

NATIONAL REFORM PROGRAMME 2016

KEY FIGURES AND ONGOING REFORMS

The national reform programme (NRP) presents the economic policy strategy of the government and the main results obtained so far. It presents the economic reforms aimed at facing the challenges of the French economy: (i) guaranteeing sound and sustainable public finances; (ii) regaining competitiveness, booting productivity and enhancing the business environment; (iii) improving the functioning of the labour market; and (iv) promoting equality, social inclusion and equal opportunities for all.



The whole package of reforms should yield an increase of **4.8** points of GDP by 2020 and over a million job creations, according to evaluations.

REFORMS ARE BEARING FRUIT

Public finances:

Government spending has decreased nearly by **1%** of GDP between 2014 and 2015

Between 2014 and 2015, the tax burden as a share of GDP shrank by **0.3%**

Competitiveness:

Industrial labour costs have increased **1.1%** in France since the end of 2012, compared with **3%** in the euro area

The current account is near its balance for the **1st** time since 2004

Margins leaped up to reach **31.4%** at the end of 2015, making up **2/3** of the ground lost since the crisis

Goods and services market:

415 simplification measures are in place or ongoing

Almost **half** of the 70 French biggest cities have already increased the number of working Sundays

1.5 million passengers already travelled by coach 6 months after the law was passed. Almost **1300** jobs were directly created

Labour market:

180 000 hirings were eligible to the temporary scheme encouraging SMEs to recruit staff (« embauche PME »)

The number of mass redundancy procedures has been reduced by **2/3** (from 25 to 8%)

REFORMS ARE GOING ON

CONTINUE TO CUT TAXES AND LABOUR COSTS FOR BUSINESSES TO BOOST INVESTMENT AND CREATE JOBS

Following on from the second part of the Responsibility and Solidarity Pact, its third phase will provide for the **final phasing out of the corporate social solidarity contribution** (C3S) for the 20,000 businesses that still pay it and, on the other, an **initial lowering of the corporate income tax rate**, which is slated to be reduced from its current rate of 33.3% to 28% in 2020.

To bolster the CICE tax credit's contribution to cutting labour costs, it will be converted into a **permanent reduction of social security contributions**. This will streamline the arrangements and get rid of the time lag owing to the CICE functioning like a tax.

Household taxation will also be revamped with the **introduction of a withholding tax system** for personal income tax. This will provide for better correlation between the amount of tax and the taxpayer's circumstances whilst, at the same time, cutting red tape.

RESTRUCTURE THE LABOUR CODE TO MODERNISE THE FUNCTIONING OF THE LABOUR MARKET, FOSTER SOCIAL DIALOGUE AND MAKE CAREER PATHS MORE SECURE

The Bill aims at introducing new opportunities and new safeguards for companies and employees (the Labour Bill) and will give **greater responsibilities to labour and management representatives** to set the rules concerning how work is organised and working hours. To give **greater legitimacy to company-level agreements**, the majority agreement rule will be rolled out with unions having the option of initiating an employee consultation.

The goal of the Bill is also to give greater visibility to companies, particularly VSEs and SMEs in order to encourage hiring people on permanent contracts. It **identifies and spells out the economic difficulties faced by a company that can justify announcing economic layoffs**. Alongside the Bill, a decree will introduce an **indicative scale for compensations** that labour

courts can hand down for redundancies found to be without real and credible grounds, giving heightened visibility to both employers and employees.

Concomitantly, the Bill introduces new safeguards, particularly for employees with little job security and young people. The **Personal Activity Account (CPA)**, that will take effect on 1 January 2017, will allow all workers to accumulate entitlements throughout their career, regardless of their status particularly for training or support in setting up a business.

HEIGHTEN ECONOMIC TRANSPARENCY TO BUILD INVESTOR CONFIDENCE AND PROMOTE FRANCE'S APPEAL

The Transparency, Anti-Corruption and Economic Modernisation Bill is part of government action to improve the business environment. The Bill sets out to bolster the system for **fighting offences against probity** by, amongst other measures, inaugurating a National Corruption Prevention and Detection Agency and improving protection for corruption whistle-blowers. The Bill also aims for **increased transparency in the relationship between government authorities and the business world** by, inter alia, introducing a digital directory of interest group representatives.

This Bill also follows on from prior reforms that sought to adjust our economy to new activities and the digital sector and allow the majority to take advantage of new economic opportunities. To this end, it contains provisions for the ongoing **improvement of the growth paths of VSEs and SMEs** (making it easier to change from sole trader status to another status, introducing stiffer penalties for late payments). Moreover, rules for **setting up businesses will be streamlined** (overhaul of the training course prior to business start-up, removal of bank account obligations) and **professional qualifications required to access certain self-employed professions will be reviewed** focusing on the risks these activities represent for the health and safety of consumers. The Bill will also allow part of the amounts held in companies' supplementary pension schemes to be invested in venture capital and, especially, in innovative start-ups.