

France looks to services sector to ease jobs crisis

By John Thornhill in Paris

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The French government yesterday unveiled measures to stimulate the domestic services market in an attempt to tackle the country's unemployment crisis.

Jean-Louis Borloo, the labour and social affairs minister, said the government was aiming to ease the creation of up to 500,000 jobs over the next three years at an estimated cost of €1.43bn (\$1.8bn, £989m).

Demand for domestic services, such as cleaning, childcare, gardening and help for the elderly, has risen at an annual rate of 5.5 per cent over the past 15 years. According to government figures, 1.3m people are employed in these sectors.

Mr Borloo forecast that the market would continue to grow strongly as the population aged. He said the government would now provide tax breaks for employers and welfare benefits and training for employees to encourage the further development of the sector.

"At the same time as being an employment project, this proposition will also improve the quality of life for French people," he said.

Jobs created in these fields had the additional advantage that they could not be sent offshore, he added.

Mr Borloo's initiative represents a further flexing of France's rigid labour market rules, which have been blamed for the country's high unemployment rate. The government is already pressing ahead with plans to loosen the law enshrining the 35-hour week, providing greater flexibility for both companies and workers.

The number of people seeking jobs in France rose by 11,000 in December to 2.69m, taking the unemployment rate to just under 10 per cent. The government has vowed to cut the number of unemployed by 10 per cent in 2005.

As part of the jobs creation package, Mr Borloo announced the formation of a state agency to oversee the domestic services market and help bring black market workers into the formal economy by offering them welfare benefits.

The government will also issue subsidised vouchers to large companies and institutions which employees can use to buy domestic services.

Some leftwing politicians and trade union leaders have criticised the government's plans to help create low-paying "McJobs". But some labour market economists argue it is better to give the long-term unemployed the opportunity to find a job and provide additional state income support if needed.

The government is also working on plans to simplify the country's complex labour code, which has discouraged job creation.

A recent report, comparing the British and French labour markets, concluded that France needed to introduce far greater flexibility, enabling companies to hire and fire workers more easily. The report, prepared by French executives working in the UK, said Britain had been far more successful in mobilising its labour resources and reducing long-term unemployment.

In 2004 the employment rate in France stood at 62 per cent compared with 72 per cent in the UK.