

# Commission pour la libération de la croissance française

## *Commission « Releasing growth in France »*

### ***Executive Summary***

This report stands as a non political consistent set of propositions to regenerate growth in France. It is based on the contributions of 43 high-profile figures from different backgrounds and professional fields, who analyzed data, gathered experience and feedback from hundreds of citizens and professionals in the private and public sectors, and compared best practices from other countries around the world.

The report shows that, based on its strengths, France has a lot to win in transforming its challenges into real opportunities and take its share from the global growth. To make this happen, the Commission has identified *8 ambitions* and *20 fundamental decisions* to regenerate growth in France.

As the world is constantly changing at a fast pace, creating not only unsuspected potentials of growth and wealth but also inequalities, more rapidly than ever before, France has to take its share of opportunities.

Today, over 100 countries have a GDP growth above 5%. China has even had an above 10% GDP growth for several years. Since major technology innovations are expected everywhere as well as an additional 3 Billion people within the next 40 years, there are even more growth opportunities to come globally, based on the pool of financial assets that is still available today.

In Europe, although growth is twice less rapid than the world's and OECD's average and despite declining demographics, opportunities to maintain a good position in the global competition are plethoric. And while some countries like Germany, UK, Denmark or Finland have started key transformations to develop their competitiveness, France is moving at a slower pace and is losing ground in the global competition.

Indeed, France has a lot of assets to win back its attractiveness and to grow more rapidly: a high birth rate, high-level of education and health systems, modern infrastructures, innovative companies, intellectual dynamism, active associations... It has a high-performing industry in tourism, agriculture and services and a good number of French companies playing among the global leaders.

However, France is growing at a slow pace (1,7% on average per year), and now ranks 19th on its GDP/inhabitant. This is mostly because the country has not been able to do the necessary transformations to keep its momentum in the global competition. Among its barriers to growth, France suffers from a social model traditionally based on privilege, as well as strong state regulations, high public expenditure (53,2% of GDP), inefficient

dialogue with trade unions, conservatisms and inequalities - notably affecting young people, of which 22% are jobless - high taxes, debt and budget deficit. If nothing changes, France's decline will accelerate, probably increasing its debt up to 80% of its GDP in 2012 and up to 130% in 2020.

Regenerating growth for everybody in France is possible! It implies to conjugate several factors: a dynamic and plethoric workforce, an on-going update of knowledge and technological innovations, an efficient competitive environment, an attractive financial system and an open mindedness to the world.

To make this happen within a sensible timeline, everybody has to take responsibility for growth and feel accountable for improvements: not only the government, but also corporations, citizens, local communities. France has to implement radical change, specifically to improve flexibility and mobility on the labor market, adapt regulations to create the right competitive environment, reduce the cost of employment, develop innovation and world-class education, support promising industry sectors, leverage private investments, reform the public sector... Besides, coming reforms have to benefit all the people, since the weakest today are those who should expect most of the regeneration of growth tomorrow. Therefore all the propositions of this report are consistent with each other to ensure the protection and evolution of everyone in the transformation.

Implementation is now the challenge that successive governments will have to drive, in order to lead the country to experience short-term returns as well as, on a longer-term, successful, socially fair and economically efficient achievements.

### **Ambition 1:** Preparing young people for the knowledge economy and risk-taking

Apart from its uncontested agricultural assets, our country has no raw material resources. Increasingly, economic battles are being won through innovation. Our ability to grow and maintain our position in the global competition will hence depend on our ability to sustain and deliver innovation. In that regard, lifelong education, learning and qualification are basic pre-conditions for our future success.

- **Fundamental decision 1:** Engaging our resources so that every school student is competent in French, Reading, Writing, Math, English, Team Working and IT by the time they complete sixth grade.
- **Fundamental decision 2:** Setting up 10 major education and research centers on 10 physical and virtual campuses. These new centers will set the benchmark standard for the entire further education and research system.

### **Ambition 2:** Taking a full part in world growth, and becoming a champion of the new growth model

By failing to fully embrace globalization, France does not benefit as much as it could from strong current and future world growth. For several years now, we have seen the emergence of a new growth model that attempts to reconcile performance with ethical practices, short-term financial profitability and responsibility towards future generations. Against this background, environmental protection has created new markets and new wealth. France has everything it needs to play a leading role in this new growth model.

- **Fundamental decision 3:** Giving France all the resources it needs (including research resources) to secure a leading position in strategic emerging industries: digital technology, health, ecology, tourism, solar power, fuel cells, biotechnology, nanotechnology and neuroscience.
- **Fundamental decision 4:** Building 10 “Ecopolis centers”, namely cities, towns and communities with populations of at least 50,000 built with the latest green and communication-based technologies.
- **Fundamental decision 5:** Undertaking immediately the installation of broadband Internet access for all, in every household, workplace and administration.
- **Fundamental decision 6:** Installing the infrastructures (ports, airports and financial center) needed to make France an attractive territory, and increasing the amount and quality of social housing.

**Ambition 3:** Improving the competitiveness of French companies, especially that of Small- and Mid-size Enterprises (SMEs)

It is widely agreed that our economy has two major weaknesses: an increasing inability to compete and too few mid-size enterprises. At the same time, we lack companies with the size and resources to push forward their research and grow internationally.

- **Fundamental decision 7:** Reducing the amount of time taken by the state and large companies to pay SMEs to one month from delivery (10 days for VAT), and introducing simplified tax arrangements for businesses with an annual turnover of less than €100,000.
- **Fundamental decision 8:** Redeploying resources to create an agency guiding Small Enterprises with fewer than 20 employees through administrative processes, and promoting public accountability before them.

**Ambition 4:** Building a society of full employment

Since 1936, our average life expectancy has increased by 20 years, whilst our working lives have become 15 years shorter. These additional 35 years of non-employment impose a heavy cost in terms of growth, and do not necessarily suit everyone's life aspirations.

- **Fundamental decision 9:** Making key social decisions through negotiation between labor organizations, which entails modernizing the way labor unions and employers' organizations are funded and represent their members.
- **Fundamental decision 10:** Engaging everyone for youth employment and requiring every company and public body to publish an annual report on age, sex and ethnic diversity.
- **Fundamental decision 11:** Reducing the cost of labor for all companies by transferring part of social security contributions to the Contribution Sociale Généralisée (CSG) and VAT.
- **Fundamental decision 12:** Letting every employee decide whether or not to pursue work after the statutory retirement age (from age 65 onwards, those who continue working would receive a higher pension); removing all impediments to combined income and pension, as well as all early retirement systems.

### **Ambition 5:** Abolishing allowances, reducing privileges and promoting mobility

In an attempt to protect their own interests, countless groups have built walls around themselves over time. In an open, fast-moving world, this accumulation of allowances and privileges at all levels holds the country back, bears down on spending power and slows its ability to grow. Without social, economic, professional and geographic mobility, growth of any description becomes impossible.

- **Fundamental decision 13:** Helping retailers and independent suppliers to play an effective role in competition, whilst restoring complete freedom of pricing and location to all retailers, hotels and movie theaters.
- **Fundamental decision 14:** Opening up regulated professions to wider competition without undermining the quality of supplied services.
- **Fundamental decision 15:** Promoting geographical mobility (through the creation of an Internet-based social housing exchange scheme) and international mobility (particularly with a more flexible visa procedure for students, working artists, researchers, scientists and needed workers).

### **Ambition 6:** Creating new safeguards to balance increasing instability

The men and women of France are subject to the constant stream of changes made necessary by the need to adapt to this open, fast-moving world. These new insecurities must be matched by new safeguards. An appetite to take risks is a vital driver in today's world: in return, we must protect the individuals who take those risks.

- **Fundamental decision 16:** Treating training for all jobseekers as a full activity involving a contract and a salary.
- **Fundamental decision 17:** Providing a secure way of terminating employment contracts through common agreement.

### **Ambition 7:** Initiating a new style of governance compatible with growth

France is an old country, and many of its institutions have become hidebound and fossilized. They are often too costly for a service that gets worse every day. Each of our institutions must be evaluated individually, with two objectives in mind: ensuring social cohesion and promoting growth.

- **Fundamental decision 18:** Setting up semi-autonomous agencies for key public services, and evaluating every level of public service (schools, universities, hospitals and government) through independent audits.
- **Fundamental decision 19:** Empowering regions and inter-community authorities by phasing out the departmental level over a 10-year period.

**Ambition 8:** Avoiding making future generations pay for today's living standards

A country in debt is a country which lets its children down. Debt can be good when it funds investment for the future; it can also be bad, when like ours it grows only because of the excessive basic expenses of the state.

- **Fundamental decision 20:** Reducing public expenditure as a proportion of GDP. This reduction should reach 1% of GDP from 2009 onwards, with the target of saving €20 billion annually over 5 years (on the basis of the current annual trend).