



**ADJUSTED  
GROWTH STRATEGY:  
FRANCE**

## FRANCE'S ADJUSTED GROWTH STRATEGY, 2015

*The purpose of this document is to highlight changes and new additions to members' **growth** strategies since Brisbane:*

### **Changes to Section A (Economic Objective)**

*Please discuss changes to the economic objectives, if any.*

France is implementing a long-term reform strategy, undertaken in consultation and in a spirit of social dialogue that is driving forward and strengthening economic recovery in France and the euro area. The approach was deliberately chosen not to be a sharp break-away, but to generate momentum with a series of targeted, coordinated and effective reforms all with one purpose: modernize, simplify and free up economic activity to fully and sustainably restart the economy.

The French Government will maintain its strategy designed to (i) strengthen our productive potential and the job content of our growth, while making targeted efforts for more inclusive growth, (ii) improve goods and services market functioning and drive up competition to enhance our competitiveness, and (iii) further consolidate our public finances with expenditure cuts to gradually ease the tax burden while financing our priorities – education, justice and security. Strengthening our productive potential and the job content of growth have become priorities as seen from the new announcements on the pro-investment measures (8 April 2015) and the *Tout pour l'Emploi dans les TPE et les PME* employment programme (10 June 2015). Further measures are currently being discussed to provide more flexibility for firms to adjust their working conditions (independent report on Collective Bargaining, Labour and Employment presented to the Prime Minister on 9 September 2015) and to help firms take advantage of the new opportunities offered by the changing economy (digital law and a law for new economic opportunities).

*Please list the top 5 commitments from your growth strategy. These can be from either Brisbane or the current adjusted growth strategy.*

- (i) Lower the cost of factors of production to stimulate employment and improve business competitiveness
- (ii) Improve labour market functioning and increase incentives to take up jobs
- (iii) Adapt goods and services market regulations to allow for productivity gains and lower consumer prices and to boost business competitiveness gains
- (iv) Support productive investment to increase long-term growth
- (v) Simplify administrative formalities for businesses

The estimated aggregate impact of the measures evaluated<sup>1</sup> is 4 points of GDP (including 1.7 points from reforms as yet to be passed into law) and the creation of more than 850,000 jobs by 2020. In the longer run, the impact of these reforms is expected to top 6 points of GDP.

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<sup>1</sup> These reforms are presented in the "Economic Impact of the Key Reforms" section of the National Reform Programme for 2015. They include the local and regional government reform, the Responsibility and Solidarity Pact, the Tax Credit for Competitiveness and Employment (CICE), pro-competitiveness reforms (the Consumer Act and the Growth, Economic Activity and Equal Economic Opportunity Act), the simplification of administrative procedures, the energy transition act, measures to lift investment and productivity (BPIFrance, the Invest for the Future programme and increased productive depreciation), labour market policies and the education reform. See the above document for further details.

For an English summary of the 2015 French National Reform Programme, please refer to:  
[http://ec.europa.eu/europe2020/pdf/csr2015/nrp2015\\_france\\_resume\\_en.pdf](http://ec.europa.eu/europe2020/pdf/csr2015/nrp2015_france_resume_en.pdf)

For the French version of the entire document (English version of the macroeconomic impact of reform forthcoming):  
[http://ec.europa.eu/europe2020/pdf/csr2015/nrp2015\\_france\\_fr.pdf](http://ec.europa.eu/europe2020/pdf/csr2015/nrp2015_france_fr.pdf)

### **Changes to section B** (Economic Outlook and Challenges to Growth)

Please discuss changes to the economic outlook and challenges, and if desired, highlight any new and existing gaps remaining to be addressed. Add discussion of risk of persistent stagnation, if relevant.

Activity has been improving gradually since mid-2014. Growth was in line with Stability Programme estimates on average for the first semester: following a robust +0.7% in Q1 2015, French GDP was affected by temporary factors in Q2 2015 (0.0%). The carry-over growth at the end of Q2 2015 (detailed figures) is +0.9%.

The economic situation is expected to improve in 2015 and beyond due to:

- The impact of our reforms, especially in support of competitiveness with a cut in labour costs and pro-competition measures such as the law on growth and economic activity.
- The decrease in oil prices, the depreciation of the euro and a more upbeat situation in the euro area (pickup in our main trading partners' economic activity and accommodating ECB monetary policy) driving up growth.

The Government's economic strategy continues to focus on boosting this recovery and the job content of growth with targeted measures to improve the supply-side of the economy while sustaining aggregate demand so as to reduce the risks of persistent stagnation against a backdrop of low inflation. For France, the persistent stagnation risk probably has more to do with a hysteresis effect brought on by an overly long period of high unemployment than a savings-investment imbalance.

Update table of key indicators as follows:

	2014	2015	2016	2017	2018
Real GDP (% yoy)	0.2	1.0	1.5	1.5	1 <sup>3</sup> / <sub>4</sub>
Nominal GDP (% yoy)	0.8	2.0	2.5	2.8	3.4
Output Gap (% of GDP)*	-3.3	-3.4	-3.4	-3.4	-3.1
Inflation (% yoy)	0.5	0.1	1.0	1.4	1 <sup>3</sup> / <sub>4</sub>
Fiscal Balance (% of GDP)**	-3.9	-3.8	-3.3	-2.7	-1.9
Unemployment (%)	9.9	NA	NA	NA	NA
Savings <sup>2</sup> (% of GDP)	19.9	20.1	20.3	21.0	21.6
Investment <sup>3</sup> (% of GDP)	22.1	21.7	22.0	22.3	22.7
Net lending (+)/borrowing (-) (% of GDP) ***	-2.3	-1.6	-1.7	-1.3	-1.1
Current Account Balance (% of GDP)****	-0.9	-0.2	-0.2	NA	NA

**\*A positive (negative) gap indicates an economy above (below) its potential.**

<sup>2</sup> Sum of gross savings from all agents

<sup>3</sup> Gross fixed capital formation + net capital transfers + stock variations

**\*\*A positive (negative) balance indicates a fiscal surplus (deficit).**

**\*\*\*National account definition (B9NF from the European System of Accounts 2010)**

**\*\*\*\*Definition from the BPM6 (Balance of Payments and International Investment Position Manual of the IMF, Sixth Edition)**

Source: INSEE for 2014, 2016 Budget Bill for the 2015-2018 period.

### **Changes to section C (Policy Responses to Lift Growth)**

*Please indicate any adjustments to measures taken in Brisbane Growth Strategies as well as new high impact policy measures taken since Brisbane.*

*Please include both macroeconomic and structural policy responses.*

#### a. *Macroeconomic and prudential measures*

On 4 September 2014, the Governing Council of the ECB decided to initiate a third covered bond purchase programme (hereinafter the ‘CBPP3’) and an asset-backed securities purchase programme (ABSPP). On 22 January 2015, the Governing Council decided that asset purchases should be expanded to include a secondary markets public sector asset purchase programme (PSPP). In terms of the size of the PSPP, the ABSPP and the CBPP3, the liquidity injected into the market by the combined monthly purchases totals €60bn. Purchases are set to continue through to the end of September 2016 and certainly until the Governing Council sees a sustained adjustment in the inflation path consistent with its target of inflation rates below, but close to, 2% in the medium term. Public securities purchases have high transmission potential to the real economy. They should further support a broad-based easing of financial conditions in the euro area, including borrowing conditions for euro area firms and households.

The French public deficit stood at 3.9 % of GDP in 2014, significantly lower than when the last multiyear budget act for 2014-2019 was passed in December 2014 (4.4 %). This result stands as evidence of the efficiency of the French Government’s public finance strategy, which has contained public spending (public spending increased by just +0.9 % in value in 2014, excluding tax credits).

In the spring of 2014, the Government committed to driving forward fiscal consolidation with a €50bn savings plan for 2015-2017. This commitment was enacted in the multiyear budget act starting at the end of the year (December 2014). The Budget Bill for 2016 plans a breakdown of these savings of €18.6bn for 2015, €16.0bn for 2016 and €15.4bn for 2017. They will include a reduction of operating expenditures for all ministries, a better control of local expenses, and a new target for social security expenditures. These figures take into account supplementary measures to offset the negative impact of low inflation on structural fiscal adjustment. All these measures will enable France to comply with its European commitments, with a 0.5 point of GDP structural adjustment in 2016 and 2017, and a nominal deficit below 3% in 2017 in line with the March 2015 Council recommendation. This plan is underpinned by strong governance, improved budget bill procedures (focused expenditure reviews) and a structural reform of public administration. Where local government is concerned, the local and regional government reform provides the tools to streamline local public expenditure and generate major medium-term efficiency gains. Two laws have already been passed: the reform of metropolitan areas to create urban government bodies around major employment areas and dissolve existing intermunicipal structures, and the reform to merge regions to create European-sized regions in 2016. A third reform, enacted on 7 August 2015, clarifies responsibilities at the different local government levels. The upcoming reforms of supplementary pension schemes (2015) and unemployment benefits (2016) will also contribute to this effort.

All these measures should result in:

- A deficit reduction path, with the deficit remaining below 3% in 2017. The fiscal balance is set to fall to -3.8% of GDP in 2015, - 3.3% in 2016 and - 2.7% in 2017.
  - The stabilization of the public debt at 96.5 % of GDP in 2016 before it starts on a downward trend thereafter.
- b. *Structural measures*

At the same time, France remains committed to addressing the main structural gaps to support growth and job creation in the medium and long run. Reforms are still underway to improve French business competitiveness and improve the labour and goods and services markets. These reforms have five main priorities: support productive investment, improve labour market functioning, improve cost competitiveness, simplify administrative formalities and adapt regulations on the goods and services market.

### *Investment and Infrastructure*

#### i. *Supporting productive investment and preparing for the future*

**The Government is moving forward with its long-term strategy to finance innovation and start-ups. New simplification measures are underway to facilitate investment projects.** On 8 April 2015, the Government announced bold measures to support public and private investment in the short run to consolidate and ramp up economic recovery. These measures include extraordinary increased depreciation of 40% for productive investment qualifying for declining balance depreciation and made between 15 April 2015 and 14 April 2016 (companies will be entitled to depreciate 140% of the value of the investment instead of 100%). This time-bound measure will have the maximum macroeconomic effect for a fiscal cost spread over time. The French President also announced that the Investments for the Future Programme (Programme d'Investissements d'Avenir, PIA), with a total budget of €47 billion for its first two phases, will be extended past 2017. The PIA will remain focused on innovation and the digital sector, the modernization of French industry, ecological and energy transition, and research and training.

**In April 2015, the Government launched the second phase of the New Industrial France programme (*Nouvelle France Industrielle*) to strengthen French technological and industrial leadership.** First, 9 technological priorities were defined to tackle grand challenges and gain leadership in new technologies, such as smart cities, advanced vehicles, precision medicine, cybersecurity, big data and the Internet of things. Second, France aims at bringing forward technologies for advanced manufacturing such as 3D printing, robots and platforms interoperability through a public-private initiative called *Industrie du futur*. A special programme will provide more than 2,000 small and medium-sized manufacturers with tools to invest in new manufacturing technologies.

In **urban planning**, the Growth, Economic Activity and Equal Economic Opportunity Act (enacted on 6 August 2015) provides for a series of major measures to cut construction lead-times and strengthen legal certainty in this area. In particular, the linkages between urban planning law and related legislation and exploratory procedures will be improved and simplified. This legislation also includes targeted investment measures to: (1) encourage more effective action by the **government as shareholder** (authorizing government holdings' industrial projects and sales of public assets for debt reduction and a dynamic industrial policy underpinned by investment financing); and (2) **reform company savings schemes to better finance the economy** and extend them to more employees.

**France is set to draw on the Juncker Plan's potential to scale up its national efforts for greater economic returns.** The French Government was one of the first to call for investment to be a pillar of the European agenda. It therefore fully supports the

Juncker Investment Plan and is working to ensure that the proposed regulation to create the European Fund for Strategic Investments (EFSI) is adopted rapidly. The first projects should be launched by the end of the year. France has pledged to put up €8 billion in co-financing via Bpifrance and Caisse des Dépôts. This will help to strengthen the impact of the European plan, particularly in the priority areas of ecological and digital transition. France has started working on joint projects with European partners to launch the investment plan quickly with the maximum impact.

**The French Government has launched the ecological transition with the phasing out of environmentally damaging subsidies and the enactment of the Ecological Transition Act on 17 August 2015.** The Ecological Transition Act sets medium- to long-term targets for energy-efficient buildings, public transport's carbon footprint, waste reduction, fuel poverty and more renewable energy. In addition to the transposition of the Energy Efficiency Directive (EED), the Government has many measures planned to speed up energy-smart retrofits for housing and buildings (tax credit, third-party financing, interest-free eco-loans, etc.) and control energy consumption more effectively (rolling out smart electricity and gas meters) in order to achieve these targets. By focusing on the energy transition, the Government is showing its commitment to combatting climate change and demonstrating that this transition is a significant economic opportunity to develop new industrial sectors in order to gain new comparative advantages.

**On 18 June 2015, the Government presented its digital strategy.** The plan of action has four main guidelines: (i) "Freedom of innovation": support for French start-ups ("French Tech" label in particular) and their cooperation with traditional firms, the economy's digital transition (Industry of the Future programme), creation of the notion of data commons; (ii) "Equality of rights": web neutrality legislation, data portability, development of online public services, European regulation to protect users without stifling innovation; (iii) "Fraternity": nationwide very high-speed broadband coverage (Very High-Speed Broadband programme), education (Digital Education programme for schools), action to reduce unemployment (digital services for employment); (iv) "Setting an example": the administration's digital transition and data availability (Tell Us Once programme and open data). Some of those measures will be part of the For a Digital Republic bill, which entered public consultation on 26 September.

### **Employment**

#### *ii. Improving labour market functioning*

**Reducing unemployment remains a top priority. In addition to measures to reduce the cost of labour and boost employment (see below), the Government will continue to scale up back-to-work incentives.** The 1 January 2016 merger of the in-work income supplement (*RSA Activité*) and the earned-income tax credit (PPE) into a simpler working benefit, with the same total budget of around €4 bn, will promote activity and employment more effectively (especially with its monthly payment mechanism). This scheme is included in the Social Dialogue and Employment Act, enacted on 17 August 2015. In addition, from 2016, the new unemployment benefits convention will set compensation rules to encourage individuals to get back to work, boost career security and make the system financially sound (up to €2 billion more per year, including the reforms launched since 2014).

**On 9 June 2015, a new plan (*Tout pour l'Emploi*) was announced to drive up demand for labour from very small enterprises (VSEs) and small and medium-sized enterprises (SMEs). It contains 18 different measures all targeting one objective: to lift the obstacles and uncertainty surrounding hiring and streamline procedures for VSEs and SMEs.** These 18 measures include (1) the temporary introduction of a hiring bonus for unincorporated entrepreneurs hiring their first

employee, (2) more flexible fixed-term contracts and improved apprenticeship contracts (new definition of the trial period), (3) a three-year freeze on the tax and social security contributions due when small businesses expand (up to 50 employees) into the next size bracket, and (4) action against fraudulent secondment. This supplements the modernization of legal framework already launched within the industrial tribunal reform included in the Growth, Economic Activity and Equal Economic Opportunity Act. It ought to facilitate the settlement of disputes and reduce trial length.

**Work is underway to decentralize and improve the quality of labour-employer relations to help companies become more competitive.** On 3 April, the Government launched a review of the Job Security Act (14 June 2013) with workers' and employers' representatives to inform Government decision-making to improve the effectiveness of this act. The aforementioned *Tout pour l'Emploi* employment plan includes the easing of the internal flexibility agreement measure contained in the Growth, Economic Activity and Equal Economic Opportunity Act so that it can be brought into force promptly. In addition, an independent report on Collective Bargaining, Labour and Employment (by former Director General of Labour Jean-Denis Combrexelle) was presented to the Prime Minister on 9 September. This report, which looks into how to make labour-employer relations more flexible at firm and sector level, will form the object of a consultation with workers' and employers' representatives by the end of the year with a view to presenting a bill to Parliament at the beginning of the year 2016.

**On 17 August, the Government enacted a law to modernize labour-employer relations.** The aim is to make labour-employer relations more effective in companies by rationalizing the rules, tailoring them to business size and giving companies more leeway in collective agreements. This will simplify and improve the quality of labour-employer relations, with fewer obligations and bodies (merging the 17 annual information and consultation obligations into three and the eight annual bargaining obligations into three major sets of negotiations). In particular, the 50-employee threshold effect will be eased. Firstly, company heads will have the option of setting up a single staff delegation including the workplace health and safety committee. Secondly, the possibility will be introduced for the three staff representative bodies (trade union representatives, works council, and workplace health and safety committee) to be merged by collective agreement.

### **Competitiveness and competition**

#### *iii. Cost competitiveness*

**France is rolling out its strategy to improve business cost competitiveness as described in the Brisbane commitments.** Labour costs and other production costs are being reduced by the Tax Credit for Competitiveness and Employment (CICE) and the Responsibility and Solidarity Pact. A total of more than €25 billion has been adopted so far and came into effect on 1 January 2015. The 2016 Budget Bill will pass a further €8 billion, including nearly €5 billion in new social security cuts calculated on a full-year basis. These additional measures will further reduce the cost of labour.

Within this strategy, the threshold of 20 employees that determined the rates of social security contribution relief on low wages was repealed on 1 January 2015 with the implementation of the first pillar of the Responsibility and Solidarity Pact. This move lifted a barrier to the growth of very small businesses.

These measures have now produced concrete results: since 2014, the hourly cost of labour in industry has fallen below Germany. More generally, the increase in labour costs was contained at 0.9% in France between 2012Q4 and 2014Q4, compared with 2.4% in the euro area as a whole.

#### *iv. Simplify administrative formalities for businesses*

**France's cost-related reforms need rounding out with broad-based measures to reduce constraints on the business environment.** The Government has launched a "simplification shock" to improve the business environment and cut red tape. The impact associated with the measures adopted so far is estimated at €3.3 billion as of September 2013, with half of these gains going to business. The actual implementation of the simplification measures is moving forward fast, and the Government, committed to working quickly and efficiently, is using the entire range of legal instruments available including acts, orders and decrees.

Measures to be implemented by early 2016 include lifting barriers to learning, reducing planning permission lead-times to five months, making it easier for SMEs to bid for the 20,000 public procurement tenders organized by the Government every year, expanding the principle of tacit acceptance to local government and public service agency procedures, 100% online administrative procedures, a single digital ID for individuals for all administrative procedures, the single staff reporting statement (DSN), and a single permit for environmental authorizations. The Tell Us Once initiative to end the many declarations of the same information to the administration will be rolled out nationwide in 2016.

Simplification is continuing with the Growth, Economic Activity and Equal Economic Opportunity Act enacted on 6 August 2015. The act implements some of the latest measures proposed by the Simplification Council in October 2014. These measures are designed to simplify tax matters and workplace health obligations. The act is also set to launch the switch to paper-free operations for all administrative procedures, cut back statistical obligations for companies with fewer than 10 employees and allow the legal professions to have any business format they choose. All of these measures are essential and will help free up economic activity and support business vitality. They will be followed by further simplifications on a regular basis. More than 50 new measures for businesses were announced on 1 June 2015. They will ramp up the sector-related simplification process (farming, trade, craft, industry, hotels and catering, etc.) and smooth the adaptation of European regulations.

v. *Adapt goods and services market regulations*

**Measures to improve the goods and services markets and lift barriers to business development continue to be implemented.** The Growth, Economic Activity and Equal Economic Opportunity Act (enacted on 6 August 2015) contains improvements to the functioning of transport services (opening up the coach market and conditional privatization of airports), the retail sector (French Competition Authority given more power to restrict purchasing cooperation agreements among major retailers), and the regulated legal professions (by pegging fees to costs and more freedom to set up and open practices). In addition, it eases the rules governing Sunday and evening trading.

Early this year, the Government received Parliament's consent to reform contract law by order. The Government can now go ahead with an extensive modernization of business law to bring it up to the standards of the best European legislation. The text, currently in its consultation phase, will be examined by the French Supreme Administrative Court (*Conseil d'Etat*) shortly and should be published by February 2016.

This momentum will build with a new economic reform bill, driving forward the fast pace of reforms set by the current Government. This bill will focus in particular on innovation and the digital sector. The *Tout pour l'Emploi* programme also includes a number of simplification measures for SMEs and VSEs such as easier access to public procurement tenders, simplified administrative formalities (especially for sales of businesses) and more streamlined labour legislation and regulations.



The Justice for the 21st Century Bill will supplement all these measures, introducing stricter professional and conduct requirements for commercial courts and more efficient proceedings.

*If relevant or desired, add discussion of:*

- *Actions to reduce risk of persistent stagnation, if relevant;*

To reduce any potential risk of stagnation, we have a strategy designed to increase potential growth by means of investment in human and physical capital and reducing the risk of hysteresis.

A lack of skills is a major brake on the chances of finding a job. The economic crisis of 2008, which led to a sharp reduction in demand for labour by business, has affected first and foremost the least skilled and driven up long-term unemployment. This, by hysteresis, has pushed up the structural unemployment rate in France since 2008. In this environment, all the measures to help the low-skilled enter training or employment will have an impact on France's economic potential in 2020 by improving and maintaining human capital. This entails raising the number of "jobs for the future" (+65,000) in 2015 and the resources earmarked for public employment service for the most vulnerable categories under the three-way agreement between the national employment agency, the decentralized job centres and central government. Extension of the Youth Guarantee (100,000 in 2017) and, more broadly, of all Second Chance mechanisms for young dropouts from education and the labour market<sup>4</sup> will facilitate their access to the labour market and therefore build human capital. In addition, one aim of the Tax Credit for Competitiveness and Employment (CICE) is to reduce the cost of labor (6% of total payroll on wages up to 2.5 times the minimum wage) and therefore to help the low skilled access employment.

The increase in R&D expenditure and innovation investment also has an impact on economic potential, because it raises the stock of productive capital. Most of the measures described in the Investment Section above address this objective.

- *Ways to ensure the composition of fiscal policy supports growth;*

The Government is determined to improve the quality of its fiscal policy, mainly with (1) a yearly review of expenditure to pinpoint the least efficient outlays and (2) a reduction of taxes with strong distortive effects on growth such as corporation tax, the corporate social solidarity contribution (C3S) and the tax burden on labour (implementation of the Responsibility and Solidarity Pact from 2015 to 2020).

- *The extent to which policy commitments put forward in this section foster balanced and inclusive growth by contributing to a meaningful and sustainable reduction in external and internal imbalances, including income inequality;*

**The French Government believes fighting inequality is vital, especially as the financial crisis has driven up precarity, which in turn affects economic activity.**

Preparing for the future is crucial, as the strength of our economy will increasingly reside in its ability to prepare for ecological and demographic challenges in particular.

**Many of our reforms are specially designed to ensure that the most vulnerable workers and households are not locked out of economic recovery.** In this respect, in addition to targeted measures for young people (Jobs for the Future and the Youth Guarantee currently being rolled out), new subsidized contracts for older workers, people with disabilities and the long-term unemployed (Employment Initiative Contract - EIC) will

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<sup>4</sup> 15,000 young people in second-chance schools in 2015; "apprenticeship success" mechanism for 10,000 young dropouts in 2015; second-chance training mechanism managed by the association for adult vocational training (AFPA) for 2,000 young people in 2015; 4,000 young people on reintegration courses run by public defence establishments for youth integration (EPIDE); and tailored military service pilot tested in mainland France.

be rolled out throughout 2015. The Responsibility and Solidarity Pact also introduces labour tax cuts targeting low wages and measures to support purchasing power. The Growth, Economic Activity and Equal Economic Opportunity Act introduces measures with redistributive effects (e.g. increased competition and lifting barriers to the regulated legal professions).

**The multiannual anti-poverty plan adopted in January 2013 is underway and the Government will continue to take measures to support the most disadvantaged.** Among other measures, a new scheme will be launched in January 2016 to foster work incentives for low-wage workers. Starting in 2017, those on minimum benefits will continue to receive a 2% increase in their purchasing power every year. In healthcare, excessive fees have been capped and third-party payment will become widespread as of 2017. Lastly, to combat the root causes of inequality more effectively, particular emphasis will be placed on education and especially early childhood. Access to education from the age of two will be extended and lower secondary education will be reformed to boost completion by disadvantaged pupils. A large number of measures will be implemented to support dropouts, who leave school without an education, to guarantee their right to a second chance.

**Our reform strategy will also reduce external imbalances.** The French current account balance (-0.9% of GDP in 2014) is improving in the first semester of 2015 (-0.2% of GDP over the first half of 2015) by means of higher exports and lower oil prices. The growth in exports comes from pro-competitiveness measures, which reduce the labour tax wedge and tax on production, and from the depreciation of the euro. Action to reduce the public deficit, including the freeze on the civil service wage index since 2010, and to improve competition will reduce both internal and external imbalances. Moreover, although France does not have an investment gap, improving the quality of investment with a strong focus on ecological transition will provide further impetus for stronger, more sustainable and more balanced growth.

- *Where relevant, discuss how policy actions will create positive and negative spillovers and what your country is doing to manage negative spillovers arising from domestic policies.*

Overall, the French reform strategy will generate positive spillovers for other countries through various channels, especially by raising domestic demand and reabsorbing imbalances that will improve the resilience of our economy and help all agents, domestic and foreign, remain confident in the sustainability of our economy.

Nevertheless, our cost competitiveness strategy is not expected to have significant negative short-term spillovers for our economic partners. Some are mostly surplus countries. However, it may help rebalance costs with these countries. In the medium term, we think that the domestic growth boost driven by this strategy will more than offset potentially negative spillover effects.

## ANNEX 1: NEW AND ADJUSTED POLICY COMMITMENTS FOR 2015

### New and Adjusted Commitments since Brisbane

*This annex is for describing new measures introduced since Brisbane or Brisbane commitments that have been adjusted or modified.*

*Please complete a table for each new or adjusted commitment put forward in 2015. We would expect each policy commitment table to be no longer than 1 page.*

<b>Improve labour market functioning and increase incentives to take up jobs</b>	
<b>Implementation path and expected date of implementation</b>	<ul style="list-style-type: none"> <li>The merger of the income supplement <i>RSA</i> and the earned-income tax credit <i>PPE</i> will be effective on 1 January 2016, with a total budget of some €4 bn. It is included in the act for the modernization of social dialogue enacted on 17 August 2015. It is designed to be less complex for more efficient incentives to take up jobs.</li> <li>The new unemployment benefits convention, to be implemented in 2016, will set compensation rules that encourage people to get back to work, boost career security and make the system financially sound.</li> <li>On 17 August, the Government enacted an act on the modernization of social dialogue. This will simplify and raise the quality of labour-employer relations, with fewer obligations and bodies. Expected for 2015-2016.</li> <li>The report on Collective Bargaining, Labour and Employment (by former Director General of Labour Jean-Denis Combrexelle) was presented to the Prime Minister on 9 September. This report, which looks into how to make labour-employer relations more flexible at firm and sector level, will form the object of a consultation with workers' and employers' representatives by the end of the year with a view to presenting a bill to Parliament at the beginning of the year 2016.</li> <li>On 9 June 2015, a new plan (<i>Tout pour l'Emploi</i>) was announced to drive up demand for labour from very small enterprises (VSEs) and small and medium-sized enterprises (SMEs). It contains 18 different measures all targeting one objective: to lift the obstacles and uncertainty surrounding hiring and streamline procedures for VSEs and SMEs.</li> </ul>
<b>What indicator(s) will be used to measure progress?</b>	Unemployment rate and job turnover rate
<b>Explanation of additionality (where relevant)</b>	These five new measures are in line with Policy Actions 1 and 2 described below.

<b>Support productive investment and modernize regulations on goods and services markets</b>	
<b>Implementation path and expected date of implementation</b>	<ul style="list-style-type: none"> <li>A bill for new economic opportunities should be presented by the end of 2015. Its purpose is to modernize a number of regulatory tools so that firms can take advantage of the new opportunities offered by the changing economy.</li> </ul>

	<ul style="list-style-type: none"> <li>An extraordinary increased depreciation measure was announced by the Prime Minister on 8 April 2015. This measure represents 40% additional depreciation on productive investment and will be effective through to April 2016.</li> </ul>
<b>What indicator(s) will be used to measure progress?</b>	Corporate investment and productivity gains
<b>Explanation of additionality (where relevant)</b>	These two new measures are in line with Policy Actions 3 and 6 described below.

## ANNEX 2: PAST COMMITMENTS – ST. PETERSBURG FISCAL TEMPLATE - UPDATE

*Please update as necessary. In particular, please update tables as follows:*

*Please refer to the French Stability Programme 2015 for more details:*

[http://ec.europa.eu/europe2020/pdf/csr2015/sp2015\\_france\\_en.pdf](http://ec.europa.eu/europe2020/pdf/csr2015/sp2015_france_en.pdf)

The outturn shows that the Government met its commitments in 2014. The public deficit reported by France's national statistics institute (INSEE) in May 2015 stood at 3.9% of GDP, compared with 4.1% in 2013, showing that government expenditure is under control. Government expenditure increased by 0.9% in nominal terms, excluding tax credits, compared with average growth of 3.6% from 2002 to 2012 and 1.9% growth in 2013. This result is far lower than the 1.4% growth forecast in the 2014-2019 Public Finance Planning Act. Nominal expenditure growth was historically low in 2014, which confirms the Government's responsible approach to public finance management. The Commission and our European partners acknowledged these efforts, deeming that they complied with the 21 June 2013 Recommendation and with a revised version of the Recommendation. Consequently, **the Ecofin Council meeting of 10 March 2015 adopted a new recommendation that extended the deadline for achieving a deficit under 3% until 2017**, in line with the Public Finance Planning Act, **given weak growth and low inflation since the previous recommendation.**

The Government intends to continue its fiscal consolidation with efforts to reduce government expenditure. In line with the Public Finance Planning Act, the adjustment path set out in this Stability Programme is based on a steady reduction of government expenditure as a percentage of GDP at a pace appropriate to economic conditions. This will ensure that the deficit is brought down to less than 3% of GDP in 2017, while reducing the tax burden. However, current macroeconomic conditions, with low inflation, are having a negative impact on France's public finances. Consequently, the Government presented €4 billion in additional measures for 2015 under the Stability Programme.

If no further measures are taken in 2016, lower-than-expected inflation will slow the pace of deficit reduction. The Government's 2016 budget bill and social security budget bill therefore call for further savings to secure the targets, as announced in the latest Stability Programme. The 2016 draft budget estimates that government expenditure as a percentage of GDP will decrease by 1.9 ppt from 2014 to 2017 to 54.5% of GDP in 2017 (excluding tax credits).

Medium-term projections, and change since last submission (*required for all members*):

### Estimated Projections

	2014	2015	2016	2017	2018	2019	2020
Gross Debt	95.6	96.3	96.5	96.5	95.2	NA	NA
<i>ppt change</i>	0.3	-0.9	-1.4	-0.8	-0.4	NA	NA
Net Debt	NA	NA	NA	NA	NA	NA	NA
<i>ppt change</i>	NA	NA	NA	NA	NA	NA	NA
Deficit	3.9	3.8	3.3	2.7	1.9	NA	NA
<i>ppt change</i>	-0.4	-0.5	-0.5	-0.1	0.1	NA	NA
Primary Balance	-1.8	-1.7	-1.2	NA	NA	NA	NA
<i>ppt change</i>	0.4	0.3	0.2	NA	NA	NA	NA
CAPB	0.1	0.2	0.7	NA	NA	NA	NA
<i>ppt change</i>	0.4	0.3	0.5	NA	NA	NA	NA

Note: The *ppt changes* are calculated in comparison with the figures in the 2015 Budget Bill.

Source: INSEE for 2014, 2016 Budget Bill for the 2015-2018 period.

The debt-to-GDP ratio and deficit projections are contingent on the following assumptions for inflation and growth:

### Estimated Projections

	2014	2015	2016	2017	2018	2019	2020
Real GDP growth	0.2	1.0	1.5	1.5	1 <sup>3</sup> / <sub>4</sub>	NA	NA
<i>ppt change</i>	-0.2	0.0	-0.2	-0.4	-1 <sup>1</sup> / <sub>4</sub>	NA	NA
Nominal GDP growth	0.8	2.0	2.5	2.8	3.4	NA	NA
<i>ppt change</i>	-0.4	0.1	-0.6	-0.8	-0.3	NA	NA
ST interest rate	NA	NA	NA	NA	NA	NA	NA
<i>ppt change</i>	NA	NA	NA	NA	NA	NA	NA
LT interest rate	NA	NA	NA	NA	NA	NA	NA
<i>ppt change</i>	NA	NA	NA	NA	NA	NA	NA

Note: The *ppt changes* are calculated in comparison with the figures in the 2015 Budget Bill.

Source: INSEE for 2014, 2016 Budget Bill for the 2015-2018 period.

### ANNEX 3: PAST COMMITMENTS – BRISBANE COMMITMENTS

The purpose of these tables is to monitor the implementation of commitments from members' Brisbane growth strategies.

#### Key Commitments for Monitoring Purposes

The detailed table below is for the monitoring of key commitments, as identified by members. Please complete a table for each key commitment.

This table presents the macroeconomic evaluation of reforms provided for the 2015 French National Reform Programme.

Macroeconomic impact of reforms		
Production cost reduction (Policy Action No. 1 and 5)	- Tax Credit for Competitiveness and Employment (CICE) -Responsibility and Solidarity Pact (excl. solidarity measures)	+1.7 GDP pt by 2020 +500,000 jobs created
Simplifying procedures and opening up the goods and services market (Policy Action No. 3 and 4)	-Simplification measures -Consumer Act -Growth, Economic Activity and Equal Economic Opportunity Act	+0.4 GDP pt by 2020 +20,000 jobs created
Support for investment and innovation (Policy Action No. 6)	-Bpifrance -Invest for the Future phase 2 -Increased productive depreciation	+0.5 GDP pt by 2020 +60,000 jobs created
Labour market and social dialogue (Policy Action No. 7+other measures)	-Job Security Act -Unemployment convention -Reform of vocational training -Youth Guarantee -Employment tribunal reform -Act on the modernization of social dialogue	+0.2 GDP pt by 2020 +80,000 jobs created
Local government organization (Policy Action No. 8)	-Local and regional government reform -Improvement of the distribution of powers	+0.3 GDP pt by 2020

The methodology is described in brief in the "impact of measures" part of the policy action tables below.

• Policy Action 1:	Stimulate employment and improve business competitiveness by reducing the labour tax wedge		
	Interim Steps for Implementation	Deadline	Status
<b>Ramp-up of the Tax Credit for Competitiveness and Employment (CICE)</b>	1 –Increase the CICE from 4% to 6% of total payroll on wages of up to 2.5 times the minimum wage (MW) 2- Create a supervisory committee	1 –done 2 –done	1-The ramp-up of the tax credit is now effective. In 2014, €10 bn of the €12 bn planned was spent. The tax credit should total €16½bn in 2015 and €20bn in the long term. 2-The CICE supervisory committee report on 2013 was published in October 2014. The committee’s work will continue in 2015.
<b>Reduction of employers’ social security contributions on low and medium wages (Responsibility and Solidarity Pact)</b>	1 –In 2015: Reduce employers’ social security contributions (excluding unemployment benefit premiums) on jobs paying up to 1.6 times MW (€3.2 bn) and a €1 bn reduction in social security levies on self-employed workers 2 – In 2016: 1.8 ppt cut in family allowance contribution on wages (1.6 to 3.5 times MW) representing €4.5 bn	1-done (Jan. 2015) 2-Jan. 2016	1-Passed by the French National Assembly in the Amending Budget Act for 2014 (21 July 2014). 2- To be adopted in the 2016 Budget Bill
<b>Impact of Measure</b>	<p>The reduction in the cost of labour due to the Competitiveness and Employment Tax Credit and the Responsibility and Solidarity Pact is expected to drive up demand for labour from business and have a sharp effect on employment and economic activity. Given that the cost elasticity of labour demand falls with the wage level – with the highest elasticity at the minimum wage level – the impact on employment is expected to be greatest for wages closest to the minimum.</p> <p>Moreover, along with other production cost reduction measures, these labour cost reductions will immediately improve margins and reduce businesses’ financing needs, which should enhance their non-cost competitiveness (leeway to improve the organization of labour, innovate, expand export markets, etc.) and provide relief for businesses experiencing temporary financial difficulties.</p> <p>The impact of the reduction in the cost of labour (tax credit and pact) was estimated using the Mésange and Matis models. A correction was applied to the variant simulating the impact of a uniform reduction in social security contributions in order to factor in the high cost sensitivity of labour demand at wages close to the minimum wage. The tax credit was converted into an equivalent reduction in social security contributions, but takes into account the non-increase in corporation tax (as opposed to a straight reduction in social security contributions).</p>		

• Policy Action 2:	Increase purchasing power and incentives to take up jobs by easing the tax burden on low-income households		
	Interim Steps for Implementation	Deadline	Status
<b>“Solidarity” part of the Responsibility and Solidarity Pact</b>	1 –Reduce income tax for 4.2 M households 2 –Abolish the first income tax bracket 3 –Increase welfare benefits for the lowest income households 4 –Reduce income tax for 8 M households in 2016	1 – <i>done</i> 2 – <i>done</i> 3 – <i>done</i> 4 –2016	1-Adopted in the 2014 Amending Budget Act. Effective as of 2013 income 2-Included in Initial Budget Act 2015 3-2% increase in minimum benefit (Sept 2014) and two extraordinary increases in welfare benefits for low-income households (April 2014) 4-Included in the Budget Bill for 2016
<b>Reform of <i>RSA activité</i> (income supplement) and PPE (earned-income tax credit)</b>	1-Phase out PPE 2-Create new working benefit 3-Merge new working benefit with <i>RSA activité</i>	Jan. 2016	1-Initial Budget Act for 2015 2 and 3-Enacted in the act on the modernization of social dialogue
<b>Impact of Measure</b>	The first set of measures totalling €5 bn will reduce the tax burden on the lowest income households, mainly unskilled workers, and thus help make work pay more than inactivity. It will be supplemented by the merger of <i>RSA activité</i> and PPE, designed to make the working incentives system less complex and therefore promote activity more effectively (especially with a monthly payment mechanism). The merger will also benefit young professionals, unlike <i>RSA activité</i> .		



<b>• Policy Action 3:</b>		Increase competition in services, particularly in the energy, healthcare, financial, legal and accounting service sectors	
	Interim Steps for Implementation	Deadline	Status
<b>Reform of the taxi licence system</b>	Issue and transfer taxi licences free of charge	<i>done</i>	Passed into law in October 2014
<b>Consumer act</b>	1 –Reduce regulatory constraint in optical and insurance sectors 2 – Introduce class actions 3 – New cost evaluation method to set gas board prices	1 – <i>done</i> 2 – <i>done</i> 3 – <i>done</i>	1,2 and 3: Passed in March 2014 and introduced between March and June 2014 Some class actions have already been instigated
<b>Growth, Economic Activity and Equal Economic Opportunity Act</b>	Open up the coach travel market, conditional privatization of airports, more power to the French Competition Authority, ease restrictions on Sunday and night trading in the retail trade, and introduce cost-based feed and more freedom to set up and open practices for the regulated legal professions	<i>enacted</i>	Enacted on 6 August 2015
<b>End of regulated gas and electricity tariffs (exc. small users) and new hydroelectric concession contracts</b>	1-Phase in new concession contracts 2- Introduce the principle of adding up costs for energy tariffs	1-Dependent on end dates for existing contracts 2- <i>done</i>	Enacted on 17 August 2015 in the law on the energy transition for green growth
<b>Impact of Measure</b>	<p>The pro-competitiveness measures to lift barriers to the efficient functioning of the goods and services markets will have a positive impact by means of two main channels: 1) lower prices for buyers (households and businesses) will enhance the competitiveness of businesses and raise the purchasing power of households, a positive impact that outweighs the negative impact of the reduction in rents/margins in the deregulated occupations/sectors; ii) lower margins will stimulate productivity in the deregulated sector as well as in downstream sectors (see Cette et al., 2014, references below).</p> <p>The reforms to lift barriers in certain goods and services markets are modelled using a combination of shocks introduced into the Mésange model: i) a reduction in consumer prices and business input prices (the size of the reductions is estimated for each measure, mainly based on elasticities taken from the economic literature); ii) a reduction in rents and margins in the sectors affected by the reform, given that the deregulated occupations generally have levels of income where the propensity to consume is below average; and iii) an increase in productivity gains in the deregulated sectors and in user sectors, based on the price elasticity</p>		

	<p>of productivity in the study by Cette et al., 2014. These effects are combined in the Mésange model to estimate the macroeconomic impact.</p> <p>(G. Cette, J. Lopez &amp; J. Mairesse, Product and Labour Market Regulations, Production Prices, Wages and Productivity, NBER Working Paper No. 20563, October 2014)</p>
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<b>• Policy Action 4:</b>		<b>Increase competitiveness by simplifying administrative formalities and cutting red tape</b>		
	Interim Steps for Implementation	Deadline	Status	
<b>Simplification measures</b>	<p>1 – Create the Business Simplification Council</p> <p>2 – Launch the simplification shock with the first set of simplification measures (50)</p> <p>3 – New set of simplification measures (starting Oct. 2014) included in the Activity Bill</p> <p>4 – Continue with the process: 50 new simplification measures to take forward simplification process in certain services</p>	<p>1 – <i>done</i></p> <p>2 – <i>done</i></p> <p>3 – <i>done</i></p> <p>4 – 2016</p>	<p>1-Effective in January 2014</p> <p>2-Presented in April 2014 and passed into law in December 2014</p> <p>3-Enacted on 6 August 2015</p> <p>4- New set of 50 measures presented on 1 June 2015</p>	
<b>Simplification of the business environment for VSEs and SMEs</b>	<p>1-Include a first set of measures in the Growth, Economic Activity and Equal Economic Opportunity Act</p> <p>2-Include the rest in another bill to be drafted</p>	<p>1-<i>done</i></p> <p>2-NA</p>	<p>1-Enacted on 6 August 2015</p> <p>2-NA</p>	
<b>Impact of Measure</b>	<p>The simplification process is reducing costs for businesses and making for a more efficient allocation of the factors of production. This boosts competitiveness, productivity and, in turn, investment and economic activity. Some measures also target investment directly, such as the simplification of building regulations.</p> <p>The measures passed from September 2013 to April 2015 have already generated €3.3 billion in gains for all economic agents. The simplified, electronic single staff reporting statement, replacing all previous declarations on employees, will alone generate around €1.6 billion in administrative savings for businesses in 2016. To estimate the impact of the simplification process, it is assumed that the simplification measures will generate a further €2 billion in gains each year, which is about 0.5 points of GDP by 2020. This assumption is reasonable in view of the estimates of the impact of simplification programmes in other European countries in the 2000s, where estimated administrative costs were 3% to 4% of GDP. The gains from the reduction in the administrative burden are deemed a positive shock for productivity, modelled in the Mésange model by an increase in the efficiency of labour, which drives up long-term production and improves competitiveness and purchasing power by lowering prices. These effects will be gradual.</p>			

• Policy Action 5:		Improve the business environment by reducing the tax burden on firms		
	Interim Steps for Implementation	Deadline	Status	
<b>Streamlining and cutting business taxes</b>	<p>1 –A €1 billion reduction in the corporate social solidarity (C3S) contribution (weighs on turnover)</p> <p>2 – Phase out the C3S contribution</p> <p>3 – Phase out the special corporation tax levy</p> <p>4-Reduce the nominal rate of corporation tax</p>	<p>1 –2015</p> <p>2 – 2017</p> <p>3 –2016</p> <p>4-2020</p>	<p>1-2014 Social Security Amending Budget Bill</p> <p>2, 3 and 4-Budget Bill for 2016 and 2017</p>	
<b>Social security threshold</b>	<p>1-Align employers' social security contribution exemptions for all companies, regardless of size</p> <p>2-Facilitate increase in size for VSEs (three-year freeze on the tax and social security contributions due when expanding into the next size bracket)</p> <p>3-Harmonize the social security thresholds</p>	<p>1-<i>done</i></p> <p>2-NA</p> <p>3-2015</p>	<p>1-Passed into law as part of the Responsibility and Solidarity Pact (2015 Budget Bill and Social Security Budget Act)</p> <p>2-NA</p> <p>3-Act on the modernization of social dialogue</p>	
<b>Impact of Measure</b>	<p>The reduction in capital taxation driven by phasing out the C3S and lowering the corporation tax rate should have a powerful impact on investment, employment and economic activity. However, this effect will take longer to materialize than with other measures such as a cut in the tax wedge.</p> <p>The reduction in the C3S contribution was simulated as a reduction in a tax whose base consists of 50% labour, 32% capital and 18% imports. The C3S is most likely to generate a loss of efficiency in the production chain by taxing inputs several times, so the evaluation also incorporates a positive shock to productivity here.</p> <p>The lowering of the corporation tax rate is evaluated by the Mésange model as a negative shock to the cost of capital, which stimulates investment while reducing unemployment in the long term.</p>			

• Policy Action 6:		Support pro-innovation investment		
	Interim Steps for Implementation	Deadline	Status	
<b>Speed up the digital transition</b>	<p>1 – Bill on the digital sector (<i>new</i>)</p> <p>2 – Very High-Speed</p>	<p>1 –2015-2016</p>	<p>1-Under discussion in Parliament</p>	

	Broadband for France programme 3 –Digital Education programme ( <i>new</i> )	2 – 2022 3 –Sept 2016	2-Started in 2013 3-Ongoing, pilot tests will run in the 2015-2016 school year. National roll-out scheduled for the 2016-2017 school year.
<b>Scale up the Invest for the Future programme</b>	1-Phase 2: additional €12 bn 2-Phase 3: new scale-up of this programme ( <i>new</i> )	1-NA 2-2017	1-Passed in December 2013 2-Announced by the President of the Republic on 12 March 2015
<b>Public Investment Bank</b>	1-Creation 2-A further €2.1 bn in loans from the BPI ( <i>new</i> )	1-NA 2-2017	1-December 2012 2-Announced by the Prime Minister on 8 April 2015
<b>Impact of Measure</b>	<p>All these measures stimulate the volume of investment and therefore have an immediate positive impact on economic activity by pushing up demand. The size of the impact obviously depends on the deadweight effect (i.e. if the investment would have been made anyway even if these measures had not been introduced) and the imported content of investment.</p> <p>These measures also have a strong impact on economic potential because they increase the stock of productive capital. The investments improve businesses' non-cost competitiveness, especially when they target innovative products and R&amp;D as is the case with the Invest for the Future Programme.</p> <p>The 40% extraordinary increased depreciation measure has two effects: 1) a temporary decrease in the cost of capital, which has a positive impact on the stock of capital because investments that only break even because of taxation become profitable; and ii) an incentive to anticipate investment for the 2015-2016 period, consolidating the recovery in progress.</p> <p>At macroeconomic level, the BPI's interventions help: 1) finance projects that generate externalities, mainly via subsidies and repayable advances; and ii) reduce borrowing costs for businesses and address asymmetric information issues, mainly via loans and equity investments. Through these channels, the BPI stimulates private investment. The end impact on economic activity therefore depends on BPI's ability to select projects that genuinely lack private financing (low windfall effect) and attract private investors to the projects it helps finance (leverage effect).</p> <p>The macroeconomic impact is therefore evaluated in terms of the increase in private investment spurred by BPI's interventions. The creation of the BPI is expected to raise GDP by a total of almost 0.4 points in 2020. The long-run impact cannot be calculated because it depends partly on the BPI's business plan and on the trend in market financing conditions. The depreciation measure could increase investment by means of an anticipation effect by an amount equivalent to the budget cost in 2015-2016 (€2.5 billion), based on past experience of this type of reform (P. A. Muet and S. Avouyi-Dovie, 1987).</p>		

<b>• Policy Action 7:</b>		Tackle unemployment by improving the vocational training system and increasing public service efficiency	
	Interim Steps for Implementation	Deadline	Status
<b>Growth, Economic Activity and Equal Economic Opportunity Act</b>	Industrial tribunal reform	2016	Enacted on 6 August 2015
<b>New unemployment benefits convention</b>	1-Implement the 2014 unemployment benefits convention 2-Next unemployment benefits convention ( <i>new</i> )	1- <i>done</i> 2-2016	1-Agreement from 2014 2-In discussion by workers' and employers' representatives
<b>Vocational training reform</b>		<i>done</i>	Adopted in March 2014
<b>Increasing employability</b>	1-Increase national employment agency resources for the most vulnerable 2-Roll out the Youth Guarantee mechanism nationwide ( <i>new</i> )	1-2015-2017 2-2015-2016	1-Agreement between the national employment agency (Pôle Emploi), decentralised job centres, and central government: 18 Dec 2014 2-Presented in April 2015
<b>Impact of Measure</b>	<p>All of the measures implemented to improve the functioning of the labour market will have a positive impact on our economic potential by means of a number of channels.</p> <p>The measures to ease labour market rigidity and improve legal certainty, balanced by mechanisms to improve the security of occupational pathways (particularly "rechargeable" entitlements to unemployment benefits), will reduce costs and uncertainty for businesses, improve mobility and the match between supply and demand on the labour market, with a positive impact on productivity, and/or reduce structural unemployment. Measures that strengthen incentives to return to work (the new unemployment benefits convention and the next convention in 2016) are also designed to bring down structural unemployment.</p> <p>The measures in the act on the modernisation of social dialogue will have a positive impact on business and therefore on productivity. They will also mitigate the impact of workforce-size thresholds on business growth. The measures to improve industrial relations (single staff delegation, possibility of merging representative bodies by collective agreement, combined information/consultation of employee representative bodies, and simplification of compulsory negotiations) will reduce employer costs on the whole and the additional cost associated with a workforce over the threshold of 50 employees.</p> <p>Lastly, extended Sunday trading hours should lead to an increase in jobs in the retail trade sector and create new opportunities for consumption that will boost economic activity and employment.</p> <p>The vocational training reform adopted on 5 March 2014 helped</p>		

	reform training policy governance by strengthening the role of regional authorities and relaxing the legal framework governing companies' employee training obligations. It thus clarifies the training financing system and makes it more effective.
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<b>• Policy Action 8:</b>		<b>Streamline the organisation of local government</b>		
	<b>Interim Steps for Implementation</b>	<b>Deadline</b>	<b>Status</b>	
<b>Reform of local government</b>	1 –Dissolve existing intermunicipal structures and create metropolitan government bodies (“MAPTAM”) 2 –Reduce the number of regions 3 –Incentives for municipalities to merge	1 –Jan. 2015 (Jan. 2016 for Paris and Aix-Marseille) 2 – Jan. 2016 3 –Enacted on 7 August 2015	1-Passed by the act of 27 January 2014 2-Passed by the act of 16 January 2015 3-Passed by the act of 16 March 2015	
<b>Improve the distribution of powers between the different layers of local government</b>	1- Increase powers for the intermunicipal level and revoke the general powers clause for departments and regions 2-Reduce the number of intermunicipal bodies	Jan. 2017	1 and 2-Enacted on 7 August 2015 in the NOTRe act	
<b>Impact of Measure</b>	<p>The local and regional government reform seeks to improve the efficiency of our institutions by adjusting the administrative map to the geography of our economy. In particular, increased powers at city government level should facilitate decision-making and make town planning and transport policies more efficient. In turn, this is expected to increase the density of some urban areas, which will generate economic gains via several channels:</p> <ul style="list-style-type: none"> <li>• access to a larger, more competitive market of input suppliers</li> <li>• a better match between supply and demand on the labour market</li> <li>• more fluid exchanges and circulation of information</li> <li>• larger, more relevant supply of public goods (infrastructure, transport, etc.)</li> </ul> <p>Recent empirical literature on this issue shows that an increase in a conurbation's density can have a strong positive impact on productivity.</p> <p>The OECD also reports that a less fragmented administrative structure of urban areas (defined by the number of municipalities per capita) has a positive impact on productivity at a given density. For a given number of municipalities, better cooperation between the different administrative levels, with oversight by a central authority, can reduce the negative impact of fragmentation on urban productivity.</p> <p>While it is difficult to make a quantitative evaluation of this kind of</p>			

	reform, the OECD's initial partial attempt to evaluate the MAPTAM Act suggests that the potential gains of administrative reform are very high. The OECD hence estimates the impact of establishing metropolitan governments in Paris and Aix-Marseille at 0.3 points of GDP by 2020 (and around 1 point in 2025).
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#### **ANNEX 4: PRE-BRISBANE COMMITMENTS**

*Please include a maximum of 5 important structural reform commitments from Action Plans prior to Brisbane. Please also include all relevant monetary and exchange rate commitments. Fiscal commitments will be accounted for in the St. Petersburg Fiscal Template in Annex 2.*

<b>Launch an extensive labour market reform</b>	
<b>Structural reform</b>	<b>Los Cabos</b>
<b>Rationale for carrying forward</b>	France has faced persistently high unemployment for the past 30 years, making it necessary to re-think employment policy to make it more effective. Government action is structured around several complementary areas, with the overall aim of facilitating professional development and increasing effective security for employees.
<b>Update on Progress</b>	<p>See previous update on progress from August 2014 for details on the Job Security Act.</p> <p>On 3 April, the Government launched an evaluation of the Job Security Act with the social partners. This evaluation will continue through to the end of May, clause by clause, and the Government will then make the decisions needed to improve the effectiveness of this act, for example by relaxing employment retention agreements so that they are more widely used. These decisions will be introduced by amendment into one of the acts being examined by Parliament to ensure that they enter into force rapidly.</p> <p>In addition, the Government enacted an act on the modernization of social dialogue on 17 August 2015 to increase the effectiveness of industrial relations in companies by rationalizing the rules, gearing them to company size and giving companies more leeway in collective agreements. This will simplify and raise the quality of industrial relations with fewer obligations and bodies.</p> <p>+See Policy Action 7 in annex 3</p>

<b>Improve competitiveness</b>	
<b>Structural reform</b>	<b>St. Petersburg</b>
<b>Rationale for carrying forward</b>	The issue has long been known: complexity (including administrative procedures and unnecessary standards) generates extra costs for businesses, affects the business climate and creates inefficiencies that harm consumers, affect jobs and undermine

	economic activity in the long run.
<b>Update on Progress</b>	<p>See previous update on progress from August 2014 for details on reforms of housing and railway sectors, and measures that improve the insurance code and equity investment in SMEs.</p> <p>+See Policy Action 1, 4, 5, 6 in annex 3</p> <p>The Government created the Business Simplification Council in January 2014, an independent body co-chaired by a Member of Parliament and a business leader. Every six months, the Council announces new simplification measures and assesses those that have already been announced.</p>

<b>Increase competition on the product market</b>	
<b>Structural reform</b>	<b>St. Petersburg</b>
<b>Rationale for carrying forward</b>	Opening up the goods and services market is an essential instrument for business growth, competitiveness and economic activity in France. Certain excessive regulations generate extra costs in sheltered sectors of the economy. These eat into the purchasing power of households and end up weighing on the external competitiveness of the economy.
<b>Update on Progress</b>	<p>See previous update on progress from August 2014 for details on the Consumer Act and the reform of legal and accounting professions and the energy market.</p> <p>+See Policy Action 3 in annex 3</p>