

7 Misconceptions about France and Germany

#4 “France lost the competitiveness race to Germany” Wrong!

A common belief states labor cost is at the root of France’s waning competitiveness vis-a-vis Germany. Yet in terms of **Unit Labor Cost (ULC)**, the gap has been narrowing in recent years. Between 2012 and 2017, the rise in German ULC reached +9% and +3.4% in France.

Policies explain most of the differential. In 2012, France offered companies a **temporary tax credit**. This helped reduce the rise in labor costs.

3X
ULC growth
in Germany
vs France*