

## Naïs Tirole: How France Needs to Change



In the world wide competition for talent, France is tripping itself up. Studies show that highly skilled people in particular are displeased with the economic situation, heavy taxes and a lack of perspective. As a consequence, 27% of young graduates consider leaving the country, with every third one of them contemplating going abroad for more than 10 years. Expatriation is no longer seen as a choice in one's career strategy, but a necessity caused by the failure of the labour market.

This state of affairs is the result of bad policy choices in several areas. First of all, as previously mentioned, there is taxation: in comparison with other European countries, France has astronomically high payroll taxes and social security contributions. It also has prohibitive taxes on income and capital. Hence, the cost of hiring

new employees is high for companies, and people with high income have a strong incentive to work in tax advantageous countries.

Second, the labour laws need to be simplified and restructured. There are currently two types of employment contracts in France: a fixed term contract (CDD) which is very flexible but offers no security and poor on-the-job training; and a long term contract (CDI), which is very secure and hard to void. This has the effect of discouraging companies from offering long-term contracts to young people: almost three quarters of the employment contracts offered to graduates are fixed term only.

Third are the negative effects of legislation attempting to privilege French citizens and the French language. There was, for instance, the "Circulaire Gueant"; a directive which has had a negative impact on the recruitment of skilled foreigners as it limits the number of non-EU students allowed in France. Other examples include the fact that graduate schools are not allowed to teach an entire curriculum in English or the government's intervention against foreign buyouts of French companies. Add to that the administrative hurdles for setting up a business, and you have a country that is unattractive both to foreign talent and to entrepreneurs.

Finally, there are the issues that companies need to tackle. Fluent French is still a requirement to work in the country; hence foreign students with good English but no French will find it very difficult to find a job in France. Also, salaries can be indexed on school's ranking for young professionals, and companies often offer lower salaries for graduates in France than in their other European subsidiaries. As a consequence, two graduates with the same kind of job in the same company may have widely different salaries depending on their schools and residence.

As a conclusion: if France wants to retain its graduates and attract skilled individuals from abroad, it needs to put into place a number of reforms: overcome administrative and bureaucratic obstacles, reduce labour cost (social security taxes), simplify labour law,

change to a single type of contract (to protect the worker, not the job) and reduce barriers to entrepreneurship.