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**FRANCE: PROMOTING ECONOMIC OPPORTUNITIES AND WELL-BEING IN POOR  
NEIGHBOURHOODS**

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## ABSTRACT/RÉSUMÉ

### France: Promoting economic opportunities and well-being in poor neighbourhoods

Thanks to a highly developed welfare state, poverty is moderate on average in France, but – as in other countries – highly concentrated in some neighbourhoods. Their residents face many social disadvantages, including high unemployment and inactivity, schools with many struggling children, often run-down housing and urban infrastructure, and a lack of local enterprises, services and amenities. The government focuses a wide array of policies on these areas to promote better schooling outcomes, employment and local economic activity. Urban renewal and public housing policies aim explicitly at promoting social mixing, often presented as an anti-ghetto policy. Evidence suggests that targeted investment in transport and housing infrastructure as well as education and training could go a long way to improving economic opportunities and well-being in poor areas. In contrast, special economic zones with tax breaks to attract business to these areas have a mixed track record at best. Greater social mixing is difficult to engineer, and it is far from clear if this by itself would improve the lives of the poor. There is a need to better link urban, social and judicial policies favouring alternative sentencing and support for offenders to integrate into society to avoid vicious circles of social disadvantage and crime.

This Working Paper relates to the *2017 OECD Economic Survey of France* ([www.oecd.org/eco/surveys/economic-survey-france.htm](http://www.oecd.org/eco/surveys/economic-survey-france.htm)).

JEL classification: I24; I28; I38; J78; R31; R40

*Keywords:* France, poverty, poor neighbourhoods, education and training policies, infrastructure investment, spatial mismatch, discrimination on the labour market, urban renovation, social housing

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### France: Améliorer les perspectives économiques et le bien-être des habitants des quartiers défavorisés

Grâce à un système de protection sociale très développé, le taux de pauvreté moyen est peu élevé en France. Toutefois, comme dans d'autres pays, la pauvreté est fortement concentrée dans certains quartiers. Leurs habitants sont confrontés à de nombreux handicaps sur le plan social : chômage et inactivité élevés, forte proportion d'élèves en difficulté, logements et infrastructures urbaines en mauvais état, et pénurie d'entreprises, de services et d'agrément. L'État cible un large éventail de politiques sur ces quartiers afin d'améliorer les résultats scolaires, l'emploi et l'activité économique. Les politiques de rénovation urbaine et du logement social ont un objectif explicite de promotion de la mixité sociale, souvent considérée comme un instrument de lutte contre les ghettos. Les investissements ciblés dans les infrastructures de transport et de logement ainsi que dans l'éducation et la formation jouent un rôle déterminant dans l'amélioration des perspectives économiques et du bien-être des habitants des quartiers défavorisés. À l'inverse, les zones franches urbaines (ZFU) offrant des allègements d'impôts aux entreprises qui s'y installent obtiennent des résultats en demi-teinte. La mixité sociale est difficile à mettre en œuvre et il est loin d'être évident qu'elle permette, à elle seule, d'améliorer les conditions de vie des populations pauvres. Il est aussi crucial d'améliorer la coordination entre les politiques sociale, de la ville et de la justice, en privilégiant les peines alternatives et l'accompagnement des anciens détenus dans leur réinsertion afin de briser le cercle vicieux du handicap social et de la criminalité.

Ce Document de travail se rapporte à l'*Étude économique de l'OCDE de la France 2017* (<http://www.oecd.org/fr/economie/etude-economique-france.htm>)

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*Mots clefs:* France, pauvreté, quartiers défavorisés, politique d'éducation et de formation, investissement dans l'infrastructure, distance à l'emploi, discrimination sur le marché de travail, rénovation urbaine, logement social

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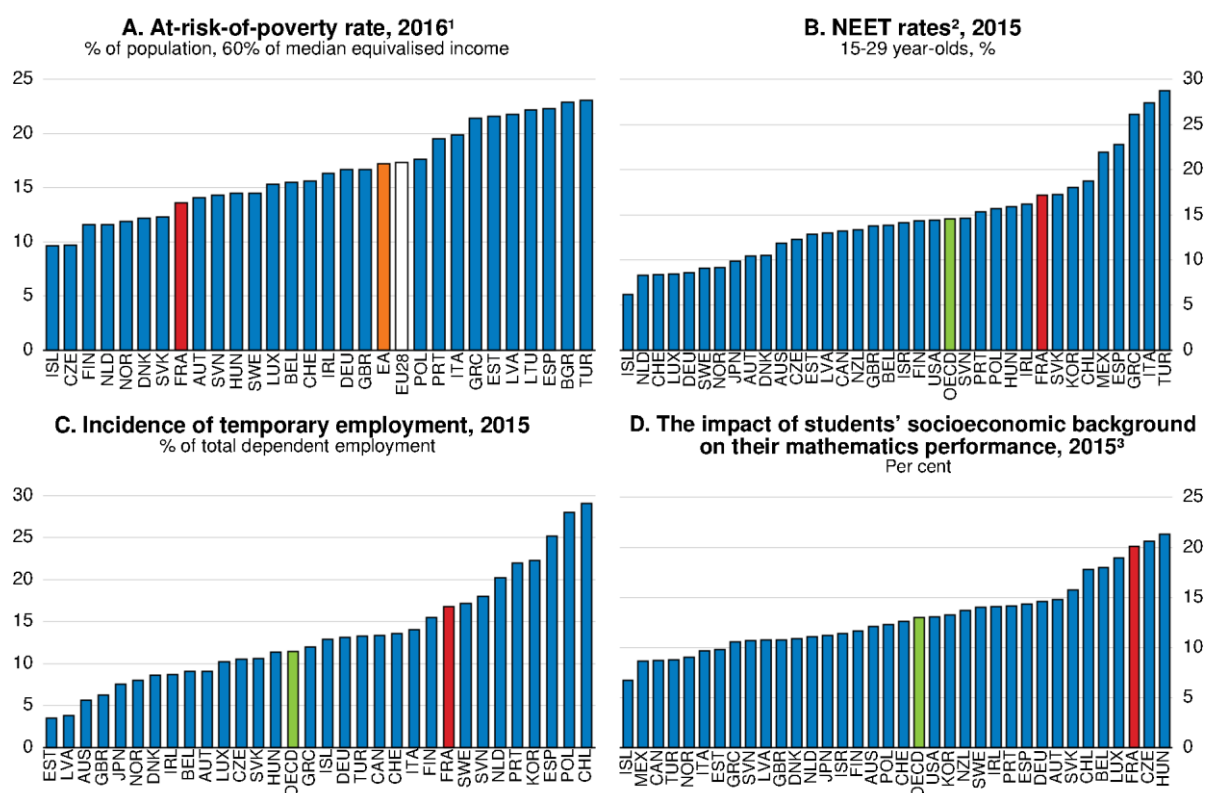
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## France: Promoting economic opportunities and well-being in poor neighbourhoods

By Nicola Brandt<sup>1</sup>

France enjoys high living standards. The average poverty rate is relatively low, thanks to a well-developed welfare state. Inequality remains slightly below the OECD average. Yet, unemployment is an acute problem. A high share of youngsters is not in education, employment or training (NEET), and many can find only short-term jobs. Labour market problems are related to inequalities in education, and learning results in school are more strongly linked to parental background than in almost any other country, resulting in intergenerational transmission of inequality (**Figure 1**).

**Figure 1. Poverty and social problems in France**



1. Or latest year available; 2015 for France.
2. Youths aged between 15 and 29 years not in employment, education or training.
3. Percentage of the variance in PISA math scores explained by the student's socio-economic background, measured by the ESCS Index (PISA index of economic, social and cultural status).

Source: Eurostat; *OECD Education at a Glance 2016 Database*; OECD Labour Force Statistics; OECD (2016), *PISA 2015 Results (Volume I): Excellence and Equity in Education*, PISA, OECD Publishing, Paris.

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In some neighbourhoods the poverty rate can be very high, well above 40%, with widespread unemployment and many children struggling in school. Housing infrastructure is often poor in these neighbourhoods; many people are cut off from their urban surroundings through various physical barriers, such as main roads or rail links, poorly connected to transport infrastructure and lacking in services and amenities. Relationships between the police and some youngsters from immigrant backgrounds can in certain circumstances be relatively conflict-ridden. Since the early 1990s so-called urban policies (*politique de la ville*) aim at improving life in poor neighbourhoods. Education, safety and business policies all have neighbourhood-based components, and the government aims to limit the geographical concentration of poverty and promote social mixing through public-housing policies and a large-scale urban-renewal programme launched in 2003.

This paper reviews policies to improve economic opportunities and well-being in France's poor neighbourhoods. The next section describes living conditions in poor neighbourhoods. Evidence on whether a concentration of poverty in some areas may by itself impinge on economic opportunities and well-being is discussed thereafter, along with policy implications. In this light the following sections discuss business, employment, education, social housing and urban-renewal policies to improve life in poor neighbourhoods. The paper concludes with a discussion of judicial policies.

### Poor neighbourhoods in France

As in other countries poverty and social problems are highly concentrated in particular neighbourhoods. Almost 80% of France's poor population live in the large metropolitan areas, mostly in the city centres or nearby suburbs; 20% live in the Paris region, home to both some of the richest *départements* in France and to the poorest, Seine-Saint-Denis. While poverty rates are high on average in remote rural areas, only 5% of the total poor population live there (Aerts et al., 2015). To better target its policies on the poorest areas, the government redefined so-called urban policy neighbourhoods (*quartiers de la politique de la ville*) in 2014, using low average household income as the only criterion. Urban agglomerations are home to most of these 1 300 neighbourhoods. Their poverty rate – defined as the share of inhabitants with less than 60% of the median disposable per capita income – was above 40% in 2012 on average (Renaud and Sémécurbe, 2016). However, less than a quarter of France's poor live in these neighbourhoods.

Concentration of poverty in individual neighbourhoods is not specific to France. Indeed, spatial segregation by income is much higher in North American cities, as shown by an index measuring the extent to which the distribution of income groups in individual neighbourhoods differs from that in the entire city (**Figure 2**). The index thus increases with the concentration of income groups in space and with residential segregation.

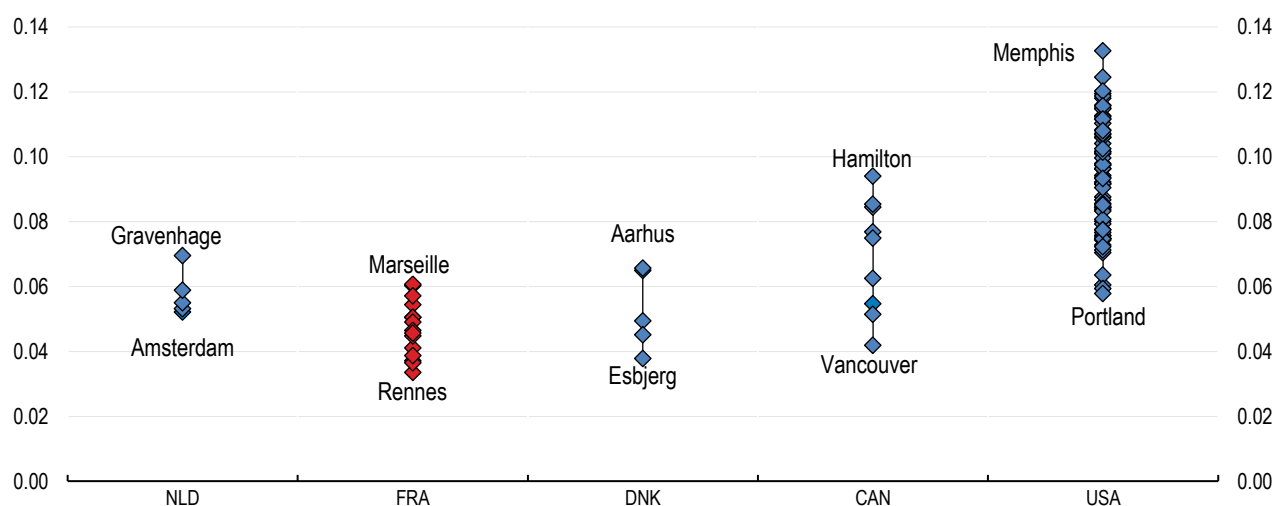
Unemployment is high in poor neighbourhoods, and employed workers tend to have low earnings. In part, this is linked to social structure, as the population is younger on average than elsewhere and has lower qualifications (**Figure 3, Panels A and B**). The share of immigrants and single parents – mostly women – is high (**Panel C**). But inhabitants of poor neighbourhoods are more likely to be unemployed or have unstable jobs, with fewer responsibilities and lower earnings, than inhabitants elsewhere with similar characteristics (**Panel D**; ONPV, 2016). Their monthly median earnings are on average almost 20% lower than those of residents of other neighbourhoods, and more than 20% of this gap is not explained by differences in qualifications, age or experience. Many residents of poor neighbourhoods have earnings close to the minimum wage. The average number of enterprises per inhabitant is less than half that in other neighbourhoods (ONPV, 2016).

Many children in poor neighbourhoods struggle in school. More than 20% had repeated a grade at least once in 2014, compared to 11% in other neighbourhoods (Baccaïni et al., 2014). Pupils in schools

with many children from poor neighbourhoods have a much lower probability of passing their final middle school exams (*diplôme national du brevet*) than others (**Table 1**), and the gap in the success rate in final upper secondary schools exams, the *baccalauréat*, is similar. Children with many classmates from poor neighbourhoods are also much more likely to be referred to vocational education (**Table 1**), which is less valued in France than general and technological studies. Vocational graduates have much poorer chances of finding employment and moving on to tertiary studies (OECD, 2015a).

**Figure 2. The concentration of income groups in neighbourhoods of OECD metropolitan areas <sup>1</sup>**

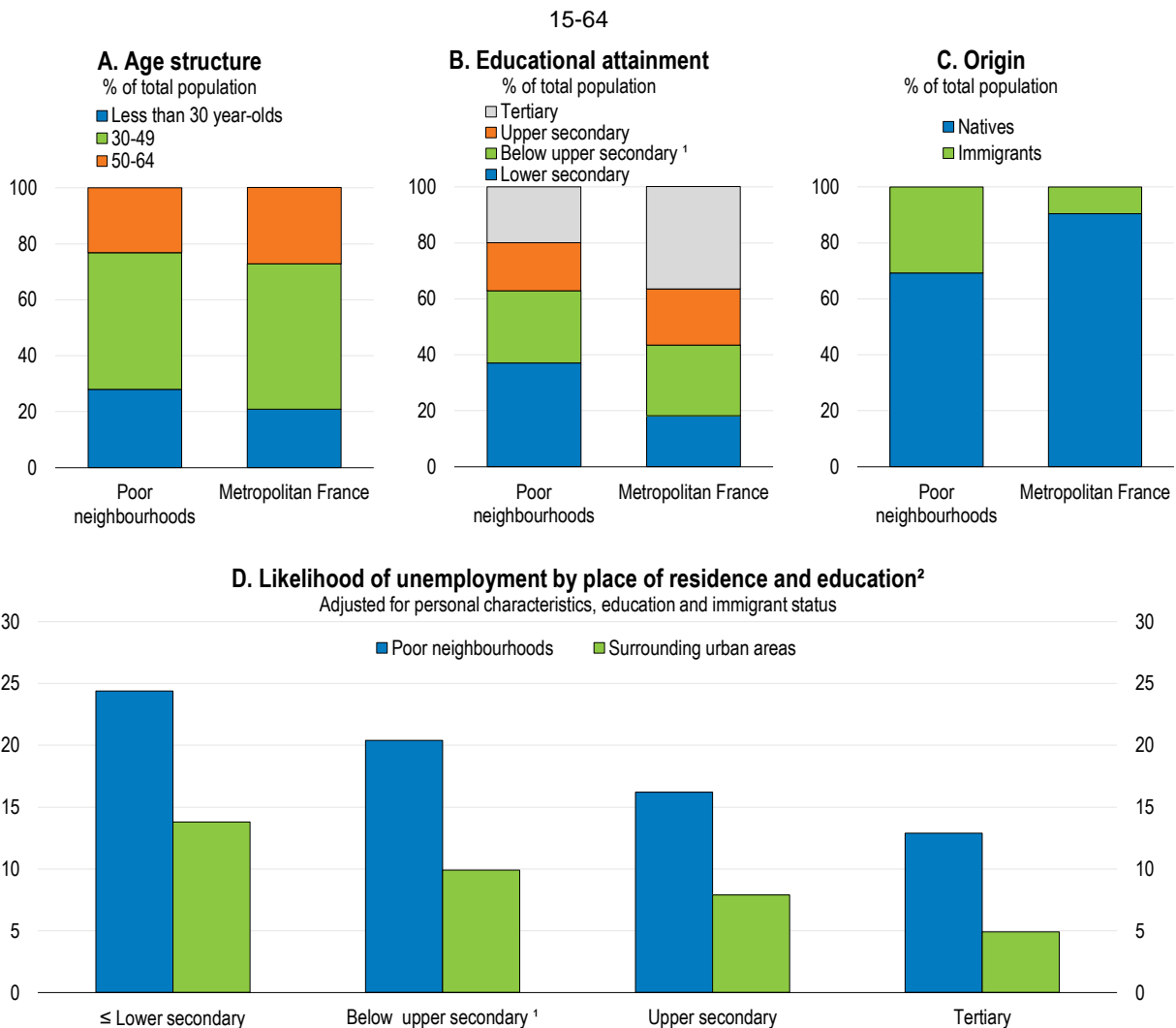
Spatial ordinal entropy index measuring the difference of the share of income groups across neighbourhoods<sup>2</sup>



1. Data refer to 2014 for the United States; 2013 for Denmark; 2011 for Canada and France and 2009 for the Netherlands.
2. The spatial ordinal entropy index measures neighbourhood segregation (by income) as the sum of differences between each income group's share in the population of neighbourhoods and that in the entire city. It is zero if the income group's share is the same in each neighbourhood and is higher the more the shares differ across neighbourhoods. It is computed based on the use of grid cells data that are then compared with those of the so-called local environment; say a 1 000 m area surrounding each single grid.

Source: OECD (2016), *Making Cities Work for All - Data and Actions for Inclusive Growth*, OECD Publishing, Paris.

**Figure 3. Population structure and unemployment in poor neighbourhoods, 2014**



1. Refers to post lower secondary education vocational qualifications such as: *Certificat d'aptitude professionnelle* (CAP) and *Brevet d'études professionnelles* (BEP).  
 2. Percentage point gap in the odds of unemployment for poor neighbourhoods' residents versus residents of surrounding urban areas; employed native-born women aged 30 to 49 with a *baccalauréat* only are identified as reference group.  
 Source: ONPV (2016), *Rapport 2015*.

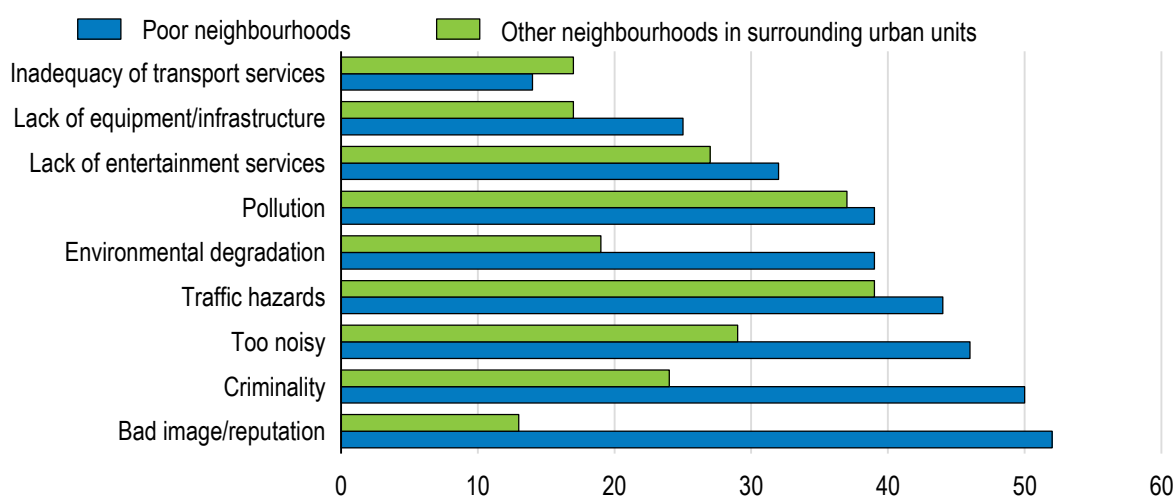
**Table 1. Schooling outcomes in urban policy neighbourhoods**

	Schools with more than 25% pupils from poor neighbourhoods	Schools with less than 10% pupils from poor neighbourhoods
Success rate: <i>diplôme national du brevet</i>	75.6%	85.7%
Students in vocational education 2 years after <i>collège</i>	28.4%	16.2%

Source: Observatoire national de la politique de la Ville (2016), *Rapport annuel 2015*, Paris.

Residents report that life in poor neighbourhoods is characterised by a bad reputation, crime and noise (Figure 4). Environmental degradation is much more often perceived as a problem than elsewhere. While residents of these neighbourhoods do not report significantly more incidences of theft, physical violence or insults, they are almost twice as likely to have witnessed drug trafficking or consumption (ONPV, 2016).



**Figure 4. Inhabitants of poor neighbourhoods report more problems than others**As a percentage of respondents<sup>1</sup>, 2015

1. Share of residents who answered their neighbourhood is concerned by the listed issues.

Source: ONPV (2016), *Rapport annuel 2015*, based on data from the INSEE survey “*Cadre de vie et de sécurité 2015*”.

### The evidence for neighbourhood effects and policy implications

Social mixing and other policies targeting poor neighbourhoods are based on the idea that a concentration of poverty can reinforce and reproduce economic disadvantage. Recent US evidence lends some support to this idea. Through a lottery, the “moving to opportunity” experiment offered vouchers and assistance to help families move from run-down housing projects to wealthier neighbourhoods. College attendance rates for children who left before age 13 increased, and they had higher earnings later on (Chetty et al., 2016). Similar findings emerge from a follow-up of children who moved from run-down public housing estates in Chicago to wealthier neighbourhoods after demolition (Chyn, 2016) and of a larger set of families who moved across the United States (Chetty and Hendren, 2015). Yet, these results do not necessarily carry over to the European context, as poverty is much higher in the United States and the social safety net weaker (Galster, 2007). Some European studies find neighbourhood effects on labour market outcomes and earnings (Musterd et al., 2008; van der Klaauw and van Ours, 2003), but there are counter-examples, and a Canadian study finds no such effects (Oreopoulos, 2003). Overall, it remains unclear whether poor households’ economic opportunities would benefit from being moved to wealthier neighbourhoods or from attracting more middle-class households to where they live.

For France there is some evidence that living in a poor neighbourhood has a negative impact on job opportunities and that focusing on better connections with transport infrastructure is one answer. Gobillon et al. (2012) find that average unemployment duration is longer for workers living in neighbourhoods with a high concentration of immigrants and lower-qualified individuals. Goffette-Nagot et al.’s (2012) research suggests that physical distance to jobs explains 40% of the higher unemployment in France’s poor neighbourhoods. Korsu and Wenglenski (2010) find that living in a Parisian neighbourhood with few job opportunities in reasonable commuting distance increases the risk of long-term unemployment, while owning a car reduces it. Finally, Briant et al. (2015) show that tax reductions have much more favourable effects on business creation and employment in poor neighbourhoods when they are well connected to transport infrastructure.

Another explanation for neighbourhood effects on the job market is discrimination in recruitment. Experimental studies reveal that candidates with Arab sounding names and residents of poor

neighbourhoods have much lower chances of obtaining a job interview than others with identical résumés (Bunel et al., 2016; L'Horty et al., 2011; Petit et al., 2016). While social-mixing policies – if successful – might improve the reputation of poor neighbourhoods in the long run, it would not address discrimination based on names. Policies that address discrimination more directly appear more promising, as discussed in more detail below.

Neighbourhood effects can also work through a high concentration of poverty among children in a given school, as this can undermine good learning conditions. Indeed, living in a poor neighbourhood can reinforce the negative effect of individual poverty and low parental education or occupational status on schooling outcomes, according to French studies (Goux and Maurin, 2005; Baccaïni et al., 2014). Research from Finland and Sweden suggests that such neighbourhood effects work mainly via the school environment (Kauppinen, 2008; Brännström, 2008). Yet, overall, the evidence for peer effects at school is mixed. Roughly half of the studies that try to measure the effect of the average socio-economic background or ability of schoolmates on children's learning outcomes find no impact; the other half finds a small, positive effect (Sacerdote, 2014). Results as to whether student heterogeneity promotes or impedes learning are conflicting – compare, for example, Hoxby and Weingart (2005) to Vigdor and Nechyba (2007). There is relatively clear evidence, however, that a high concentration of children with low ability or immigrant background at school can impact negatively on learning conditions. Teachers have been shown to avoid such schools both in the United States and in France (Prost, 2013; Hanushek et al., 2004). This calls for endowing them with extra resources to attract good teachers and provide their students with additional support. Teacher quality has been shown to be essential for students' success in school and later in life (Chetty et al., 2014). It can also be worth trying to improve social mixing through policies that allow poor children to go to schools in wealthier neighbourhoods or that make schools in poor neighbourhoods an attractive choice for students from diverse backgrounds. Yet, social mixing is difficult to engineer, and there is little evidence that it would by itself improve learning results of poor students. That said, it seems clear that people from different backgrounds need to meet somewhere to create a cohesive society, and school is a good place to start.

A number of studies from other countries point to peer effects regarding crime. Links between inequality and crime are strong but complex and probably driven partly by the relative deprivation of the poor (Pickett and Wilkinson, 2011) and partly by a tendency of more severe legal consequences, prosecution and sentencing for offenses that are typically committed by them (Hagan, 2010). But the influence of peers also plays a role. Damm and Dustmann (2014) show that young immigrants in Denmark who live in neighbourhoods with a high share of people convicted of violent crimes are more likely to be convicted themselves. Exposure to violence in the neighbourhood increases the likelihood that young American men engage in violence themselves (Aliprantis, 2014). In turn, moving to an area with less poverty can reduce violent, criminal behaviour (Ludwig et al., 2001). Neighbourhood effects on crime can be further strengthened through severe sentencing, creating a vicious circle, as imprisonment has also been shown to promote criminal behaviour (Bayer et al., 2009). Overall, this is some evidence in favour of social mixing policies, but judicial policies also need to take these network effects into account, for example by favouring alternative sentencing and promoting good relations between citizens and the police.

## **Promoting economic activity in poor neighbourhoods**

### ***Area-based tax breaks have had a limited impact on employment opportunities***

For close to 20 years the government has tried to revive entrepreneurship and employment in areas with high poverty and unemployment through special enterprise zones called *zones franches urbaines*. This involved exemptions from local business, property and corporate taxes, as well as from social security contributions for low-wage employees. The policy has been successful in attracting

enterprises and creating jobs locally, but this has been roughly offset by negative effects on surrounding areas (Givord et al., 2013; Mayer et al., 2015), limiting additional employment opportunities for residents of special enterprise zones, which are typically small. In fact, the job-finding rate for locals increased only slightly and faded already after three years (Gobillon et al., 2012). Overall, the policy has not been able to durably attract new firms and generate a positive dynamic based on agglomeration effects, as socio-economic outcomes in the targeted areas have continued to deteriorate (Gofette-Nagot et al., 2012).

Given the policy's limited effectiveness, the government has appropriately reduced the tax advantages associated with these zones. Only the exemption from corporate income taxes has been maintained until 2020, although with the maximum yearly benefit halved to 50 000 euros. Local retailers with fewer than 11 employees are still exempt from property taxes.

Tax breaks have worked much better in areas that are better connected to transport infrastructure (Briant et al., 2015). Integrating poor neighbourhoods into their urban surroundings and reviving local real estate and commerce through urban renewal as well as connecting them to transport infrastructure is likely to be the most effective strategy both to attract new business and to improve job opportunities for local residents. Urban renewal should be well integrated with local economic development, and the strategic plans for poor neighbourhoods targeted by urban policy (*contrats de ville*) are a good opportunity to ensure that renovation projects and brownfield developments plan for opportunities to develop local commerce and services. EPARECA (l'Établissement public national d'aménagement et de restructuration des espaces commerciaux et artisanaux), a public body responsible for improving and restructuring commercial and artisanal spaces, rehabilitates dilapidated shopping centres in the absence of private initiatives. It is currently managing around one hundred projects.

To the extent that tax breaks are maintained, it may be worth trying to limit them to tradable activities, as the "business stealing" effect might then affect areas that are further away or even abroad. Criscuolo et al. (2016) find significant job-creation effects of area-specific investment subsidies for manufacturing firms in the United Kingdom, which are not due to displacement from neighbouring areas. In the French enterprise zones the business-creation effect has been particularly large in medical and business services, for which the local market is fixed in size, and this has often involved displacement from neighbouring areas. It should be noted that targeted areas in the United Kingdom are much larger than in France. Given that the ultimate goal is to create better job opportunities for residents of poor neighbourhoods, it would make sense to target larger areas that roughly correspond to the labour market within reach from these neighbourhoods.

To develop new business in poor neighbourhoods with employment opportunities for local residents' good training is needed. Since surveys suggest that firms in these enterprise zones have had trouble finding local workers with the right qualifications (Givord et al., 2013), the regional governments and the public employment agency, Pôle emploi, together with enterprises benefitting from the tax breaks, should work out training measures for local unemployed workers. Beyond that, the government has tasked an agency, Agence France Entrepreneur, which brings together different organisations financing and supporting entrepreneurship, to develop a strategy and a website for promoting entrepreneurship in poor neighbourhoods.

### ***Product market regulation affects economic activity and employment in poor neighbourhoods***

Regulatory policies can have an important impact on employment chances for low-skilled people. For example, given tight restrictions on the number of taxi licences, there is strong pent-up demand in Paris (Thévenoud, 2014). Ride-sharing services have therefore grown strongly, and a recent study commissioned by one of these providers indicates that this has helped many unemployed young men from poor neighbourhoods find stable employment (Landier et al., 2016). As in other OECD countries

there is a debate about whether drivers should be considered dependent employees, which would increase tax obligations, and whether their licences should be more tightly regulated. Any reforms should carefully consider the impact on employment opportunities, but also working conditions. Likewise, the 2015 reform of the micro-entrepreneur (*auto-entrepreneur*) regime, which imposed additional tax and training obligations on them, should be evaluated in terms of its impact on low-skilled workers' earnings and employment. It has been particularly successful in poor neighbourhoods, where around half of all firms were created under this regime in 2014 (ONPV, 2016).

More generally, there is a need to review market entry regulations with respect to their impact on employment opportunities for low-skilled workers. As an example, local restrictions on large retailers have been shown to increase retailer concentration and reduce employment (Bertrand and Kramarz, 2002). Regulations have been relaxed to some extent in recent years, but they remain heavy (OECD, 2015a). The 2015 Macron law eased Sunday trading in designated tourist zones subject to union approval. This should be extended to other areas, given the potential boost to employment opportunities for low-skilled workers. Equal treatment of retail trade in different areas would also help avoid distortions to competition.

### **Promoting employment in poor neighbourhoods**

#### ***Public investments are needed to ensure access to jobs and public services***

There has been progress in connecting poor neighbourhoods to transport infrastructure, but more is needed. Inequalities in distance to job opportunities have been reduced in the Lyon area through better public transport infrastructure (Bouzouina et al., 2014), and Bordeaux neighbourhoods that were connected to a new tramline experienced more favourable labour-market developments than other places (Sari, 2012). The Grand Paris Express, an extension of the Paris metro network to and through the suburbs, will better connect some high-unemployment areas to employment centres, although those who are furthest out will see few benefits (L'Horty and Sari, 2013). But transport services in poor neighbourhoods also need to better accommodate atypical working hours, which are common for less qualified workers. There have been efforts to connect poor neighbourhoods better to Paris' Charles de Gaulle airport, which offers many employment opportunities. But there are still poor neighbourhoods close to the airport which are poorly connected.

Many inhabitants of poor neighbourhoods need better access to car transport. They are more likely to have jobs in peripheral areas that are often difficult to reach by public transport. Close to 90% of workers drive to reach such jobs (Bouzouina et al., 2014), but inhabitants of poor neighbourhoods are about half as likely as others to own a car or have a driver's license (CGET, 2016). A trial programme subsidising driver education had positive effects on the employability and leisure opportunities of young people, although initially there were negative effects on employment, given the unusual length of the procedure, locking participants into training (L'Horty et al., 2012). A 2015 reform had reduced the time and potentially the costs to obtain a driver's license, but the effectiveness of this measure needs to be evaluated. The government intends to set up advice on transport options in poor and rural areas and training for people to learn how to drive or ride a bicycle and set up car-sharing arrangements as well as find financing to buy a vehicle or organise collective transport. These efforts need to continue.

The government should also assess the distance of key public services from poor neighbourhoods. It reacted to a 2012 report of the Court of Auditors criticising an insufficient presence of public employment agencies in or near poor neighbourhoods by establishing 75 centres there, focusing on strengthened job-search assistance (Cour des comptes, 2016). This is welcome, but it remains an open question whether excessive distance to job-search assistance and to other key services, including agencies handling social

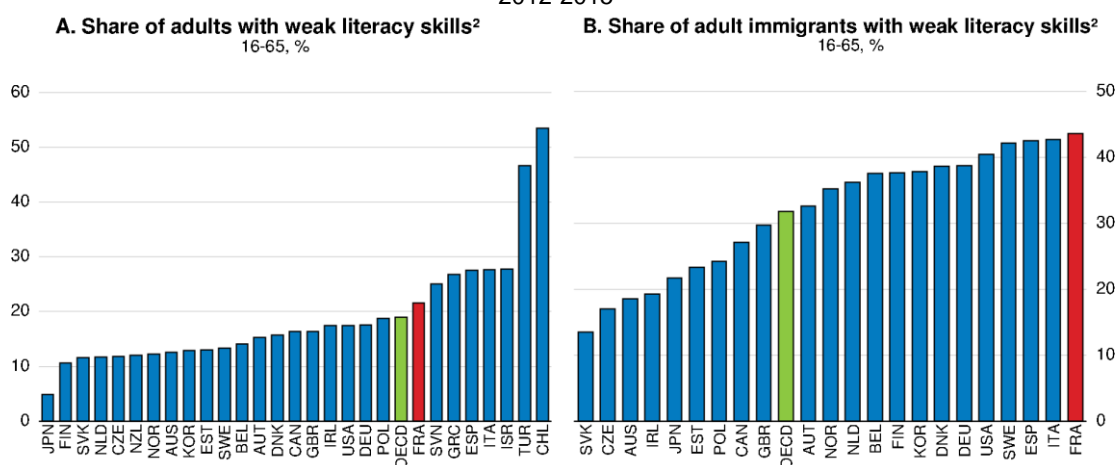
transfers (Caisses d'allocations familiales), utilities and banks (see, for example, André, 2006), has been sufficiently addressed.

The government should systematically collect data on distance to jobs and key services in poor neighbourhoods and conduct surveys on the adequacy of transport services. It would be useful to set out a timeline and quantitative goals to address urgent needs, and associated public spending should be published and evaluated. Despite the existence of a cross-cutting policy document, there is no information regarding public spending to improve employment and well-being in poor neighbourhoods, and the steering mechanisms are incomplete.

### *Training should be tailored to low-skilled workers' needs*

Many adults in France have weak basic skills according to the OECD's PIAAC data (**Figure 5, Panel A**), and the problem is particularly pronounced among immigrants (**Panel B**). More French language and basic-skills training is needed in poor neighbourhoods and more generally for immigrant and low-skilled workers. The recent doubling of jobseeker training offers to one million per year should be used as an opportunity to create basic-skills training combined with work experience, which can help to motivate participants.

**Figure 5. Skill test scores for adults are relatively poor, especially in the case of immigrants**  
2012-2015 <sup>1</sup>



1. The data are based solely on Flanders for Belgium and England and Northern Ireland for the United Kingdom.
2. Share of adults scoring at or below level 1 of the PIAAC scale of numeracy proficiency.

Source: OECD (2016), *Skills Matter: Further Results from the Survey of Adult Skills*, OECD Skills Studies, OECD Publishing, Paris.

Some aspects of the 2014 training reform should be reviewed. The full set-up of guidance and quality-assurance systems, in particular, should proceed quickly to make it easier for candidates to find high-quality training suitable for their needs. Unemployed workers received rights to additional training hours on their personal training accounts (*Compte personnel de formation*, CPF) in both 2015 and 2016. However, the accounts give access only to a limited list of training measures that are linked to a formal qualification. Yet, short training measures can also have very positive effects, for example to update specific skills in a profession already exercised or for quick adjustment to a new job (Lechner et al., 2011). In fact, French job-search assistants reported that shorter measures worked better for candidates with little attachment to the labour market to maintain their motivation.

More should be done to strengthen job-search assistance and improve collaboration among the different government agencies involved. Officially only Pôle emploi provides job-search assistance, but the mandate of several local-government-run agencies is so similar that it requires better co-ordination.

This holds for Youth Centres (*missions locales*), which support young people with social and job-market integration, and *maisons de l'emploi*, responsible for local economic development and training. Significant measures have been taken to improve collaboration, but co-ordination could be enhanced with a common information technology infrastructure, notably to share job offers. It should also involve local working groups comprising all agencies within the same local labour market to promote co-operation across France's exceedingly small municipalities (Assemblée nationale, 2013). This would help to jointly engage with firms, tailoring training measures to their needs and encouraging them to fill their job openings with local jobseekers. Some *maisons de l'emploi* have a great deal of experience in this area, which should be exploited when rolling out the government's expansion of training offers for jobseekers. Efforts to increase the number of counsellors and improve their training also need to be stepped up. A caseload of not more than 30 jobseekers per counsellor has proven to work well in some French experiments with reinforced assistance, as well as abroad. But, despite efforts to lower the caseload, the ratio is often closer to 100:1 in France (Cahuc et al., 2013).

Apprenticeships in secondary education need more intense promotion. Young people in poor neighbourhoods have a much higher chance to be oriented towards vocational education irrespective of their academic results (Guyon and Huillery, 2014). School-based vocational education in *lycées professionnels*, where two-thirds of vocational students are enrolled, suffers from a poor reputation and limited chances to find a job or continue with tertiary education. Apprenticeships based on employment in companies and more compressed theoretical study fare much better in this respect (OECD, 2015a). Apprenticeship-type training should be promoted in vocational *lycées*, where it remains a marginal phenomenon. Regional governments, which are responsible for apprenticeships, should work with their Youth Centres and *maisons de l'emploi* to engage local employers and schools to offer such training. Several of them already organise apprenticeship fairs, where young jobseekers and employers can meet, as well as pre-apprenticeships and coaching for candidates to help them find the right training and present themselves better. In 2015 the government launched a programme (Réussite apprentissage) to help prepare 10 000 youngsters from poor neighbourhoods for apprenticeships. This is welcome, as an earlier similar trial programme had proven successful (Bourdon et al., 2012). To finance more such measures the various apprenticeship subsidies should be streamlined and concentrated at the level of secondary education, as this is where apprenticeships have been most difficult to develop (OECD, 2015a).

Subsidised jobs are now better focused on youngsters from poor neighbourhoods, as these have been identified as one of the groups that should have priority, but evaluations are needed to assess their effectiveness. In 2014 close to 20% of all jobs-for-the-future contracts (*emplois d'avenir*) and 13% of all subsidised contracts were signed with youngsters from priority neighbourhoods. However, the vast majority of subsidised contracts are in the non-market sector (ONPV, 2016), which often fails to produce a lasting impact on employment prospects (OECD, 2013). Should the foreseen evaluation of jobs-for-the-future contracts confirm shortcomings in this respect, redirecting some of the funds to pre-apprenticeship programmes should be considered.

The government should continue to evaluate and improve the "Youth Guarantee" programme, while ensuring easy access for youngsters from poor neighbourhoods. The programme combines intense counselling with a cash transfer similar in size to social assistance, for which people younger than 25 are not generally eligible in France – an atypical situation in OECD countries. After a trial period in a number of Youth Centres, the 2016 labour reform included access to the measure for all young people not in employment, education or training. The Youth Guarantee integrates lessons from an earlier programme that had similar features but only a limited effect on beneficiaries' financial independence, employment and training participation (Aeberhardt et al., 2014). The cash transfer of the Youth Guarantee is therefore higher and withdrawn more slowly when participants start to earn money, but, unlike in the earlier programme, it is conditional on active job search. There are additional financial resources for Youth Centres

and training for counsellors in rapid activation, group counselling and techniques to identify basic-skills deficiencies.

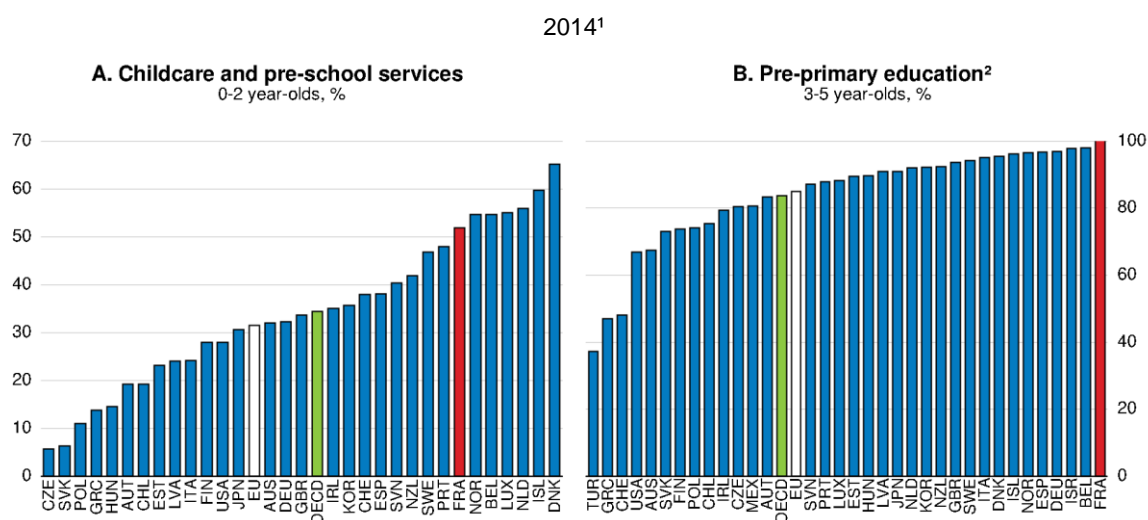
Evaluating experimental programmes before rolling out such measures is good practice and should continue. A fund set up to assess measures supporting young jobseekers, the Fonds d'expérimentation pour la jeunesse, has proven very useful. As an example, direct assistance and counselling for struggling youngsters to set up a business have proven ineffective (Crépon et al., 2014). By contrast, a more innovative programme, which supported their intrinsic motivation and initiative, promoted financial independence and investment in training (Algan et al., 2016). It involved group work, leaving it to participants to define their business project and later assess its potential to succeed.

### *Public services need to address the specific needs of citizens in poor neighbourhoods*

The government is rightly promoting e-government, but in poor neighbourhoods this should be handled with care. Too many people there have weak basic and digital skills and insufficient access to computers. Local public-service providers reported clients struggling with online public-service provision. The government envisages setting up special service points in rural and suburban areas (*maisons de services au public*) to assist citizens with using digital public services, and Pôle emploi intends to engage young people to do the same for its clients as part of their *service civique*, a temporary voluntary activity serving the public good. All of this is laudable, but in the poorest neighbourhoods it seems safest to ensure local personal service delivery.

Childcare services should be stepped up. Overall, France is well-placed in international comparison in this respect (**Figure 6**), but many French poor-neighbourhood parents are single, and a lack of childcare is often cited as a reason for not looking for work (ONPV, 2016). In France, as elsewhere, lower-income and single parents in general are much more likely to take care of their children at home (Ananian and Robert-Bobée, 2009). Territorial data on childcare offers are needed and should be used to guide new supply. This can also create attractive employment opportunities for local residents as caregivers. Efforts to significantly increase the number of children under three who can go to state-run pre-schools in poor neighbourhoods are welcome.

**Figure 6. Participation rates in early-childhood education**



1. 2011 for the United States.

2. Data refer to children in pre-primary education (both public and private), but in some countries also to children enrolled in compulsory primary education.

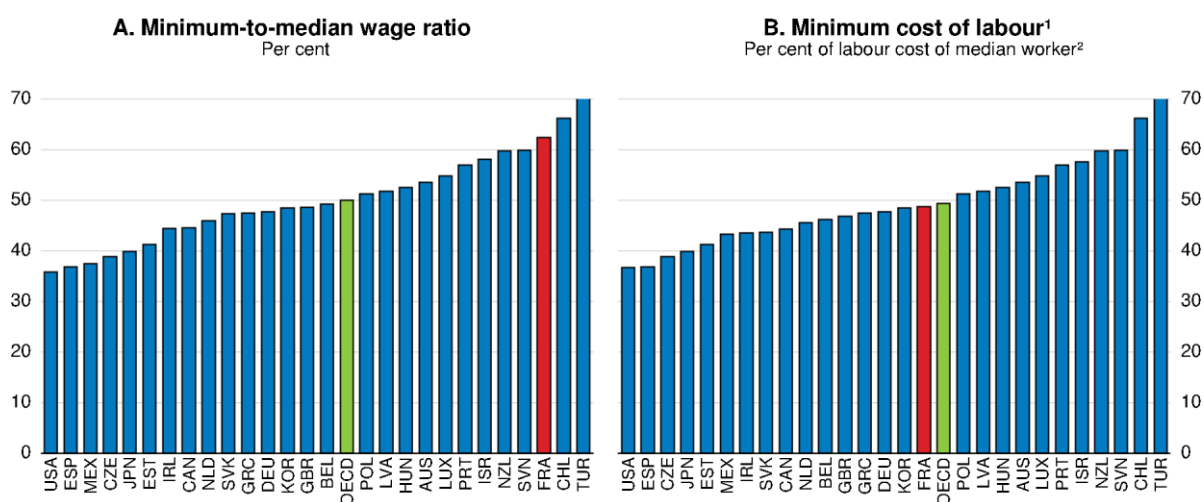
Source: OECD (2017), *OECD Family Database*.

Discrimination against immigrants and inhabitants of poor neighbourhoods needs to be addressed. The government's experiment with an "anonymous" CV, not showing candidates' name or address, actually reduced chances for immigrants and candidates from poor neighbourhoods to obtain a job interview (Behaghel et al., 2011). The reason could be that participation was voluntary, leading to a selection of employers whose recruitment personnel is sensitive to the difficulties facing candidates from poor neighbourhoods. In that case knowing about their background might have led recruiters to view their applications more favourably. Diversity training and information campaigns for recruiters would be useful. Additional information about candidates from poor neighbourhoods, for example through videos and personal contact, can also help overcome prejudice. Pôle emploi provides mentoring and coaching for candidates from poor neighbourhoods and reports good results in particular for those with advanced degrees. The recent expansion of training offers for jobseekers should be used to give workers at risk of discrimination a chance to gain work experience and to establish personal contacts in firms.

### *The cost of low-wage labour is important for employment chances in poor neighbourhoods*

Given that many workers in poor neighbourhoods have few qualifications, policies that affect the minimum wage and more generally the labour costs for low-wage workers are relevant for them. France's minimum wage is relatively high, although a series of recent cuts in social security contributions and new tax credits have brought overall labour costs for minimum-wage workers down almost to the OECD average (Figure 7). Studies show that reducing labour taxes for low-wage workers in France is successful in promoting employment (Cahuc et al., 2014; Bunel et al., 2010). But labour costs remain higher than in the United Kingdom, Spain, Germany and the United States, where a larger share of the working-age population finds employment in sectors offering many jobs for low-skill workers (Figure 8). This is particularly striking for tourism, given that France has the largest number of visitors in the world. As long as unemployment remains high, the government should avoid discretionary increases in the minimum wage that go beyond the regular rules-based adjustment.

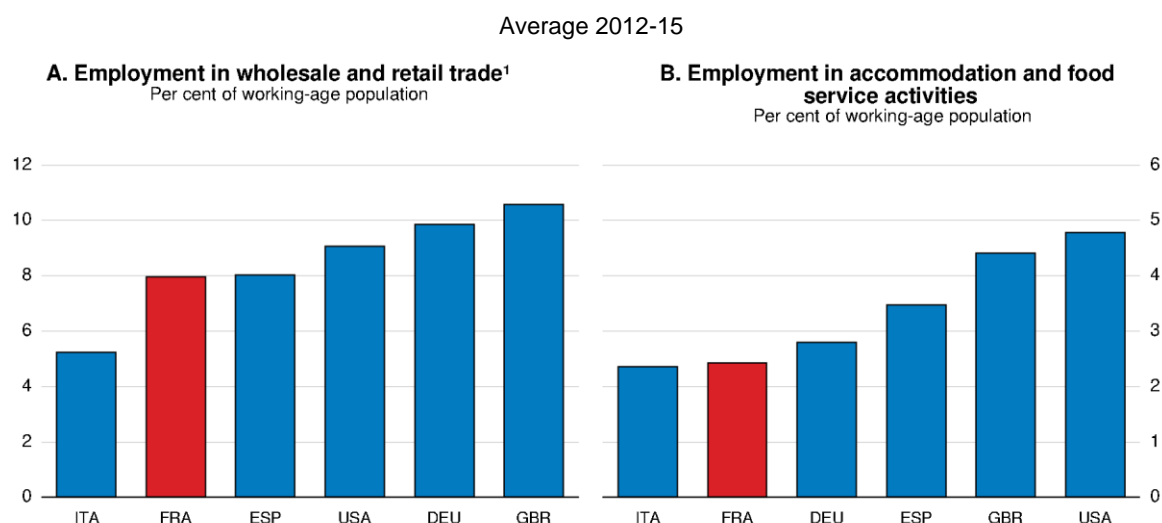
**Figure 7. The minimum wage is high, 2015**



1. The cost of labour is the sum of the wage and the corresponding social security contribution paid by employers.
2. Excluding the Competitiveness and Employment Tax Credit (CICE) in France.

Source: OECD (2017), *OECD Earnings Database*; OECD (2017), *Economic Policy Reforms 2017: Going for Growth*, OECD Publishing, Paris.



**Figure 8. Despite recent cuts in labour costs, employment in low-wage services sectors is relatively modest**

1. Including repair of motor vehicles and motorcycles.

Source: OECD (2017), *OECD National Accounts Database*.

Social contribution reductions should be streamlined. The combination of reductions for different wage levels and tax credits as a compensation for high labour costs makes the system very costly and complex. Moreover, progressive social contributions can limit increases in take-home pay as minimum-wage workers start to earn higher wages, potentially limiting incentives to invest in skills or look for better job matches. Broad-based cuts in social security contributions would be preferable. This should be financed by expenditure reductions and a change in the tax structure. Many expenditures for which social contributions and payroll taxes are currently earmarked benefit society as a whole, rather than only salaried employees, and would be better financed from the general budget. Employer contributions for family allowances have been reduced but still account for more than 5% of payroll. Contributions for health care do not finance spending only for employees, but also for pensioners and otherwise inactive people (see Goujard, 2017). Payroll taxes for vocational and continuing training, social housing and public transport amount to more than 3% of payroll. Removing tax expenditures, such as reduced VAT rates, and preferential social contributions for pensioners, increasing environmental taxes and taxing real estate more in line with actual market values are all options to raise higher revenues from other sources (OECD, 2013 and 2015a). The new government plans to lower employees' contributions for health-care and unemployment benefits, while increasing the proportional income tax.

### Providing children in poor neighbourhoods with greater skills

Since the early 1980s France has run a programme that allocates more resources to schools in poor neighbourhoods, so called priority education networks (*Réseaux d'éducation prioritaire, REP*) (**Box 1**). However, evaluations have shown repeatedly that the effects on learning results have been limited (Bénabou et al., 2009; Armand and Gille, 2006). In response the policy has been reformed on numerous occasions, but the impact of parents' socio-economic background on schooling outcomes in France remains one of the largest in the OECD (see **Figure 1** above) and, in fact, has been increasing. Although average class size is somewhat smaller in priority education, overall learning conditions are poorer, with less well prepared teachers, fewer teaching hours due to both teacher and student absenteeism and a greater problem of lack of discipline and violence (CNESCO, 2016).

### Box 1. Priority education in France

The French priority education initiative to target more resources at schools in poor neighbourhoods dates back to 1981. While the measure was originally thought to be temporary, the share of students in priority primary schools has since more than doubled to around 20%. Additional resources were mainly intended to shrink class sizes and provide extra teaching hours and incentives for teachers. While average class size is smaller in priority education, the additional resources have had a very limited impact on academic performance.

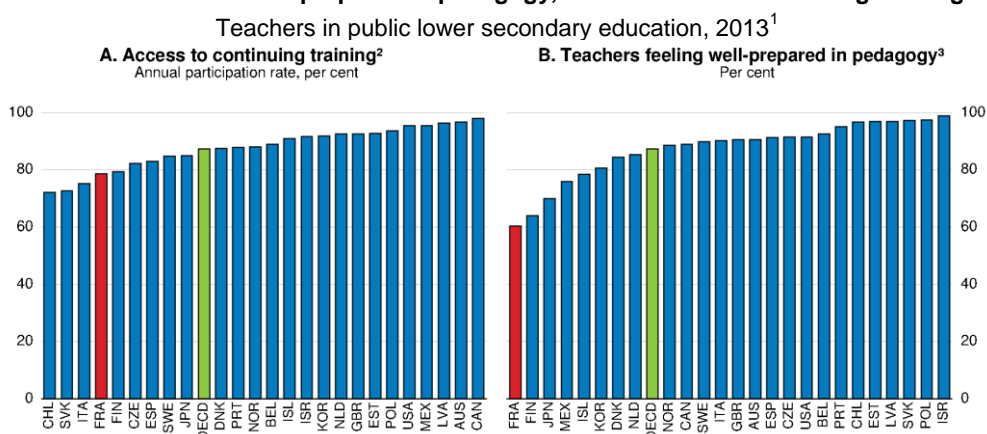
There are two different types of school networks (*Réseaux d'éducation prioritaire*, REP) whose students have different degrees of social disadvantage and which work out a common teaching strategy. These networks include one middle school (*collège*, 6th to 9th grade) and a number of primary and/or pre-schools.

Previous priority education reforms have lacked both sufficient guidance for schools and professional development for teachers to improve pedagogical practices. Education reforms since 2013 appropriately focus on improving initial and continuing pedagogical training and practices. Teachers in France do not feel well prepared in pedagogy, and access to continuing training is poor (**Figure 9**).

Reforms of initial teacher training since the 1990s have been numerous, sweeping and often controversial, but none has succeeded in integrating subject content, pedagogical and practical training. The 2013 reform was intended to achieve this in new institutions for initial teacher training at universities (*Écoles supérieures du professorat et de l'éducation*; ESPE). The training includes internships in schools and puts more emphasis on practical pedagogical skills and presents research and international comparisons to students to make them familiar with innovative teaching techniques. This reform is very welcome, but it will take time to build the necessary human resources to provide more integrated teacher training and improve teaching practices. Priorities in the ESPE curricula should be diagnosis and treatment of learning difficulties as well as teaching heterogeneous students.

Professional development has long been weak in France (see **Figure 9** above), and the government's efforts to improve upon this are welcome. Two hundred teacher trainers were deployed in priority education in 2015. Explicit reservation of time for teamwork among teachers in the priority schools is an important innovation, as teachers in France spend a higher proportion of their time on classroom teaching and correcting students' work than in other countries (**Figure 10**), leaving less time for planning and teamwork. Research shows that co-operation among teachers to develop common techniques can be very effective in improving results (Vescio et al., 2008; Saunders et al., 2009).

**Figure 9. Teachers feel not well prepared in pedagogy, while access to continuing training is weak**

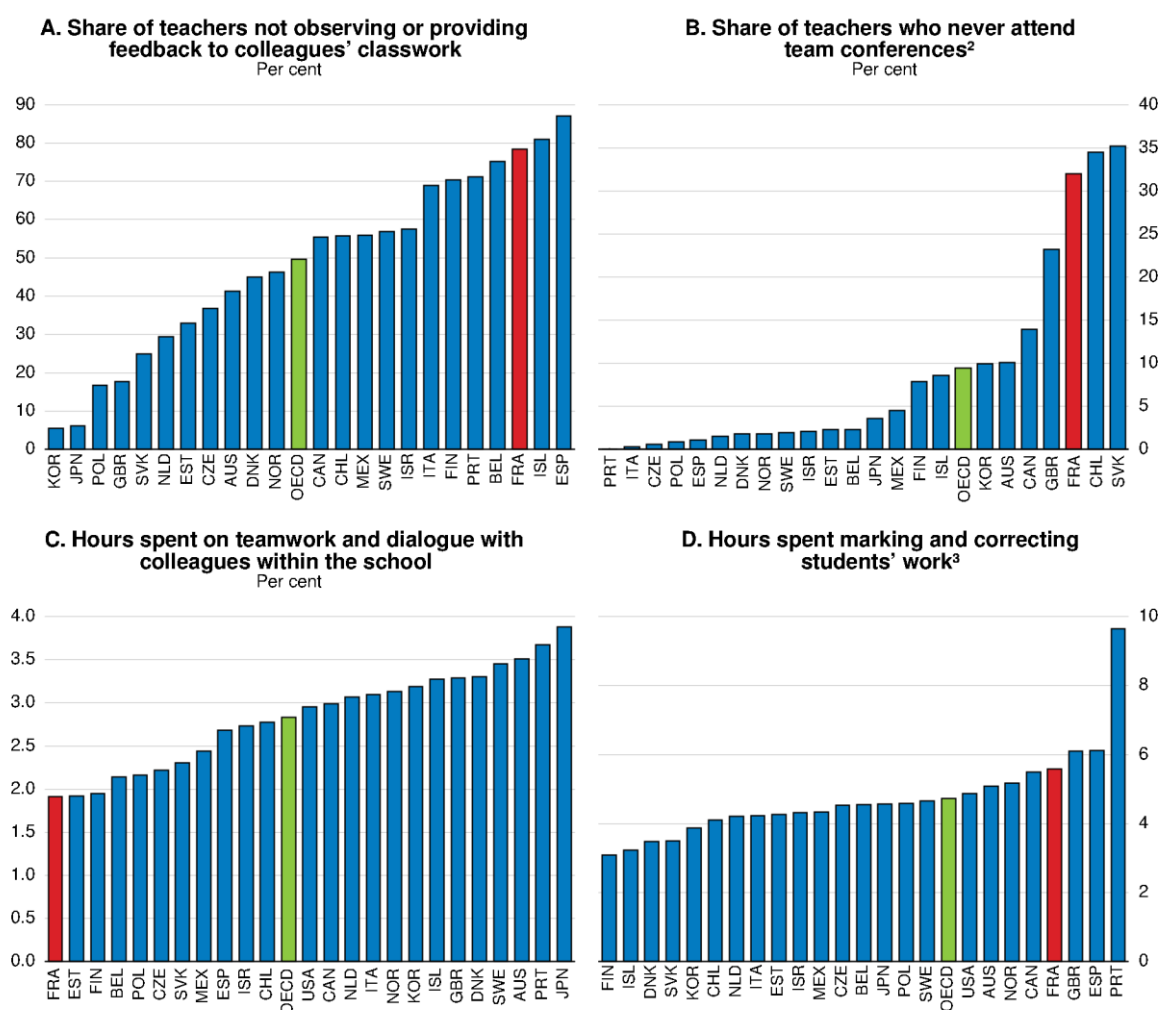


1. Belgium, Canada and the United Kingdom refer to, respectively, only Flanders, Alberta and England.

2. Share of public lower secondary teachers who participated in professional development over the previous year.

3. Share of public lower secondary teachers who feel well or really well prepared in the pedagogy of subjects being taught.

Source: OECD, *Talis 2013 Database*.

**Figure 10. Teachers' involvement in teamwork is limited**Lower secondary education teachers<sup>1</sup>, 2013

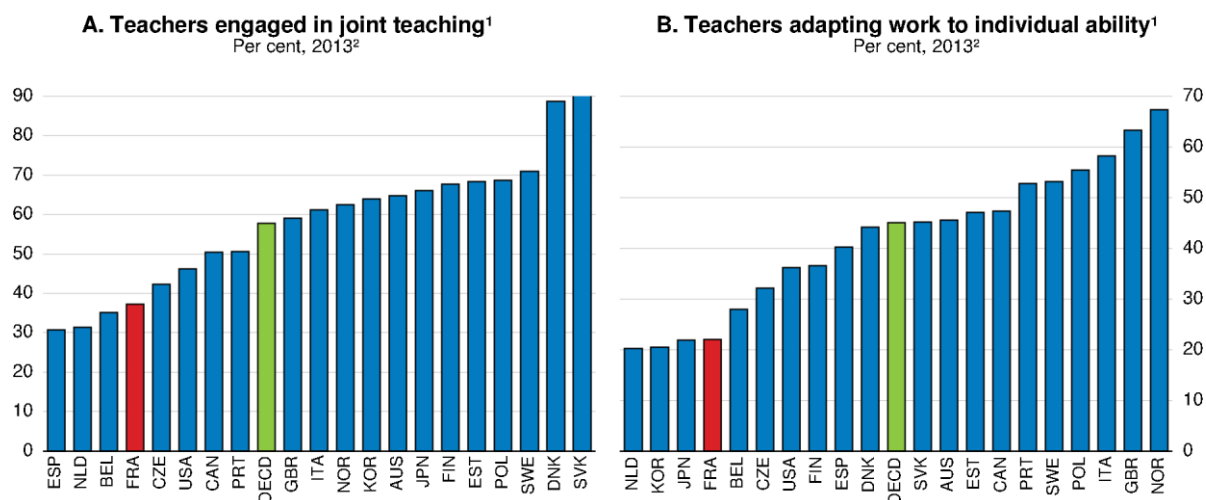
1. Belgium, Canada and the United Kingdom refer to, respectively, only Flanders, Alberta and England.
2. Share of lower secondary teachers who report never doing the mentioned activities.
3. Average number of 60-minute periods that lower secondary education teachers report having spent on the mentioned activities during the most recent complete calendar week (not shortened by breaks, public holidays, sick leave, etc.).

Source: OECD, *Talis 2013 Database*.

Under the label “more teachers than classrooms” (*plus de maîtres que de classes*), the 2013 reform also involves hiring more teachers to facilitate co-teaching. Joint teaching is underdeveloped in France (**Figure 11, Panel A**), although it has proven very effective in helping students with difficulties, for example in Finland (OECD, 2007). Professional development to help teaching teams develop effective techniques will be needed; this should be one focus of the new teacher trainers. Extra teachers and efforts to establish individualised support have been envisaged in priority schools for a long time, but this has not led to the development of effective pedagogical techniques. Too many measures were introduced that were sometimes overlapping, incoherent and not underpinned with sufficient guidance for teaching staff for effective implementation (CNESCO, 2016). Many teachers tend to help students solve tasks, but without teaching them how to master them by themselves. Moreover, individual support has focused on remedial education during additional teaching hours, and extra teachers have often been used to remove students with difficulties from their classes, teaching them different material, rather helping them to catch up within the joint classroom (Armand and Gille, 2006; CNESCO, 2016). Methods such as

differentiating teaching practices for students depending on their learning ability are rare in France (**Panel B**).

**Figure 11. Joint teaching and adapting teaching to heterogeneous abilities are underdeveloped**



1. Share of lower secondary teachers who report jointly teaching in the same class as a team, either regularly or occasionally (**Panel A**); and who report giving different work to students with learning difficulties, or to those who can advance faster, frequently or in nearly all lessons (**Panel B**).
2. Belgium, Canada and the United Kingdom refer to, respectively, only Flanders, Alberta and England.

Source: OECD, *Talis 2013 Database*.

The 2013 reform also extends state-sponsored pre-school education (*école maternelle*) for poor children under three, aiming to reach an ambitious 50% by 2017. Nationwide participation for this age group had fallen from 35% in 2000 to 11% in 2012, although more children go to municipal *crèches*. In poor neighbourhoods, the enrolment rate in pre-schools by those under the age of three stood at 20% in 2015. The reform is welcome, as high-quality early childhood education is important to help poor children improve their learning outcomes (OECD, 2012). It should be accompanied by efforts to extend municipal *crèches*. Many children in poor neighbourhoods are not exposed to French at home, and pre-schools and *crèches* with good language training can be particularly beneficial in those cases (Wilson et al., 2013). Efforts to reach out to parents to promote early enrolment were launched in 2016, and good training for teachers will be needed.

Financial incentives for teachers in priority schools have been increased, but more might be necessary. Teachers in schools with many children from poor neighbourhoods are on average younger and less experienced than others; 35% have had less than two years on the job, compared to 30% in other schools (ONPV, 2016). Inexperienced teachers perform less well (Harris and Sass, 2011), and teacher turnover has a negative effect on learning results, particularly for weak students (Ronfeldt et al., 2012). Until a 2013 reform, the bonus for priority network teachers was of the order of 5% of average salary, but the current 10% is still lower than the 30-50% research has shown is required to convince teachers to stay in disadvantaged schools (Hanushek et al., 2004). The 2013 reform also introduced a new pay grade for teachers who spend a long time in priority education. These are certainly good moves. However, the bonus is a lump sum, making it more attractive for younger teachers with lower salaries. Making the bonus proportional to teachers' pay would likely be more effective in attracting experienced personnel.

School financing formulae have been better aligned with students' socio-economic backgrounds. The allocation of base financing is non-transparent and until recently depended mostly on the characteristics of school districts (*rectorats*), which are quite large, rather than on schools' characteristics.

As a result, priority education schools, depending on their district, could receive fewer resources per student than schools with more privileged students (Cour des comptes, 2012). Since 2015 the allocation formulae have been reformed for primary schools, and a similar reform is being prepared for secondary education. Financing is now linked to indicators capturing the socio-economic composition of the municipality, which is more closely linked to the characteristics of schools. There is also a new smoothing mechanism (*allocation progressive*) to prevent schools similar to those in the priority network from receiving significantly less funding.

But more is needed to align schools' funding with their needs. The funding formula determines the number of teachers available to schools, not their human resources budget. It often leads to lower financing in priority education, where teachers tend to be younger, less experienced and thus less well paid. Also, important determinants of schools' resource needs, such as the number of children with French as a second language, are not taken into account. A funding formula that determines schools' human resources needs – not just the number of teachers but their level of experience and skills – based on students' socio-economic background and language preparation would better align the quantity and quality of schools' personnel with their students' needs. Publishing the formula along with schools' actual budgets would improve transparency and accountability. The 2006 reform of priority education has not resulted in the expected reduction in class size, probably because heads of school districts (*recteurs*) used their considerable discretion to assign additional teachers to schools outside of the priority network as well (Beffy and Davezies, 2013). With a transparent funding formula and budgets this could be avoided.

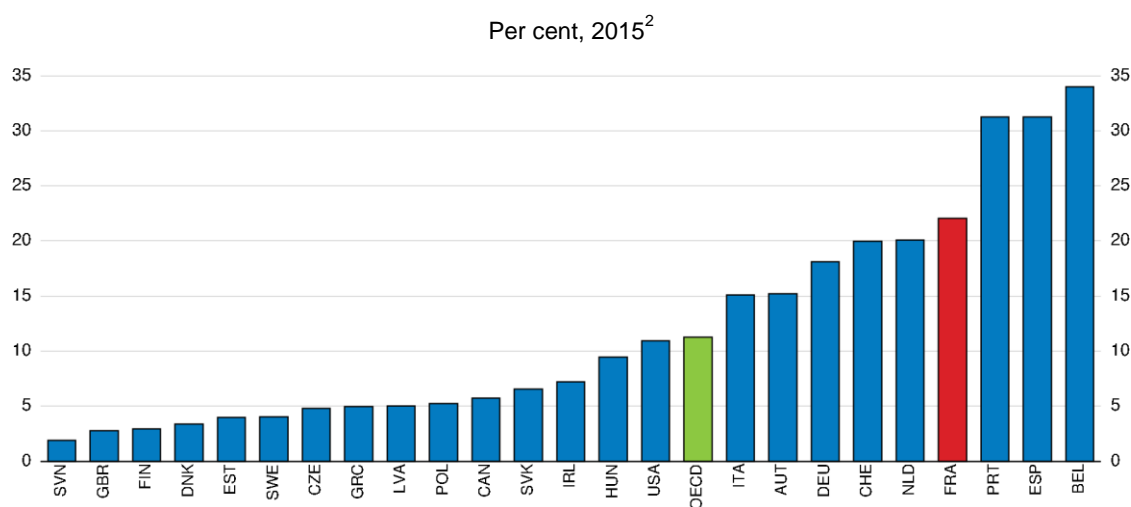
Adjusting career advancement is also important to make teaching in high-poverty schools more attractive. Priority network teachers enjoy an accelerated accumulation of points, which are decisive for chances to move to a different school of their choice. This actually creates incentives for junior teachers to join priority education, when their main aim is to transfer to a school in a different area (O'Brien, 2007; Beffy and Davezies, 2013). A better way to make careers in priority education more attractive would be to create new intermediate leadership positions for good teachers and faster promotion to principal. New positions could include responsibility for organising replacement of teachers on sick or maternity leave or for guiding teacher teamwork for professional development. Information is already available to move in this direction in school inspectors' regular reviews of teachers' pedagogical aptitude. Research shows that students of teachers who are assessed positively in this review experience faster progress in learning results in middle school than others, with a particularly strong effect for disadvantaged students (Benhenda, 2014). This information could be used to identify good teachers, who could then qualify for fast-track promotion and higher salaries, particularly when they teach many poor children. Teachers' formal level of qualifications in pedagogy acquired in initial or continuing training could also be a criterion determining their pay and career advancement.

Some reports suggest that the priority education label seems to carry stigma, which could reinforce segregation, while turning teachers away. Assigning a school to the priority network increases the number of teachers with non-standard degrees (Beffy and Davezies, 2013) and reduces their average experience (Ly, 2010). Not only has it resulted in high teacher turnover, it has also led to a reduction of pupils in priority network schools. More advantaged students tend to move to private schools or try to obtain a waiver to join public schools outside of their neighbourhoods (Fack and Grenet, 2013; Davezies and Garrouste, 2014). Abandoning the priority label seems worth considering. Families might try to avoid schools with a high concentration of poverty either way, but using a formula-funding approach can ensure without a priority label that all schools receive funds in line with their students' starting position. This approach is also common in other countries (OECD, 2015b; Cour des comptes, 2013).

There are ways to make room for greater financial incentives in schools with many poor students. Currently, teacher salaries are highest within post-secondary programmes offered at *lycées* that prepare students to enter one of France's elite universities, the *grandes écoles* (Cour des comptes, 2013). In fact,

these programmes involve a much higher per- student funding than at general university and certainly higher than in priority education. Other OECD countries have excellent universities without offering additional preparation, and the government should rethink this costly scheme. France's efforts to reduce grade repetition will also help to create more resources for students with learning difficulties. Grade repetition is ineffective in improving the learning outcomes of weak students (OECD, 2012) and very expensive: it costs around 2 billion euros per year, according to Benhenda and Grenet (2015). It has been used extensively in France (**Figure 12**), in particular for children from poor neighbourhoods. However, grade repetition has fallen significantly, especially since the start of the 2015 academic year, following a 2014 decree which stresses that grade repetition should be used only in exceptional circumstances.

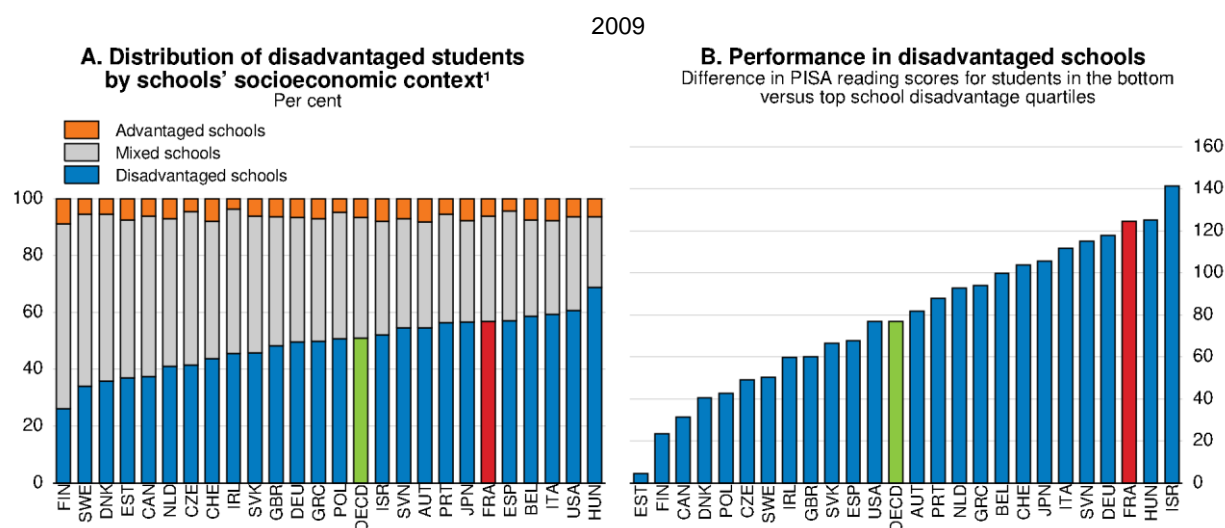
**Figure 12. Grade repetition is high<sup>1</sup>**



1. Share of students reporting having repeated a grade at least once in primary, lower secondary or upper secondary school.
2. This figure shows the grade repetition of students throughout their academic career, and therefore does not fully reflect the new regulations in France under which grade repetition should be used only in exceptional circumstances.

Source: OECD (2016), *PISA 2015 Results: Policies and Practices for Successful Schools*, OECD Publishing, Paris.

Reducing very high concentrations of poverty in some schools might be worth trying, but it is not sufficient, and there are pitfalls. Around 10% of French middle-school students are in institutions where two-thirds of their classmates have inactive, unemployed or blue-collar parents (CNESCO, 2015). PISA data, although a bit dated, show that poor French children are especially likely to study with many other children from a low-income background, and their results are particularly weak (**Figure 13**). Given the difficulties to retain good teachers in schools in underprivileged neighbourhoods, allowing students from these areas to join schools with a more conducive environment may be appropriate. A recent study of enhanced school choice in Paris with preference for students receiving means-tested scholarships suggests that such measures can promote more social mixing (Fack and Grenet, 2014), although the effect on results is unknown. Some caution is called for when planning the assignment of children to schools, though, as another French study shows that poor students with weak school results who join a school with richer children achieve better outcomes when they are assigned to a class where they know at least one classmate (Ly and Riegert, 2013). The government plans to engage in an experimental study of changes in social mixing at school to gain a better understanding of its effects, a useful move.

**Figure 13. School segregation is significant, and outcomes in disadvantaged schools are weak**

1. The average socio-economic background of students is around the national average in mixed schools, above it in advantaged schools and below it in disadvantaged schools. Socio-economic background is measured with an international index of social, cultural and economic status (ESCS), using students' reports of their parents' education and occupations and their home possessions (availability of a desk, number of books, etc.).

Source: OECD (2012), *Equity and Quality in Education: Supporting Disadvantaged Students and Schools*, OECD Publishing; OECD (2012), *Education at a Glance 2012*, OECD Publishing, Figure A5.5, based on PISA 2009 results.

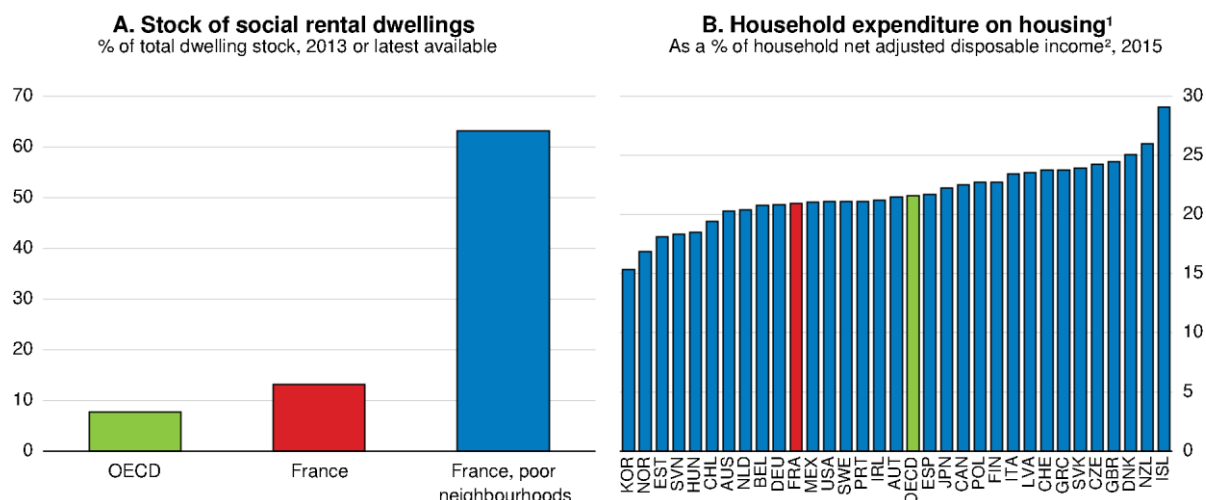
There is evidence of prejudice against poor students limiting their choices irrespective of where they study. Poor children are much more likely to join the vocational track, even when their school results are the same as those of wealthier peers (Guyon and Huillery, 2014). This effect is, if anything, stronger in schools outside of priority education. A combination of low self-confidence and teacher prejudice seems to be at work, and that needs to be addressed through teacher training and better guidance and support for students and parents. An initiative to enhance dialogue with parents (*mallette des parents*) was successful in involving parents, motivating students and reducing violence in schools (Avvisati et al., 2014). It has now been rolled out in the first year of roughly a quarter of middle schools and primary schools in the priority network.

A national agency to evaluate education policies (Conseil national d'évaluation du système scolaire, CNESCO) was created in 2013. It disseminates its evaluations, including international comparisons. Its follow-ups on the implementation and effects of reforms should be very helpful.

## Housing and urban-renewal policies to improve living conditions

### *Improving access to higher-quality housing for the poor*

The social housing sector is relatively large in France and continues to grow, along with home ownership, while the private rental sector has been shrinking. The share of social housing tenants in poor neighbourhoods is particularly high (**Figure 14, Panel A**). Continued emphasis on social housing is partly motivated by a doubling of real house prices between the mid-1990s and the mid-2000s and particularly high prices in the Paris region. The average share of household income devoted to housing is not very large in international comparison (**Panel B**), but it is substantial for the lowest income households, in particular those who have to resort to the private rental sector. Within this group 50% of households spent more than 30% of their gross income, including social transfers, on housing in 2010 (Arnault and Crusson, 2012).

**Figure 14. Social housing tenure and household expenditure on housing across OECD countries**

1. Including furnishing, household equipment and routine maintenance.
2. Disposable income plus net social transfers received in kind minus the change in net household equity in pension funds.

Source: OECD calculations based on the OECD Questionnaire on Affordable and Social Housing 2014; ONPV (2016), *Rapport annuel 2015*; OECD (2017), *National Accounts Database*.

Despite broad eligibility (**Box 2**) the social-housing sector has increasingly benefitted lower-income households, although many still have to resort to the more expensive private sector. The share of the lowest income quintile among social housing tenants increased from 21% in 1973 to 50% in 2013 (Cour des comptes, 2017). Yet, households from the lowest income decile are still more likely to live in private rental housing (**Figure 15**). There are housing benefits, but they do not distinguish between the social and the private sector and thus do not make up for the substantial difference in rents between the two (**Box 2**). Residential mobility of social tenants is low (CGDD, 2009) and depends inversely on their rent advantage compared to the private sector (Trevien, 2014). This has a negative impact on their labour mobility and employment prospects (Costes and El Kasmi, 2013).

To provide households with more affordable housing – private or social – the government needs to pay more attention to the limited flexibility of supply (**Figure 16**). In the Paris region, where prices are particularly high, the production of new housing has not kept pace with increases in population (Trannoy and Wasmer, 2013a). Studies show that the main effect of some building and housing support, for example the APL housing subsidies (*aides personnalisées au logement*) and subsidies for rental housing, has been to increase prices (Grislain-Letrémy and Trevien, 2015; Bono and Trannoy, 2012), although this finding is contested by other research (ongoing work by the CGEDD, 2016). In fact, there is evidence that social housing construction crowds out private construction, perhaps even fully (Chapelle, 2015).

### Box 2. Social housing in France

A large share of citizens is eligible for social housing. Around 30% of the population qualifies for “very” social housing with the lowest income ceiling, 65% for standard social housing and around 80% for social housing that targets middle-income groups. Yet, social housing is severely rationed, as private sector-rents are around 30-40% higher on average, and close to 50% higher in the Paris area (Trevien, 2014). Once a household has entered the social-housing sector, though, it has a lifetime right to stay there, including after family break-up.

Social-housing providers are either public (*Offices Public de l’Habitat*, OPH) or private non-profit corporations (*Entreprises sociales pour l’habitat*, ESH). They are all local, and there is no competition among them. They receive a broad array of subsidies in return for offering below-market rents. Social housing rents are determined by historical

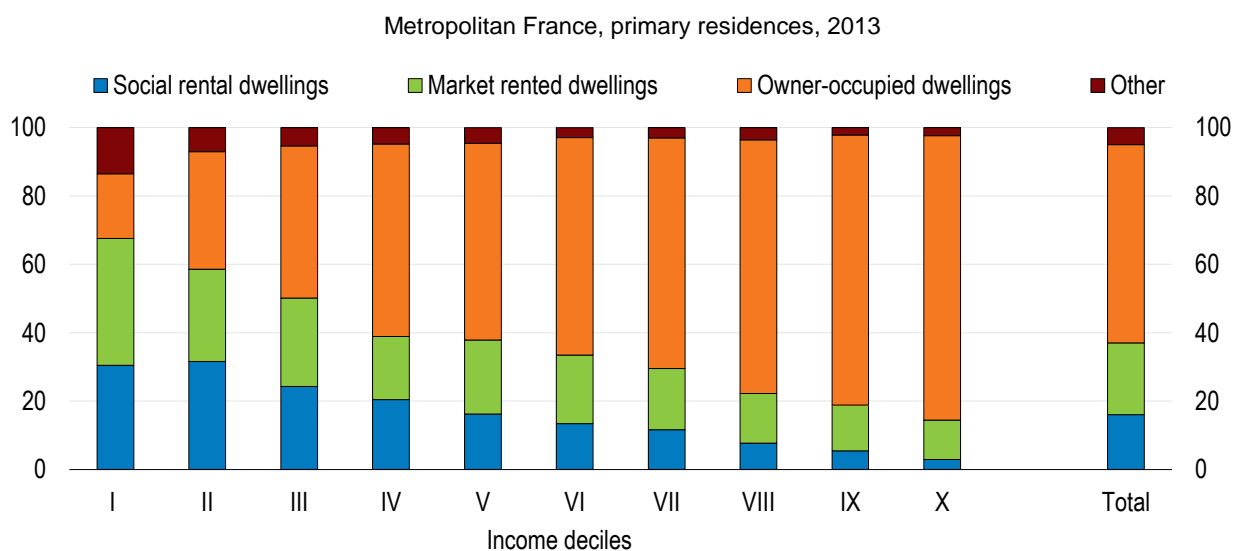


production costs and thus the subsidies received at the time of building. Hence, they can differ a great deal in a given area, with a very loose relation to market rents at best.

Spending on social-housing policies is substantial – around 17.5 billion euros in 2016 or almost 1% of GDP – involving many different goals, schemes and actors. Total spending on housing policies is more than twice as high. Homeowners and providers of private rental housing and of social housing can all receive tax breaks and/or subsidised loans in exchange for lower rents. The financing of social housing is particularly complex. Tax-free savings accounts with interest rates set by the government are partly centralised by a public bank (Caisse des dépôts et consignations, CDC) to finance loans to social-housing providers at different rates depending on the income group targeted with the new buildings. Employers contribute to financing with a social contribution of 0.45% of wages and local authorities with land or cash. This comes on top of VAT breaks for construction and further subsidies for urban renewal.

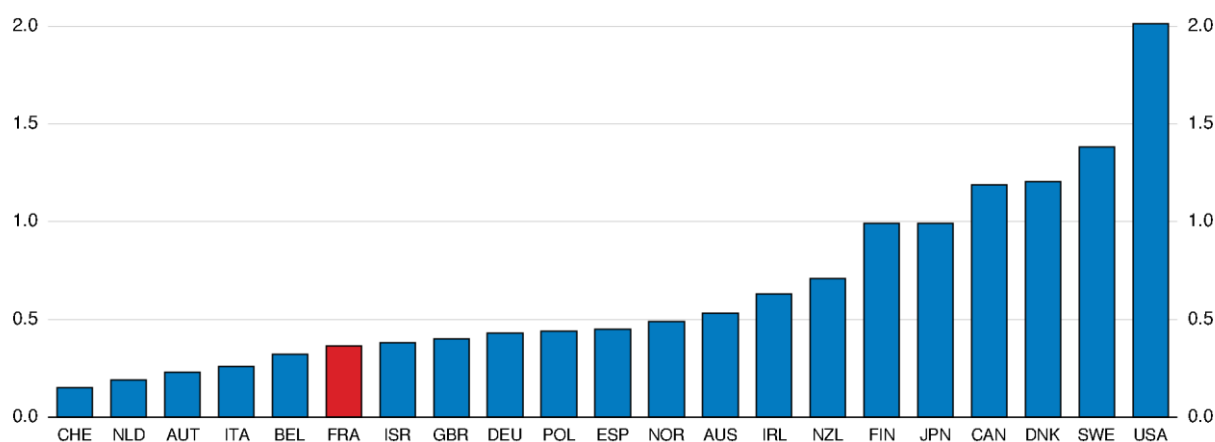
In return for their contribution to financing, committees run by the social partners can reserve up to 50% of the places in social housing. Mayors reserve 20% of the places and prefects – local representatives of the central state – reserve 25% for the neediest and a further 5% for state employees. Each player uses different criteria, and procedures can be cumbersome and non-transparent. A final decision is made by social landlords. They reject only 1-5% of applicants, but often those with the greatest need (Scanlon and Whitehead, 2011). Moving within the social housing stock is complicated by the fact that providers are all local, so they cannot easily relocate their tenants to other areas

**Figure 15. Housing tenure across households by gross income decile<sup>1</sup>**



1. The first income decile includes households with average annual income below EUR 8 000, while the 10<sup>th</sup> decile refers to households with average annual income above EUR 39 000.

Source: INSEE, Housing Survey 2013.

Figure 16. Price responsiveness of housing supply<sup>1</sup>

1. Estimates of the long-run price elasticity of new housing supply where new supply is measured by residential investment.

Source: Caldera Sánchez, A. and Å. Johansson (2011), "The Price Responsiveness of Housing Supply in OECD Countries", *Journal of Housing Economics*, Volume 22, Issue 3, September, pp. 231-49.

Land-use planning requires co-ordination at the metropolitan area level and sometimes the regional level. This would limit externalities, such as urban sprawl, or rationing of supply, for example if mayors prefer to specialise in commercial real estate to maximise tax revenues or want to preserve high prices for homeowners (Trannoy and Wasmer, 2013b). Co-ordination of land-use planning has improved, but higher-level coherence plans (Schéma de cohérence territoriale, SCoT) do not yet cover the entire country, and further efforts are needed to strengthen consultation procedures (OECD, 2017). Local land-use plans (Plans locaux d'urbanisme) and construction permits are still often issued by municipalities. Groups of municipalities (*intercommunalités*) are responsible for local zoning plans by default as of 2017, but this transfer of competencies can be blocked by a minority of member jurisdictions. This possibility should be removed, and the competency for building permits should also be transferred to the *intercommunalités*.

Reforming land taxation would also help. Taxing the transfer of housing and land, while applying relatively low taxes on property, as in France, promotes land hoarding, inhibiting its more efficient use and residential mobility. Registration fees should be eliminated and recurrent property and land taxes increased by gradually aligning their base with market values. This would provide an important incentive for land owners to sell land for building (Trannoy and Wasmer, 2013a; Figeat, 2016).

Withdrawing inefficient subsidies would help reduce the costs of housing policies and make room for spending that helps poor households more effectively. The zero-interest loan, the main measure promoting home ownership, involves large deadweight losses, as 85% of beneficiaries would have bought a home without it (Gobillon and Le Blanc, 2005). The government should gradually withdraw subsidies to promote home ownership, as they can reduce residential and labour mobility and employment outcomes (Costes and El Kasmi, 2013). Benefits are questionable, in particular for lower-income households in a context where prices have been rising fast for some time and could fall sharply, exposing buyers to substantial risk, in addition to the danger that some already face from unstable incomes. Lease-to-buy arrangements seem more appropriate (Trannoy and Wasmer, 2013a). Other subsidies, such as those to promote private rental, should also be reconsidered, given their limited effect on housing quantity or quality.

In fact, the financing of social housing (**Box 2**) and subsidies for private rental could be streamlined to improve efficiency. The state could team up with local governments to offer direct budgetary support to

builders in public tenders for the construction of housing in return for rents below market prices depending on the targeted income group. As in other OECD countries this bidding could be opened up to private builders alongside social housing providers to allow for competition and efficiency gains. Public social housing bodies have been merged at inter-municipal level. This trend could be continued to reap economies of scale and combine local experiences, a model that has been followed successfully in the United Kingdom and the Netherlands (Scanlon and Whitehead, 2011). This could also help to facilitate moving to other urban areas within the social-housing sector, which is difficult today (**Box 2**).

### *Social mixing policies*

The social-housing sector contributes to residential segregation, reducing the well-being and employment chances of already disadvantaged persons. Almost 40% of social housing of the surrounding urban areas is in poor urban neighbourhoods (Renaud et Sémécurbe, 2016). This is typically the older stock, often large, sometimes dilapidated estates built before the mid-1970s. Social housing in wealthier and more central urban areas is often in better condition. It has more desirable features, such as balconies and cellars (Laferrère, 2011; Jacquot, 2007). Access to high-quality social housing seems to be unequal, while social-housing rents vary little with the quality of dwellings or neighbourhoods. In Paris and well-to-do suburbs in the nearby Yvelines *département* the average income of successful applicants is more than 30% higher than that of candidates on the waiting list (Gauillier et al., 2015). Higher income applicants can refuse or leave lower-quality social housing in less desirable neighbourhoods, but tend to hold on to high-quality housing, given that social-housing tenants have a lifelong right to stay (Laferrère, 2011). This perpetuates segregation, impacting negatively on the housing conditions of lower-income households and their employment opportunities, as they are more likely to live in remote areas from which jobs are difficult to reach. Research suggests that about a quarter of the gap in the unemployment rate between native French workers and immigrants of African descent is explained by the fact that the latter receive housing offers involving longer commuting times (Gobillon et al., 2014).

The government is making efforts to provide more social housing in better areas for lower-income households. A 2017 reform foresees that not only prefects (**Box 2**), but also social partners and mayors will have to allocate 25% of all places outside poor neighbourhoods to the neediest. Tenants will have to leave when their income is for two years in a row 150% above the eligible revenue ceiling for housing financed through a social housing loan, compared with 200% before the amendments of the law on equality and citizenship. Given the levels of income ceilings for social-housing eligibility, rent supplements could very well apply as soon as tenants' income increases beyond them and should gradually align rents with market prices. The currently foreseen overall rent ceiling of 30% of the social-housing tenants' income irrespective of quality, size and local market conditions is hard to justify.

To reduce the concentration of deprivation in poor neighbourhoods the government launched an extensive programme of urban renewal in 2003, worth around 45 billion euros. The programme has been carried out by the National Agency for Urban Renovation (Agence nationale de rénovation urbaine, *ANRU*), and implementation of the first phase of the programme will probably continue at least until 2020. There is a follow-up programme to renovate more neighbourhoods, although with only roughly half the funding. The largest share of investment, around 65%, has been devoted to renovation or demolition and reconstruction of the social-housing stock. Other investments include private housing and urban infrastructure, such as schools or roads and cycling and pedestrian paths to better connect the neighbourhoods to their urban surroundings. Neighbourhoods that benefit from urban renewal combine high poverty (an average share of around 45%) with a heavy incidence of social housing – 65% of the stock on average (Guyon, 2016).

Social housing is also explicitly used as an instrument to improve social mixing. Since 2000 most municipalities have been obliged to increase their share of social housing to 20% or face fines, which were increased substantially in 2014 and can now reach up to 7.5% of the municipal budget. Also, the required share of social housing has been increased to 25% for municipalities in areas with tight housing markets. The policy has made a small contribution to increasing the social-housing stock (Bono et al., 2012) in municipalities that started with a low share. In those places social housing now seems to be a bit less segregated, possibly thanks to a recent tendency to opt for mixed developments (Gobillon and Vignolles, 2016).

The effects of the urban renewal programme on social mixing are questionable overall. New buildings on the sites of demolished housing estates tend to be smaller with a mixture of tenure types, including owners and private-sector tenants, to attract the middle class. Roughly half of the demolished social housing has been rebuilt in other neighbourhoods. Given the focus on demolishing sites with particularly poor inhabitants, the share of the poorest has decreased somewhat in renovated neighbourhoods compared to similar ones without a renovation programme (Guyon, 2016). But experience with demolitions in France and elsewhere suggests that displaced households often end up in other high-poverty neighbourhoods (Posthumus et al., 2013), while the departure of somewhat wealthier tenants is accelerated (Lelevrier, 2013a). Being forced to move can disrupt social ties (Clampet-Lundquist, 2007). While social landlords have set up teams to assist families affected by demolitions, overall relocations have been guided by the urgency of finding new shelter. A strategy to better address social and sanitary needs of affected families and support their employment has not been developed, much less put in place (Comité d'évaluation et de suivi de l'ANRU, 2009). Better follow-up is needed on the fate of displaced households and on the evolution of their living conditions.

Mixing tenure types through urban renewal or quotas for social housing in rich neighbourhoods does not necessarily lead to social interaction between different groups. Studies of other countries suggest that richer people often spent much of their time outside of the neighbourhood (Atkinson and Kintrea, 2000; Beckhoven and van Kempen, 2003), for example because they commute to work and engage in leisure activities in that area. Research in France shows that new buildings in poor neighbourhoods, often built on the fringes of demolished estates, can be an opportunity for local tenants to improve their housing situation. They tend to mix with social-housing tenants, as do newcomers who have experience with living in high-poverty social housing elsewhere. But new arrivals without such experience have very little contact with their poorer neighbours. Physical distance between new and old buildings reduces contact, as does a high income difference between residents, which also tends to increase the likelihood of conflict (Lelevrier, 2013b). When it comes to moving poor tenants into rich neighbourhoods, there is little evidence that this will help them build better networks and improve access to jobs (Atkinson and Kintrea, 2000; Beckhoven and van Kempen, 2003), but local goods and services may be out of reach for them due to higher prices.

The government should assess the costs and benefits of its social mixing policies carefully and consider more efficient alternatives. Building in richer municipalities is expensive, which should be weighed against possibilities to expand the housing stock faster in cheaper areas, while connecting them to transport infrastructure to ensure access to high-quality jobs and schools. Limiting efforts to increase social housing to areas with housing shortages and delegating the responsibility for planning to *intercommunalités*, groups of municipalities ideally covering an entire urban area would be a better option. Subsidies could be linked to improvements in well-defined housing quality and social mix indicators, including accessibility of jobs from social housing.

### ***Focusing urban renewal on improving living conditions in poor neighbourhoods***

Beyond social mixing, the urban renewal programme has helped to modernise housing and other urban infrastructure, and the neighbourhoods are often better integrated into their urban surroundings than before. Overall, a large majority of residents of renovated neighbourhoods are satisfied, although this is less the case for the younger generation, who often view the demolitions as an attack on their lifestyles and an attempt to chase them from their neighbourhoods (Comité d'évaluation et de suivi de l'ANRU, 2014; ONZUS, 2013). In fact, attempting to change the social mix of neighbourhoods directly through relocations is not only unlikely to work, but it can also undermine public acceptance for urban renewal, as locals may view it mainly as an attempt to make them leave a neighbourhood to which they are often attached (Kirszbaum, 2010).

Urban renewal programmes would benefit from a greater focus on improving the living conditions of existing residents. This would involve programmes closely linked to improving neighbourhoods' connections to transport infrastructure and services, and careful location choice of decentralised government services, such as unemployment and family-benefit agencies and the postal bank, with a view to improving access to jobs, services and leisure activities. More social mixing may then be a beneficial long-run result of renewal, as fewer residents with rising incomes are tempted to leave.

Limited participation of citizens concerned by urban renewal was one of the weaknesses of the first phase of the programme. Consultation consisted mainly of informing them and collecting their reactions without allowing them to influence the project's course. In 2014 the government created citizen councils (*conseils citoyens*), consisting of local inhabitants and representatives of associations. They contribute to diagnosing their neighbourhoods' needs and drafting strategy documents for urban policies (*contrats de ville*) to address them, and they are also consulted about planned renovation projects.

To ensure that urban renewal responds to citizens' needs, they should be systematically surveyed at the outset of any project. Citizen councils as well as tenants concerned by renovation should be involved in the decision process about its nature. Demolition should be allowed only if a majority of affected tenants votes for it, and there should be a right to return after renovation. This is now standard in US Choice Community programmes, following lessons learned from earlier forced dislocations (Kirszbaum, 2013).

Softer forms of rehabilitation should be explicitly considered. Tenants should be allowed to opt for receiving materials and professional assistance to improve their buildings themselves. This can build a sense of ownership and help save funds for investments in other infrastructure or services that may be more important to them, such as a *concierge* to address safety concerns. Strong resident participation in designing and implementing renovation projects has been practiced successfully in Germany (Blanc, 2013) and more recently in the United States (Kirszbaum, 2013). Neither model aims to change the socio-economic composition of neighbourhoods through renovation. In the German case direct participation of tenants in the work is quite common. Self-directed rehabilitation exists in some cases also in France. It would in fact be an opportunity to set up apprenticeships and other training programmes for inhabitants interested in working in the construction sector.

The first wave of urban renewal focused almost exclusively on town planning, with little regard for social and employment policies to improve life in poor neighbourhoods. The new citizen councils and their contribution to urban policy strategy documents is an opportunity to close this gap. The documents need a quantitative assessment and targets regarding distance to jobs and services, as well as training needs. The government's large-scale urban renewal programme could be used as an entry point to offer basic skills and language training to affected residents, as they need to be consulted in any case. The renovation projects include local employment clauses requiring that a certain number of hours worked involve locals. These clauses should be strengthened and used to offer more apprenticeships alongside work experience

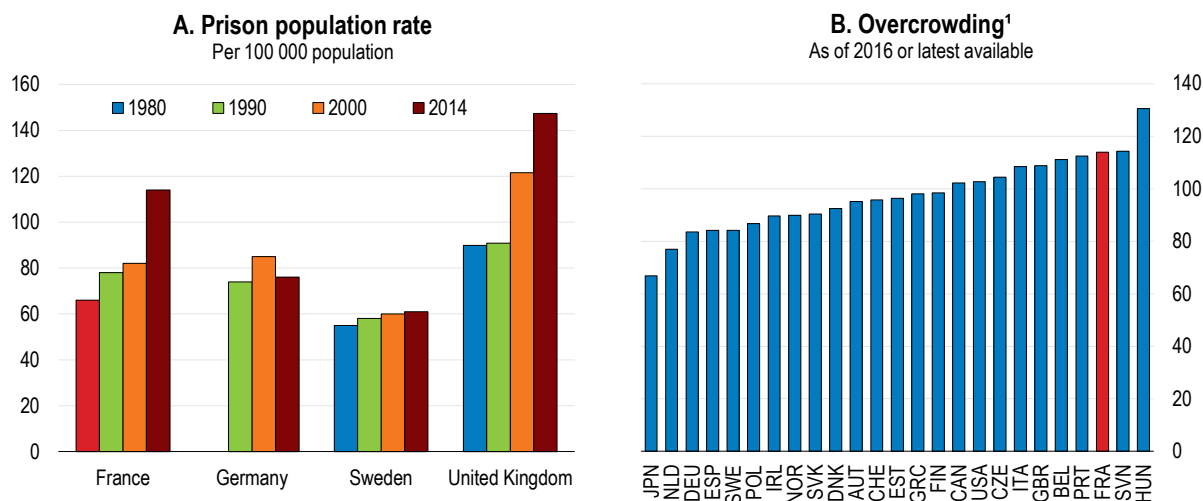
combined with basic-skills improvement. Experience has shown that basic-skills training works particularly well when it is integrated in candidates’ daily lives (OECD, 2015a).

### Prisons

There is a clear link between social deprivation and imprisonment. Prisoners are overwhelmingly young men from low-income families. They are disproportionately hit by unemployment, inactivity and low-paid work, and they often lack family ties and a place to live (Kensey, 2012). All of this increases the likelihood of pre-trial confinement as well as the severity of the sentence (Kensey, 2012), limiting access to probation. The prison population has increased markedly, in particular since 2000, and there is serious overcrowding (Figure 17). This undermines the well-being of prisoners and their ability to exercise their basic rights (Contrôle général des lieux de privation de liberté, 2014). Suicide rates among prisoners are high compared to other countries (Figure 18). In spite of evidence of network effects in prisoners’ home neighbourhoods and in jail, there are no data or studies on these issues in France. Yet, they are needed to develop a coherent strategy for urban policy along with police and judicial reform.

Efforts to favour alternative sentencing and address overcrowding in prisons need to continue. Alternative sentences, such as community work and electronic bracelets, have been shown to reduce recidivism (Kensey and Benaouda, 2011). The government envisages building more modern prisons and has started reforms to promote alternative sentencing and probation, while ensuring better support for ex-convicts to facilitate their re-integration into society. These efforts need to continue.

Figure 17. Increase in prison population and overcrowding

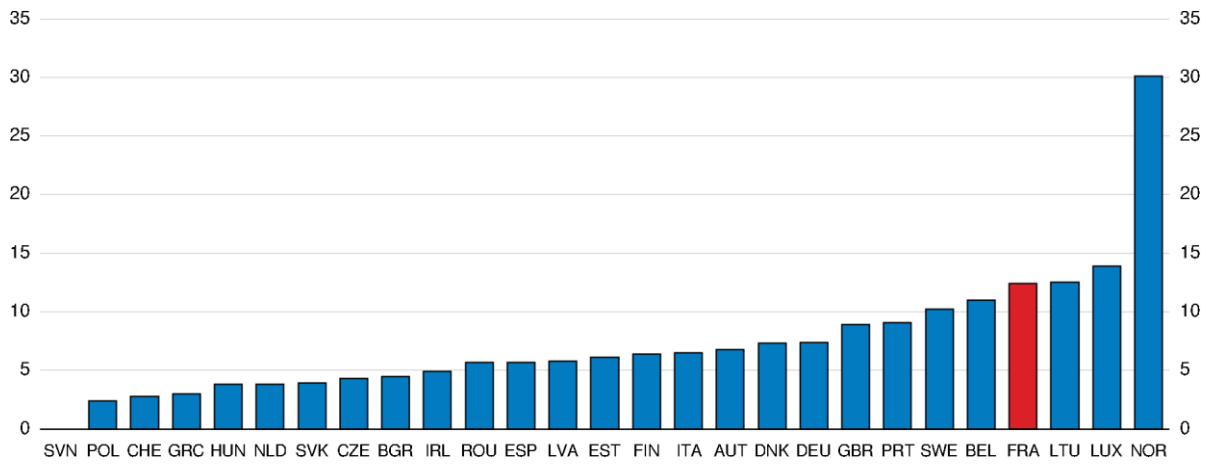


1. Ratio of total prison population to official capacity of the prison system in per cent.

Source: Institute for Criminal Policy Research (2016), *World Prison Brief 2016*, School of Law, Birkbeck College, University of London.

**Figure 18. Suicide rates in penal institutions in EU countries**

Per 10 000 inmates<sup>1</sup>, 2013



1. Data comparability across countries is limited by varying national standards as to the inclusion of suicides committed in community hospitals and during periods of prison leave or of absence by permission.
2. Data refer to England and Wales only.

Source: Council of Europe (2015), *Annual Prison Statistics*, SPACE 1 - Prison Populations Survey 2014.

### Recommendations to improve life in poor neighbourhoods

- Steer public investment and urban renewal spending in line with quantitative targets to reduce the distance from poor neighbourhoods to jobs and key public services.
- Step up basic-skills and language-training programmes combined with work experience in poor neighbourhoods. Ensure that the personal training account can be used to pay for such training.
- Improve the collaboration of different agencies contributing to job-search assistance and training of counsellors. Reduce caseloads, especially when dealing with residents of poor neighbourhoods.
- Promote apprenticeships in vocational *lycées* by engaging employers.
- Continue to improve initial and continuing teacher training in pedagogy. Focus on teaching techniques for heterogeneous classes with struggling students.
- Link teacher pay to pedagogical qualifications and excellence in teaching. Consider a proportional bonus, rather than a lump sum, for teaching in disadvantaged schools. Offer faster promotion to leadership positions for teachers with a proven track record of helping disadvantaged students progress.
- Bring schools' human resource budgets into line with the number of their students, with top-ups for poor and foreign-language children. Publish both budgets and underlying formulae.
- Systematically transfer the competency for local land-use plans and building permits to *intercommunalités*. Eliminate registration fees, and increase recurrent taxes on immovable property.
- Increase social housing only in areas with shortages, leave social-housing planning to *intercommunalités*, while tying central government funding to improvements in indicators on social mixing and distance from jobs and services.
- Integrate urban renewal with social and employment policies, for example by using renovation as an entry point to offer basic skills and language training combined with work experience, as well as apprenticeships.
- Continue efforts to improve consultation on urban renewal. Allow demolition only if a majority of tenants votes for it, and establish a right to return to the same site after reconstruction. Supply tenants who wish to do renovations themselves with materials and professional help.
- Evaluate network and neighbourhood effects of crime, and continue to favour alternative sentencing and greater support for prisoners to re-integrate into society.



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