Among the main recommendations addressed to France:

- Developing apprenticeship and work-study programmes to support youth employability, and containing labour costs (particularly wage increases based on seniority) enjoy a consensus.
- Making work contracts more flexible to reduce the dichotomy between temporary and permanent contracts is more controversial,

Given the markedly negative impact that employer social security contributions in France have on employment, and particularly the least-skilled jobs, **reform of labour taxation** must go hand-in-hand with measures to reduce labour costs. The OECD recommends reducing the overall burden of taxation on companies by transferring a significant share of social security contributions to consumer and income taxes, closing off tax loopholes that favour certain sectors and large companies and striving for a more substantial reduction in public spending.[95] The competitiveness and employment tax credit (CICE) that came into force in January 2013 aims to reduce taxation of labour by one GDP percentage point by simultaneously lowering public spending and raising VAT.

THE COMPLEX INTERPLAY BETWEEN COOPERATION AND COMPETITION AT THE CROSS-BORDER TERRITORY LEVEL

This rapid overview of the main aspects of France's competitiveness may be supplemented by a closer look at the factors of attractiveness of territories.

The competitiveness of a territory – and consequently the factors that determine decisions about the location of business activities – may only be measured by comparing it to that of the adjacent territory.

The territory portraits help to explain how companies' decisions (with respect to taxes, labour costs, real estate, market size, etc.) lead them to prefer one side of the border to the other, and also why one sector or type of activity may be more present on one side than the other.

- ↘ **In the Greater Region**, while in general Luxembourg is more attractive than its partner territories due to a more advantageous tax system and more flexible labour laws, the partner territories may have a comparative advantage (real estate prices for example).
- ↘ **At the French-Swiss border**, framework conditions are significantly more favourable for firms in the Swiss Confederation due to lower corporate taxes, the absence of an equivalent tax to the territorial economic tax (CET), lower social contributions and less complex administrative procedures. It may however be advantageous for a Swiss company to open a subsidiary in France in order to gain access to the EU market and benefit from exemption from customs duties, to serve Swiss customers ("shopping tourism", construction), or to enjoy advantages available only in France such as the research tax credit or certain facilities.

On all these borders, players surveyed point out that the instability of tax systems and social legislation in France (constant reforms) is a factor in decisions to set-up operations outside France.

The competitiveness and attractiveness of France's border territories may therefore be assessed depending on the framework conditions of the neighbouring territory, the business sector (level of regulation, competitiveness, globalisation, etc.), the target market (residents, cross-border workers), systems of aid (often offered at a given point in time and not continued), but also, ultimately, on the development strategies implemented by firms, which, at each phase of their growth, target a specific category of business facility.

[95] OECD, *France – Redresser la compétitivité*, Série "Politiques meilleures", November 2013, p. 49.