SPRING 2018 REFORM BAROMETER – FRANCE

European Semester - Overall assessment of 2017 cycle

	To what extent do you agree with these statements:		Detailed comments
1.	The National Reform Programme submitted by your Government (April 2017) is appropriate.	To some extent	As elections took place in France mid-2017, the National Reform programme presented by the government in April 2017 mainly took stock of the reforms launched in the previous years- which were, as mentioned las year, real but partial and too slow- instead of announcing new reforms. Efforts to consolidate public finances- and specifically public expenses - remained from far insufficient. The review of the public sphere missions was not identified in the report as the main lever of a successful State reform. Regarding social security, the situation improved only due to the payroll increase resulting from a rebound in economic growth. Those two last issues remain a problem with the new government. since July 2017 however, important reforms have been implemented or are on their way: labour market reform, capital taxation, professional training and apprenticeship, unemployment insurance scheme.
2.	The Commission's country specific recommendations for your country are appropriate.	To a large extent	The Commission's country specific recommendations are globally appropriate. However, for Medef, the priority regarding corporate taxation is the reduction in taxes on production factors and not a widening of the tax base or an additional reduction in tax rate. Regarding labour market reform, one issue was missing : addressing the labour law rigidity.
3.	The Commission assessment of reform implementation the year before is appropriate.	Yes, Absolutely	Our key points are: the sustainable reduction of the public deficit by the effective reduction of public expenditures and a deep review of public sphere missions and public expenses; a reform of education and training, which is essential to the efficiency of the labour market reform just adopted ;the mastery of labour cost, through a consolidation of the reduction in employers social contributions together with a widening of this reduction to higher wages and a control of the evolution of minimal wages ; reduction in administrative burden.

	To what extent do you agree with these statements:		Detailed comments
4.	The Commission assessment of excessive imbalances (in-depth review) is appropriate.	Yes, absolutely	France cannot anymore remain the only country of the Eurozone in situation of excessive deficit, nor to keep its record levels of public spending. External imbalance is also a preoccupying issue.

Assessment of Country Specific recommendations 2017 in detail

		Q1: The recommendation is:	Q2: implementation on effort is:	Detailed comments
CSR **1**	Ensure compliance with the Council recommendation of 10 March 2015 under the excessive deficit procedure. Pursue a substantial fiscal effort in 2018 in line with the requirements of the preventive arm of the Stability and Growth Pact, taking into account the need to strengthen the ongoing recovery and to ensure the sustainability of France's public finances. Comprehensively review expenditure items with the aim to make efficiency gains that translate into expenditure savings.	Extremely important	Unsatisfactory	Certainly, the rhythm of the evolution of the public spending moderated, but this one stayed out of control. In value, the public spending has increased by 53 billion € over the period 2015-2017 (while the objective of the government was to realize 50 billion € of savings). The result of the MAP (Modernization of the Public Action) was disappointing from our point of view. The exercise of the spending review, although essential and interesting, was translated by very few structural savings (less than 1 Md of economy over 3 years). The new government made a commitment on more ambitious objectives regarding control of the spending (- 3 % of GDP on the horizon on 2022) and of State reform (schedule Action on Public 2022) but no concrete measures are attached.

		Q1: The recommendation is:	Q2: implementation on effort is:	Detailed comments
CSR **2**	Consolidate the measures reducing the cost of labour to maximise their efficiency in a budget-neutral manner and in order to scale up their effects on employment and investment. Broaden the overall tax base and take further action to implement the planned decrease in the statutory corporate-income rate.	Extremely important	Mixed	Previous government measures aiming at reducing the cost of labour had a real effect on companies' margin and investment capacities but insufficient for a significant improvement of their competitiveness. The transformation of the CICE into a reduction of employer's social contributions goes into the right direction as it consolidates this reduction but several modifications have been made to the mechanism. As a result, the cost of labour should be reduced between 1 and around 1,3 SMIC and increased above 1,3 SMIC, concentrating then the reduction toward low wages, while corporate tax paid by companies should increases. The difference in compulsory deductions could be an increase of around 4,5 billion euros in 2022, when corporate tax rate reaches 25%. Regarding corporate taxation, the main problem is not corporate tax but taxes on production, which amount to 60 billion euros
CSR **3**	Improve access to the labour market for jobseekers, in particular less-qualified workers and people with a migrant background, including by revising the system of vocational education and training. Ensure that minimum wage developments are consistent with job creation and competitiveness.	Extremely important	Satisfactory	Labour market reforms were undertaken in the second Semester 2017 : labour law reform is achieved, vocational training, apprenticeship and unemployment insurance scheme reforms are currently discussed. They demonstrate government's willingness to push into the right direction by introducing more flexibility and simplification, facilitating professional mobility, placing business at the centre of the training system, answering to labour market needs...The outcome of the proposed reforms will be known in the coming months. Regarding minimum wages, the issue is under discussion.

		Q1: The recommendation is:	Q2: implementation on effort is:	Detailed comments
CSR **4**	Further reduce the regulatory burden for firms, including by pursuing the simplification programme. Continue to lift barriers to competition in the services sector, including in business services and regulated professions. Simplify and improve the efficiency of public support schemes for innovation.	Important	Mixed	Efforts have been made by the previous government for reducing regulatory burden but much remains to be done, especially since the flow of new texts is not drying up. The new government is advancing the recognition of the right to make a mistake and a transformation of the administrative culture based on sanction toward more counselling. Moreover, the gold plating of European regulation has been prohibited. However, companies are not very involved in rule-making: the specific committee that was to be created for this purpose was not. Concerning competition in the service sector, no more has been done since the « Macron law », adopted in 2015. Progress to facilitate transition from research to innovation has to be reinforced, while taking into account that measures already adopted need a certain time to produce their effect.

Reform Progress in your Member State in 2017

How would you assess reform progress in 2017, for the following broad areas:

Taxation and Public Finances	Mixed
Business environment (regulation/access to markets)	Mixed
Labour market	Satisfactory
Innovation and skills	Mixed
Access to finance and Financial stability	No Reform Necessary

Reform priorities for 2018

	I. Policy Area	II. Concrete Recommendations	III. Are the proposed recommendations already in the agenda of your Government?
Priority 1	Consolidation of public expenditures	1/ To schedule a complete review of public expenditures (all missions and all public policies) on the five-year term, to redefine exactly the perimeter of the public actions. 2/ To Adopt a digital strategy to transform the public administrations and master the spending. 3/To Reform the public functions.	yes

	I. Policy Area	II. Concrete Recommendations	III. Are the proposed recommendations already in the agenda of your Government?
Priority 2	Labour market mismatch and labour mobility	- Large-scale reform of the vocational training system in order to better align training offers with labour market needs - Promote apprenticeship and enlarge its implementation to all sectors, jobs, audiences - Unemployment insurance reform in order to facilitate job transitions and to strengthen job seekers control (even if social partners reached an agreement in March 2017 on the unemployment benefit scheme)	yes
Priority 3	Tax reforms	Reduction in production taxes	no
Priority 4	Pension and health care reforms	Reform of the general pension scheme for private sector employees (min retirement age should be set at 65 instead of 62 years) and of the specific scheme for public servants	Yes, partly, under preparation for 2019
Priority 5	Wage bargaining and wage-setting policies	To master the evolution of wages contributing to cost competitiveness : SMIC price adjustment; civil service salaries ;to take the necessary measures to open up competitive business servicesin orer to ensure competitive prices	Yes partly