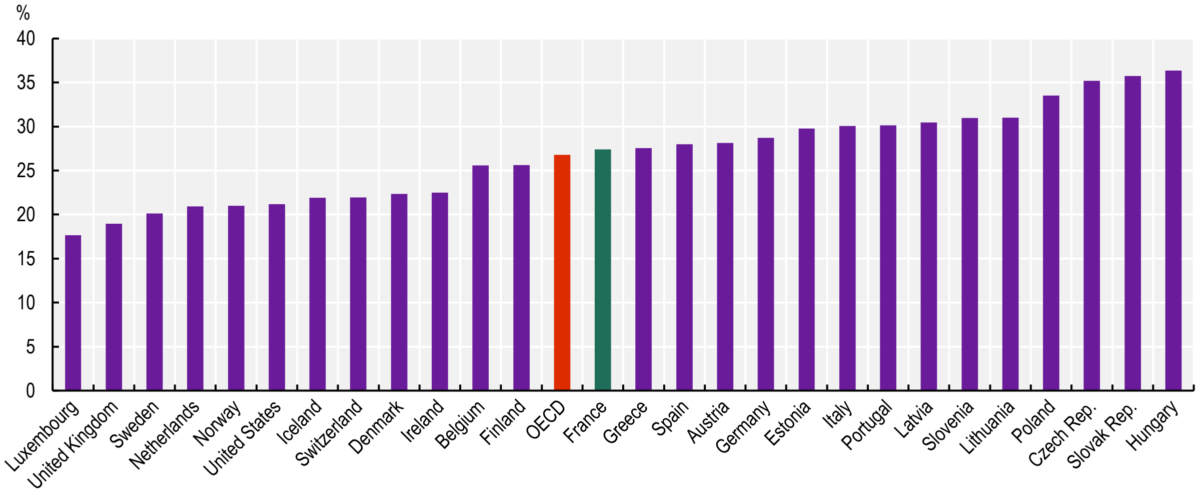
AI has so far helped high-skilled workers perform their jobs rather than displacing them, but employment effects could take time to materialise

So far, there is little evidence of decreased labour demand due to AI. High-skilled occupations have been the most exposed to recent progress in AI, but they have also experienced employment gains relative to lower-skilled workers. However, AI adoption is still relatively low and the technology is evolving rapidly including recent advances in generative AI. Any negative employment effects may therefore take time to materialise.

- AI appears to complement the skills of more exposed, high-skill occupations. When considering all automation technologies including AI, the occupations at the highest risk of automation are typically lower-skilled and held by younger workers. 27.4% of employment in France is in occupations at highest risk of automation very close to the OECD average of 27% (Figure 4).
- In 2022, the Council of State issued an official statement advocating for the use of AI for better public services. This acknowledges the importance of human and technical resources to implement AI in the public sector and declares the training of public managers a priority, alongside the recruitment of data experts.

Figure 4. Although AI exposure has not (yet) led to decreased labour demand, certain groups remain at risk

Share of employment in occupations at the highest risk of automation by country, 2019

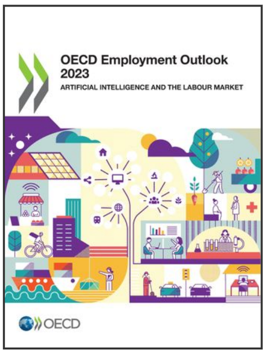


Note: The figure shows the employment shares of the occupations at highest risk of occupations, i.e. top quartile occupations when ranked according to their automation index. The results are based on a survey of experts who evaluated the degree of automatability for 98 skills and abilities. The risk of automation measure is then computed by occupation as the average rating for each skill or ability used in the occupation across all expert responses weighted by the skills or abilities' importance in the occupation as rated by O*NET.
Source: Lassebie and Quintini (2022), "What skills and abilities can automation technologies replicate and what does it mean for workers?: New evidence", https://doi.org/10.1787/646aad77-en, based on OECD Expert Survey on Skills and Abilities Automatability and O*NET.

Contact

Stéphane CARCILLO (✉ stephane.carcillo@oecd.org)

Sandrine CAZES (✉ sandrine.cazes@oecd.org)



From:

OECD Employment Outlook 2023

Artificial Intelligence and the Labour Market

Access the complete publication at:

https://doi.org/10.1787/08785bba-en

Please cite this chapter as:

OECD (2023), “France”, in *OECD Employment Outlook 2023: Artificial Intelligence and the Labour Market*, OECD Publishing, Paris.

DOI: https://doi.org/10.1787/4ab57dc8-en

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