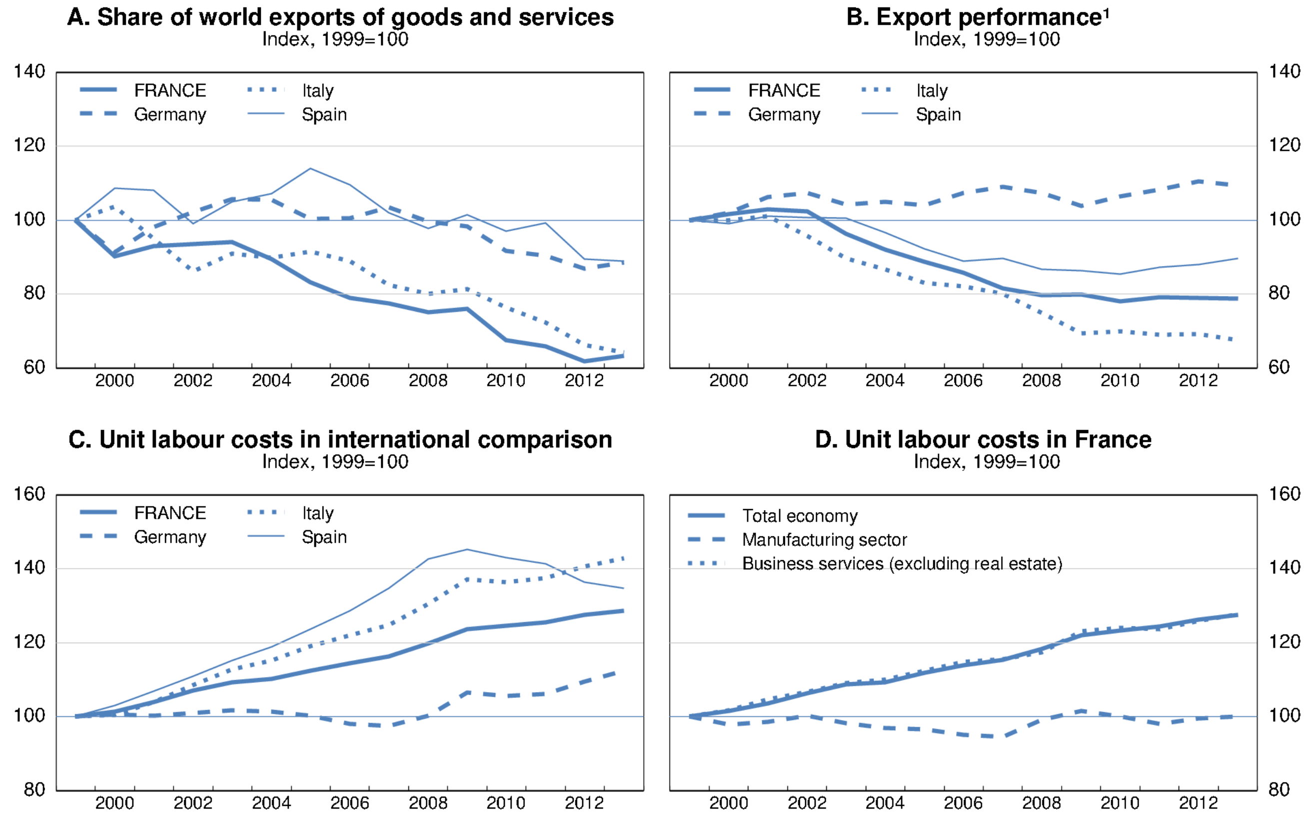
More competition for better economic outcomes in France

By Antoine Goujard,
Economist, Country Studies, OECD Economics Department

Strengthening competition would have positive effects on French competitiveness, employment, equity and well-being. The OECD (2015a) estimated that five sets of measures in the “Macron Law” – the reform of regulated professions, the extension of Sunday and evening trading, the opening-up of passenger coach transport, the simplification of redundancy rules and easier procedures for obtaining a driving licence – could potentially increase France’s GDP by 0.4% over 10 years. Streamlining entry requirements in some professional occupations and easing entry conditions for micro-enterprises, as recently announced, would also be good moves. However, there is scope to go much further and increase synergies with labour market reforms (OECD, 2014, 2015a and 2015b).

Over the last decade, France’s export market share losses have been slightly greater than those experienced by the other main euro area countries (Panel A). In particular, French export growth was relatively slow compared to its export markets before the global financial crisis in 2008 (Panel B). French wages have increased faster than labour productivity, and unit labour cost growth has exceeded the corresponding German rate (Panel C). This trend is mainly explained by developments in economic sectors that are partly sheltered from international competition (Panel D). Strengthening competition in those sectors would benefit all industries that use them as inputs in their production process and improve the cost-competitiveness of French exporting firms, their profit margins and investment capacities.

Changes in export market shares and unit labour costs



1.Difference between export growth and export markets' growth, in volume terms (with export markets as of 2010).
***Source*: OECD (2015), Economic Outlook 96 and Productivity databases.**

The OECD analysis highlights three main areas of reforms to improve competition, productivity and employment:

1. **Simplify the business environment.**

Streamlining administrative procedures, including the tax system and government support for firms, together with improving public procurement practices, would allow substantial productivity gains and growth. The guidelines issued by the OECD (2011) should be used to systematically review existing regulations from a competition perspective according to a set schedule, and measures should be implemented rapidly.

2. **Continue to open up regulated professions.**

For architectural, accountancy and legal services, barriers to entry and controls on practice in France were among the highest in the OECD in 2013. Streamlining entry requirements, opening further the capital ownership and increasing or lifting numerical quotas for selected professions would strengthen productivity and allow economies of scale and scope.

3. **Ease further retail regulations.**

The new rules governing urban commercial development and Sunday opening remain unnecessarily complex. Urban zoning rules are still a constraint for large stores, and heterogeneous Sunday openings' regulations distort competition and limit employment. Moreover, the sales of certain products, such as over-the-counter drugs, and the periods during which clearance sales can be held, are still tightly controlled.

Find out more:

Goujard, A. (2015), "Enhancing Competitiveness, Purchasing Power and Employment by Increasing Competition in France", OECD Economic Policy Papers, No. 14, OECD Publishing, Paris.
OECD (2011), "Competition Assessment Toolkit", OECD Publishing, Paris.
OECD (2014), "France, Les réformes structurelles : impact sur la croissance et options pour l'avenir", OECD Publishing, Paris.
OECD (2015a), "France, Évaluation de certaines mesures de la Loi pour la croissance, l'activité et l'égalité des chances économiques et perspectives de futures réformes", OECD Publishing, Paris.
OECD (2015b), "OECD Economic Surveys: France 2015", OECD Publishing, Paris.