Promoting inclusive growth in France
Two productivity growth waves

United States:
HP filtering of Productivity growth with $\lambda=500$

- Total factor Productivity
- Labor Productivity
Secular stagnation?

- Dale Jorgenson
- Missing Growth
- Europe
Correlation between TFP growth and number of patents granted

Yearly rank of sector in terms of Job Creative Destruction
Productivity trends in Sweden and Japan

Japon

Suède
Reform pays out

- **Reformers**
  - **Netherlands**: Wassenaard agreement, 1982
    - TFP growth: 1977-1983 0.5 %, 1983-2002 1.5 %
  - **Canada**: reforms initiated in early 1990s
    - TFP growth: 1974-1990 0.3 %, 1990-2000 1.1 %
  - **Australia**: reforms initiated in early 1990s
    - TFP growth: 1971-1990 0.4 %, 1990-2002 1.4 %
Enhancing innovation-led growth in advanced countries

- Invest in knowledge economy (innovation)
- Invest in (higher) education
  - Liberalize product and labor markets
- Pro-active macroeconomic policy
Enhancing productivity growth in emerging market economies

- Foster technology transfers
- Reallocate factors
- Improve management practices
Average management scores across countries are strongly correlated with GDP per capita

Data includes 2013 survey wave as of 9/20/2013. Africa data not yet included in the paper.
Wide variation in management: US and Japan leading, developing nations trailing (includes 2013 wave)

Note: Firms between 50 and 5000 employees, Raw data
Enhancing social mobility: innovation
Innovation and Social Mobility

Source: Aghion et. al. (2015).
Enhancing social mobility: schooling
Factor #3: Upward Mobility vs. Test Scores

$\rho = 0.589$

$\rho = 0.087$
Enhancing social mobility: competition
The relative mobility measure comes from the Equality of Opportunity Project. It is the slope coefficient of a within MSA regression of child income rank against parent income rank.
Enhancing social mobility: Flexsecurity on labor market
The relative mobility measure comes from the Equality of Opportunity Project. It is the slope coefficient of a within MSA regression of child income rank against parent income rank.
Enhancing social mobility: Macrostabilization
Youth Suffer a lot in Recession

Effect of State Unemployment Rate on Group Employment Rate, by Single Year of Age

(percentage points)


Source: Hoynes, Miller and Schaller 2012
Minorities & Low Education Adults Suffer in a Recession

Effect of State Unemployment Rate on Group Unemployment Rate, by Race/Sex and Education

(percentage points)


Source: Hoynes, Miller and Schaller 2012
La France dans les comparaisons internationales
Dépenses de R&D privées (% du PIB)


France  États-Unis
The French situation – Labor market regulation
The French situation – Minimum wage

Minimum relative to average wages of full-time workers (2015)

Source: OECD, 2015
The French situation – Wage rigidities

Downward wage nominal rigidity (part of frozen wages on sum of frozen and reduced wages) following to a shock of demand

- Croatia
- Slovenia
- Latvia
- Estonia
- Greece
- Cyprus
- Slovak Republic
- Lithuania
- Czech Republic
- Bulgaria
- Romania
- Spain
- Italy
- Hungary
- Luxembourg
- Austria
- Germany
- Portugal
- Poland
- Netherlands
- United Kingdom
- France
- Belgium
The French situation – Product market regulation

Regulation on the Product Market and in the non-manufacturing sectors - OECD - 2013

PMR
NMR
The French situation – State intervention

Size of the State (2014)

% of GDP

- United States
- Ireland
- Slovak republic
- Estonia
- Japan
- United Kingdom
- Spain
- Slovenia
- Portugal
- Netherlands
- Greece
- Germany
- Luxembourg
- Italy* (2013)
- Austria
- Finland
- Belgium
- France

Source: OECD
The French situation – Education

From PISA - OECD

- Performance in reading and science remains relatively constant between 2009 and 2012.

- French PISA rank decreases from 22\textsuperscript{th} to 25\textsuperscript{th} in mathematics scale.
<table>
<thead>
<tr>
<th>Country</th>
<th>Population (millions)</th>
<th>Shanghai ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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<td>Top 50</td>
</tr>
<tr>
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<tr>
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<tr>
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<td>0</td>
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<td>EU15</td>
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<td>13</td>
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<tr>
<td>EU25</td>
<td>487</td>
<td>10</td>
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<tr>
<td>Australia</td>
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<td>0</td>
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<tr>
<td>Canada</td>
<td>32</td>
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<td>Texas</td>
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</table>
Table 2: Public and private expenditure on higher education, 2001

<table>
<thead>
<tr>
<th>Country</th>
<th>As % of GDP</th>
<th>In thousand euros per student</th>
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<tr>
<td></td>
<td>Public</td>
<td>Private</td>
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<td>Austria</td>
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<td>Belgium</td>
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<td>Czech Republic</td>
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<td>0.1</td>
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<td>Denmark</td>
<td>2.7</td>
<td>0.0</td>
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<tr>
<td>Finland</td>
<td>2.1</td>
<td>0.1</td>
</tr>
<tr>
<td>France</td>
<td>1.0</td>
<td>0.2</td>
</tr>
<tr>
<td>Germany</td>
<td>1.1</td>
<td>0.1</td>
</tr>
<tr>
<td>Greece</td>
<td>1.2</td>
<td>0.0</td>
</tr>
<tr>
<td>Hungary</td>
<td>1.1</td>
<td>0.3</td>
</tr>
<tr>
<td>Ireland</td>
<td>1.2</td>
<td>0.2</td>
</tr>
<tr>
<td>Italy</td>
<td>0.8</td>
<td>0.2</td>
</tr>
<tr>
<td>Netherlands</td>
<td>1.3</td>
<td>0.3</td>
</tr>
<tr>
<td>Poland</td>
<td>1.1</td>
<td>-*</td>
</tr>
<tr>
<td>Spain</td>
<td>1.0</td>
<td>0.3</td>
</tr>
<tr>
<td>Sweden</td>
<td>2.1</td>
<td>0.2</td>
</tr>
<tr>
<td>UK</td>
<td>0.8</td>
<td>0.3</td>
</tr>
<tr>
<td>EU25</td>
<td>1.1</td>
<td>0.2</td>
</tr>
<tr>
<td>Japan</td>
<td>0.5</td>
<td>0.6</td>
</tr>
<tr>
<td>US</td>
<td>1.5</td>
<td>1.8</td>
</tr>
</tbody>
</table>
The French situation – Income tax rate

Top marginal tax rates (2015)

Source: OECD
The French situation – Social mobility

The strength of the link between individual and parental earnings varies across OECD countries

Intergenerational earnings elasticity: estimates from various studies

1. The height of each bar measures the extent to which sons’ earnings levels reflect those of their fathers. The estimates are the best point estimate of the intergenerational earnings elasticity resulting from an extensive meta-analysis carried out by Corak (2006) and supplemented with additional countries from d’Addio (2007). The choice of empirical estimates in this meta-analysis is motivated by the fact that they are based on studies that are similar in their estimation technique, sample and variable definitions. The higher the value, the greater is the persistence of earnings across generations, thus the lower is the intergenerational earnings mobility.

The French situation – Social mobility

The influence of parental background on student achievement in secondary education varies widely across OECD countries\(^1\)

1. **Socio-economic gradient:** change in PISA science score due to an improvement of one international standard deviation in the PISA index of student socio-economic background. **Socio-economic gradient taking cross-country distributional differences into account:** change in PISA science score due to an improvement of one country-specific, inter-quartile change in the PISA index of student socio-economic background. In countries where the difference in socio-economic background across students is particularly large (e.g. Italy, Portugal and Mexico) the gap between the socio-economic gradients with and without account for cross-country distributional differences is comparatively wide. The PISA test score scale has a mean of 500 and a standard deviation of 100 test-score points. For details, see Causa and Chapuis (2009).

Source: OECD calculations based on the 2006 OECD PISA Database.
Reform strategy

- Combine structural reforms and pro-active macro policy
- Make growth inclusive also by:
  - Thinking about the losers
  - Investing more and better in education
  - Providing generous unemployment benefits conditional on retraining
  - Set up an efficient tax system which finances public policies while not discouraging innovation
Productivity trends in Sweden and Japan

**Japon**

**Suède**
Reform pays out

- Reformers
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