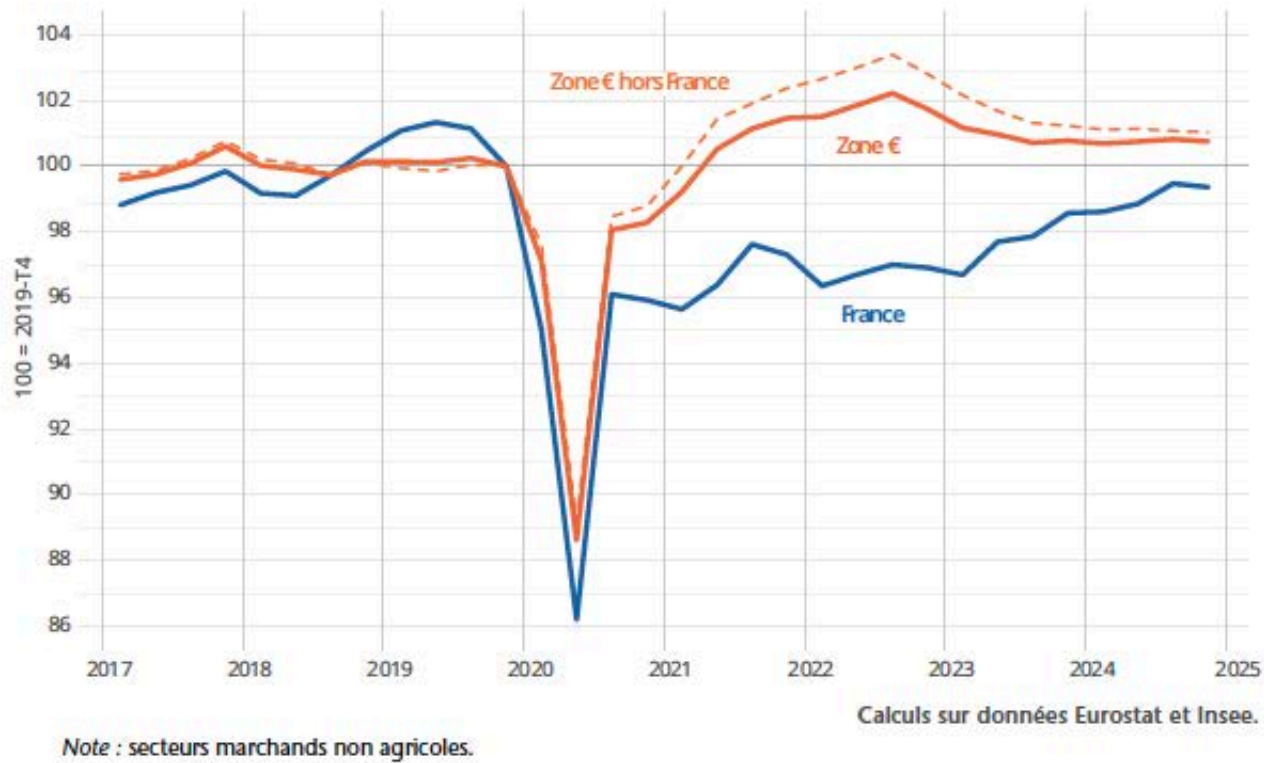


# Productivity developments in France

Joint OFCE-LEAP Workshop  
May 2025

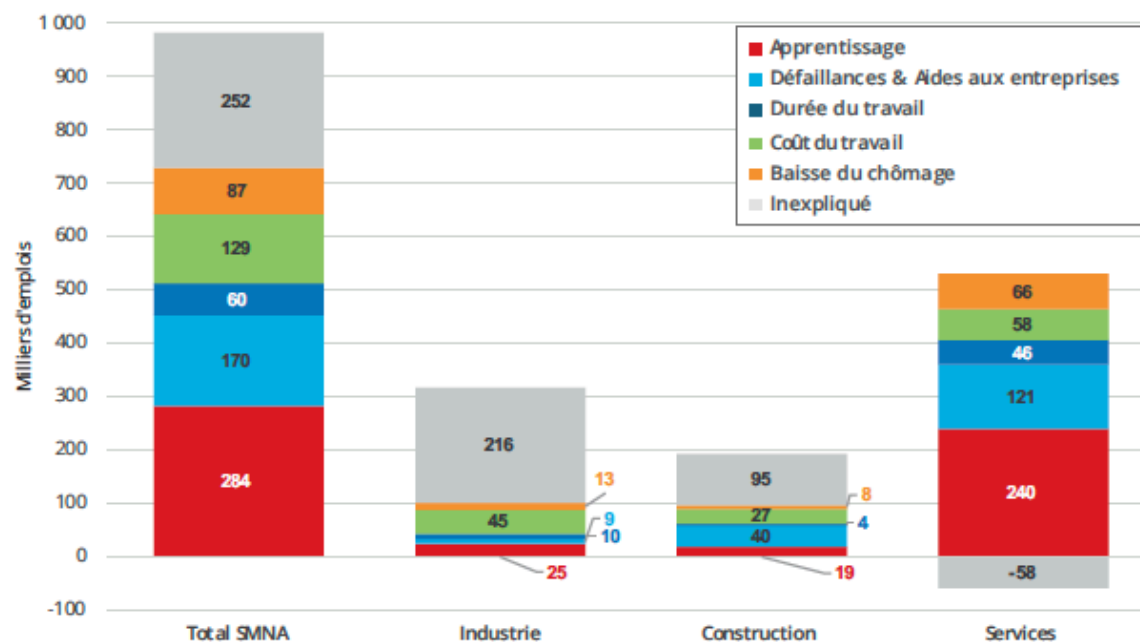
Xavier Ragot, OFCE

A decrease in labour productivity in a post covid world



## Short-run decrease in French labor productivity :

Graphique 6. Déterminants des emplois salariés surnuméraires par secteur (2019-T4 à 2024-T4)



**Source:** Coquet and Heyer (2025): OFCE Policy Brief, see also Timbeau (2025)

Forthcoming OFCE report by *Sébastien Bock, Aya Elewa, Lionel Nesta, Evens Salies*

## 1. A European Productivity Slowdown, Particularly Pronounced in France

Europe is experiencing a decline in its standard of living driven by lagging productivity gains: -12 percentage points for France and -20 for Italy.

This **divergence is almost entirely attributable to labor productivity**; structural effects and relative prices play only a negligible role.

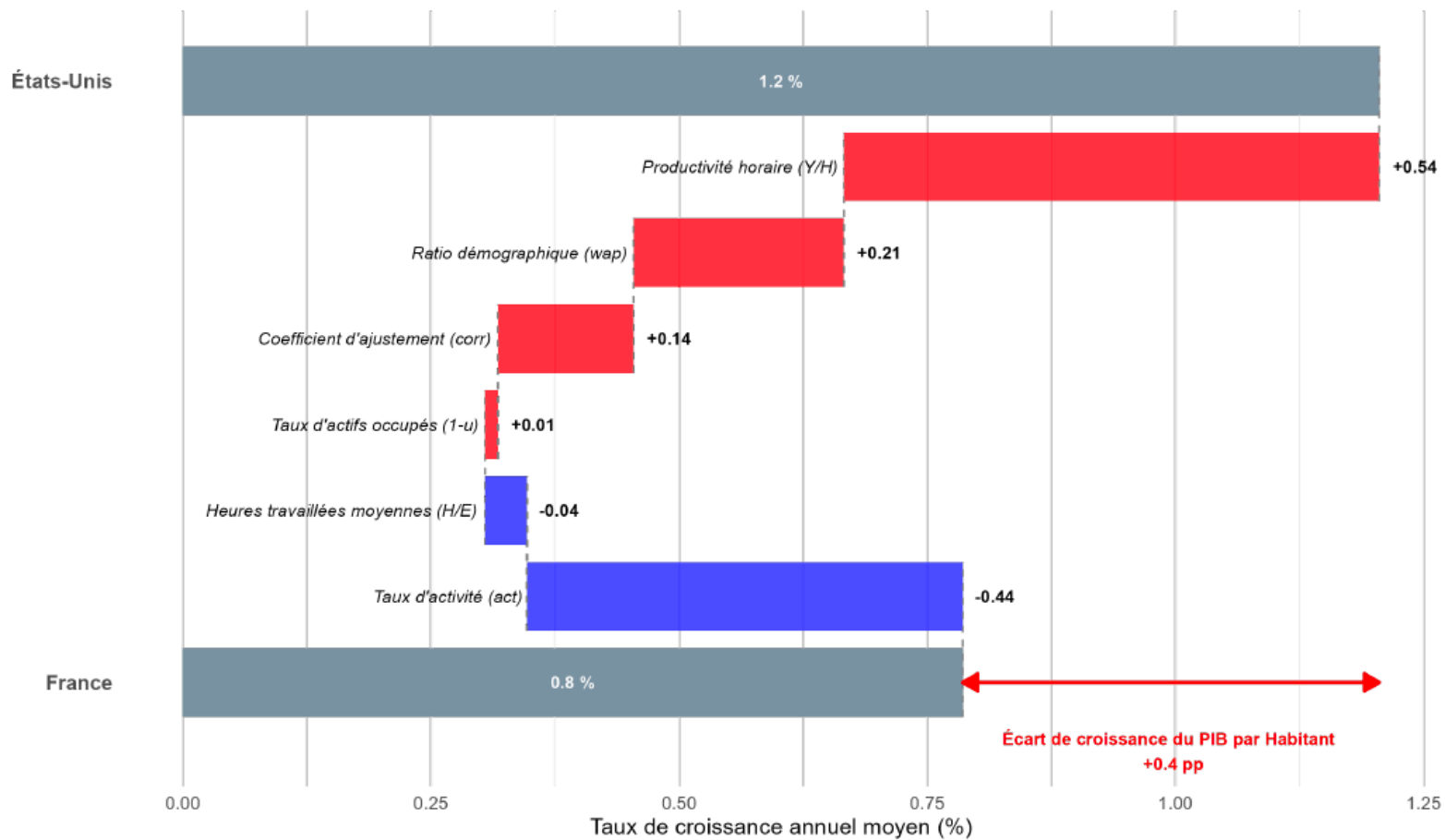
Three sectors account for most of the gap: Information and Communication Technologies (ICT, sector J), manufacturing (sector C), and wholesale and retail trade (sector G).

## 2. A Strategy Based on Cost Competitiveness Without Quality Upgrading

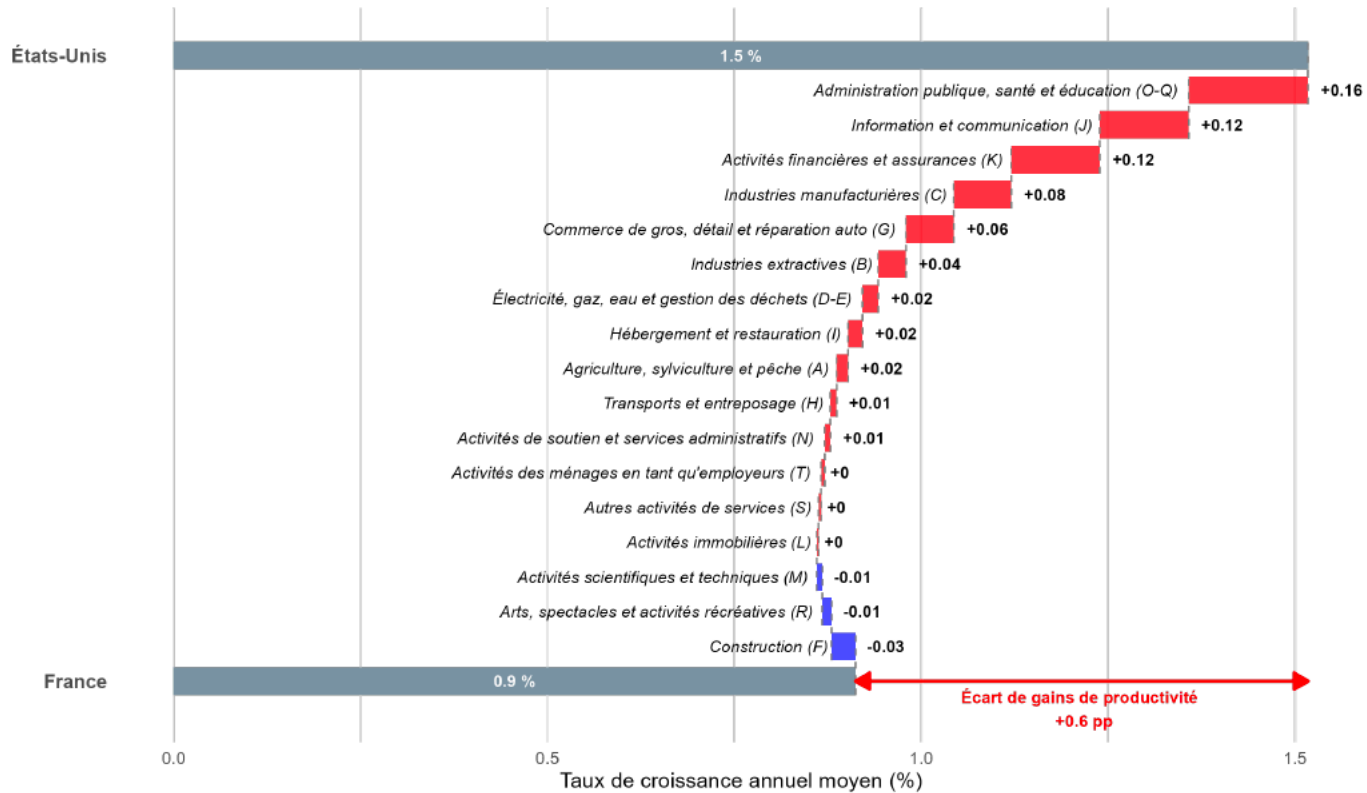
Producer price indices have increased less in Europe than in the United States, reflecting efforts to compress margins.

This strategy of price competitiveness has come at the expense of quality and innovation. Both tangible and intangible investment levels are lower, especially in technological assets (ICT) and R&D.

# Productivity decomposition (2000-2019)



# Sectoral comparison



# Difference in productivity



### 3. Massive Underinvestment in R&D and an Unfavorable Technological Specialization

The productivity gap is 80% explained by lower levels of capital investment, including 25% in ICT assets and 25% in intangible assets.

Europe remains focused on mature industries (e.g., automotive, chemicals), while China has made major inroads into digital and high-tech sectors.

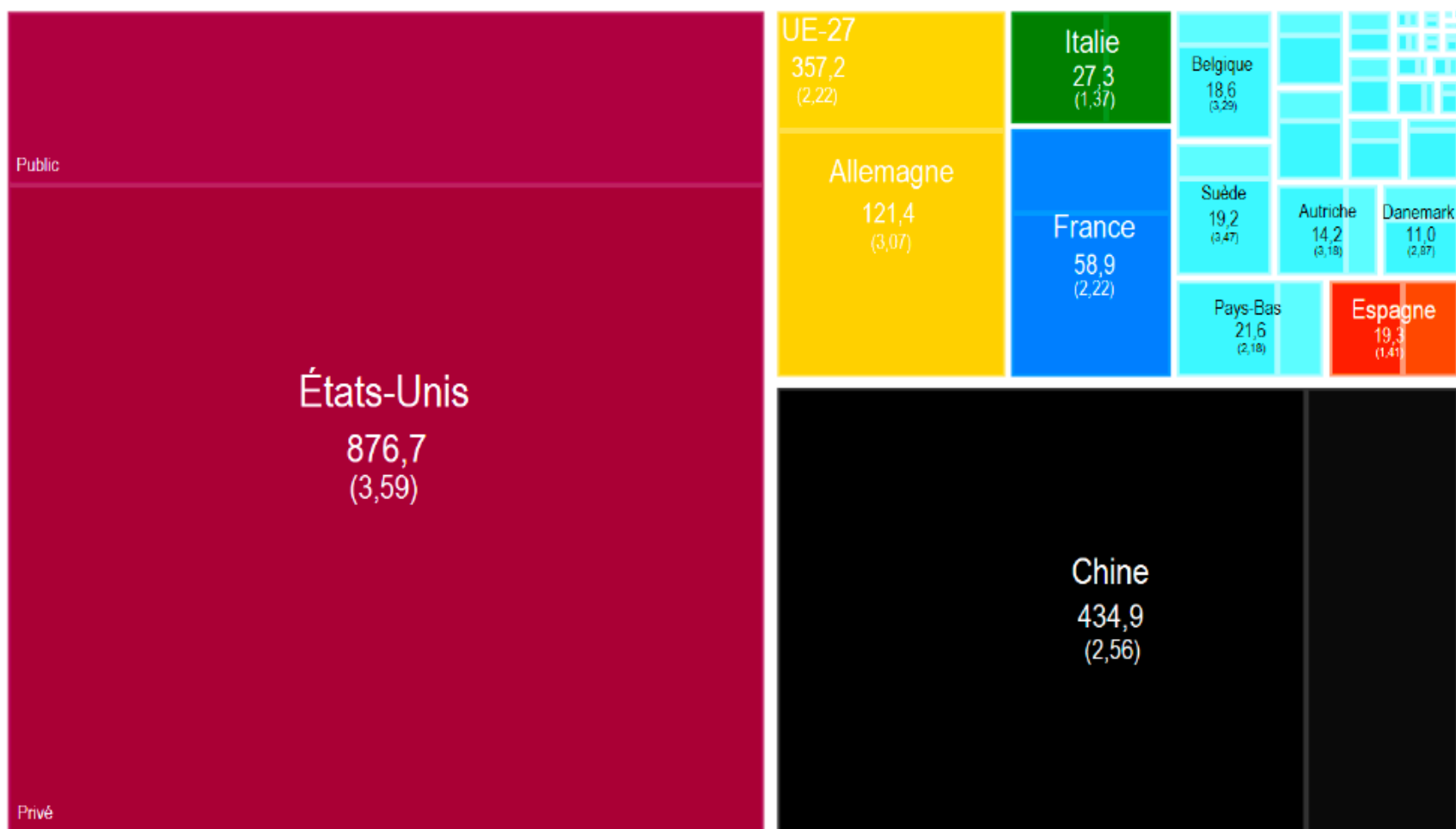
The renewal of leading ***R&D-intensive firms*** is very limited in Europe compared to China.

### 4. Europe Missing from Strategic Digital Technologies

The EU is significantly behind in breakthrough technologies such as ***artificial intelligence***, quantum computing, and cybersecurity.

France has only one genuine comparative advantage in a strategic technology: nuclear power. The contrast with the United States (dominant) and China (rapidly catching up) is stark.





## Innovation and Industrial policy: Vertical, Horizontal, diagonal?

### 1) Market and State failures:

- « Market coordination»: coordination failure (public and private entities, regulatory externalities)
- « State » doesn't know how to manage failures (Plan calcul) + difficulty to keep competition alive, at all stages.
  - « For a new industriel Policy » (2006)
  - « *Enseignements des politiques industrielles passées* », Trésor-Eco, Fev 2025, 358

### 2) National vs European level (Draghi report)

#### French level

- Budget of CNRS 4 Billions... Investment in military spending 30 billions
- Create an « National Center for Scientific and Dual Innovation» (NCSDI): DARPA
- No reform of the universities for years (Only Paris Saclay, 2007...)