PACT AND RESPONSIBILITY SOLIDARITY

FOR EMPLOYMENT AND PURCHASING POWER
The responsibility and solidarity pact, announced by President of the Republic François Hollande on 14 January 2014 and defined by Prime Minister Manuel Valls during his keynote speech on 8 April 2014, is a new stage in the government’s policy to renew growth and employment in France.

THE RESPONSIBILITY AND SOLIDARITY PACT HAS TWO OBJECTIVES:

► TO ACCELERATE BUSINESSES’ JOB CREATION
► TO INCREASE THE PURCHASING POWER OF LOW-INCOME HOUSEHOLDS

These two objectives will help stimulate economic activity in France. The implementation of the pact is intended to increase wealth creation (+0.6 percentage point of growth). With the launch of the CICE (tax credit for competitiveness and employment) in 2013, it should encourage the creation of approximately 500,000 jobs over the coming years.

To combat unemployment, businesses must be given the means to hire and invest in greater volumes. This is why the responsibility and solidarity pact will lower the cost of labour, reduce business taxation and simplify administrative formalities. The government is therefore acting for the competitiveness of French businesses, which accept the reciprocal obligation to create jobs and invest.

To give households more purchasing power, the government is taking measures to lower taxes, as of this autumn, for those earning less than €1,250 net per month.

HOW IS THE RESPONSIBILITY AND SOLIDARITY PACT FINANCED?

Through the reduction of public spending:
Structural reforms of local authorities, reduction of ministries’ operating expenses, simplification and rationalisation measures, etc.

Thanks to the fight against fiscal fraud:
For the last 2 years, the measures adopted have resulted in a constant increase in revenue. Almost €1 billion of additional revenue, derived from the repatriation of money concealed abroad, will also contribute to State revenue as of 2014.

The pact is a virtuous circle:
By creating growth, it creates wealth and therefore continues to finance itself.

WHO BENEFITS FROM THE RESPONSIBILITY AND SOLIDARITY PACT?

All businesses will benefit from it, regardless of their size (micro-companies, SMEs, medium-sized companies and large companies), as well as self-employed workers (craftsmen, traders, liberal professions, farmers). Small and medium-sized companies are the main priority: they will benefit from over 60% of the Pact’s reductions in 2015.

Households will see the direct effects:
The unemployed, young people with no qualifications and seniors in particular, will be the prime beneficiaries of job creation. Income tax will be reduced for the lowest incomes, notably pensioners.

There will be no tax increase, for individuals or businesses, to finance the pact. Nor will it be financed by more debt: our objective to reduce public deficit will be respected.
The Pact lowers the cost of labour

The CICE (Crédit d’impôt pour la compétitivité et l’emploi - tax credit for competitiveness and employment) has reduced the cost of labour: by 4% from 2013 and by 6% as of 2014 (on wages up to €2,800 net per month).

- All businesses with employees benefit from it.
- 30,000 jobs were created thanks to the CICE in 2013 alone (INSEE estimate).
- The CICE continues to gain momentum.

Small companies are the prime beneficiaries: more than half of the amount of the CICE will benefit micro-companies and SMEs (the CICE concerns over 82% of micro-companies’ wage bill and almost 70% of that of SMEs).

The responsibility and solidarity pact will accelerate businesses’ job creation and investment thanks to the decrease in employers’ contributions.

Zero charges for the employer of an employee earning the minimum wage. As of 1 January 2015, employers of minimum wage employees will no longer pay any social security contributions. For a company with 10 employees on the minimum wage, this represents a decrease in the cost of labour of over €4,000 per year.

For wages up to around €4,000 net per month – which is more than 90% of employees, contributions to family benefits will be lowered from 5.25% to 3.45% (1.8 points lower in 2016). For a total wage bill of €500,000 per year, this represents about €9,000 less.

Employers’ contributions, what are they?

They are paid by the employer and are added to the employee’s wages. Contributions to the family benefits scheme are part of employers’ contributions.

Independent businesses (craftsmen, traders, liberal professions, farmers, etc.) whose revenues are less than €53,000 per year will also benefit from a reduction in their contributions to the family benefits scheme as of 2015.

In total, all of the measures taken over the last two years to reduce the cost of labour (particularly the CICE, the Pact and the generation contract) represent savings of around €450 per month per minimum wage employee, i.e. more than €5,400 per year per minimum wage employee, for companies drawing on all of these measures.
THE EFFECTS OF THE CICE AND THE RESPONSIBILITY AND SOLIDARITY PACT:

MANIPRESS*, A COMPANY THAT WILL BE ABLE TO INVEST

Manipress is a printing company with 8 employees. With the combined reductions of the CICE and the Pact, for the amount of €16,000, Manipress’ cost of labour will decrease by 5.4%. This very small enterprise (VSE) will be able to invest in a new digital printer, expand and hire.

VENTRAN*, A COMPANY THAT WILL INNOVATE AND HIRE

Ventran is an SME with 95 employees in the east of France which produces quality bedding, but suffers from foreign competition. It has designed a technical textile for the aviation sector. In order to develop this product, it needs to invest and in the long term recruit ten people. This process will be helped by the CICE and Pact reductions: €181,200 and a 4.4% decrease in the cost of labour.

COMPRIMEO*, A COMPANY THAT WILL BE ABLE TO ACQUIRE A FOREIGN COMPETITOR

A medium-sized company with 350 employees which manufactures pumps and compressors for the petrol industry, Comprimeo sells a large part of its production for export. Thanks to the €594,600 reduction (CICE + Pact), it will be able to acquire a competitor with more diversified production. This strategic decision should ensure its continued existence, allow it to increase its market share and therefore strengthen its position in the face of competition.

* Names anonymised

The Pact cuts business taxes

This reduction in the cost of labour is supplemented by a cut in business taxation, which will allow businesses to further employ and invest.

- The corporate social solidarity contribution (C3S) will be gradually eliminated over the next 3 years. This concerns the 300,000 companies that pay this contribution, 200,000 of which will see the effects from 2015.
- Corporate tax, currently set at 33.3%, will be cut in 2017 and brought down to 28% in 2020, in line with the European average. The 10.7% surcharge on this tax, instituted in 2011, will be removed as of 2016.
- Several dozen small taxes, too complex and unprofitable, will be repealed as part of the wider framework of administrative simplification for businesses.

The Pact makes life simpler for businesses

Today, the complexity of norms costs French economic actors €60 billion per year. This is why the government is simultaneously simplifying the burden of administrative norms and obligations for businesses. These measures notably include:

- The removal of a norm for the creation of every new norm.
- A single declaration to create a company.
- The simplification of the payroll.
- The principle of a priori trust in the administration’s relations with businesses: removal of certain reporting obligations, end of the retroactivity of tax measures.

CLOSE-UP OF TWO SIMPLIFICATION MEASURES ALREADY IN PLACE

The reduction of accounting obligations will simplify the life of over a million micro-companies and small companies as of this year. This represents savings of €110 million for companies and, above all, more than 1 million hours of time saved.

Entrepreneurs that have gone bankrupt are no longer on file at the Banque de France. The government has eliminated this filing (indicator 040) which caused banks to be reluctant to grant new credit. This therefore offers them a second chance to set up their own business.
For employees and households

The Pact cuts taxes on low-income households

As of September 2014, those earning less than €1,250 net per month will pay less income tax. As such, 4.2 million households will see their taxes reduced. Among these, around 2 million will no longer pay any income tax.

THE EFFECTS OF THIS TAX REDUCTION

3 EXAMPLES

SINGLE MINIMUM WAGE EMPLOYEES will see their tax completely revoked, whereas they currently pay €100 in income tax.

COUPLES WHERE EACH EARN THE MINIMUM WAGE and works twelve hours of overtime per month will see their tax completely revoked, whereas it currently stands at €350.

THE TAX FOR A RETIRED COUPLE each earning a pension of €1,200 will be reduced: they currently pay around €1,000, and will only pay approximately €300 in September 2014.
The Pact raises social benefits for the most vulnerable

Particular attention is paid to the social benefits received by those with the lowest incomes. They will not be impacted by the one-year adjournment of revaluations.

**REVALUATION OF SMALL PENSIONS**
for the 6.5 million pensioners earning less than €1,200 per month.

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**ANTI-POVERTY PLAN**

**NEW INCREASE IN THE RSA (ACTIVE SOLIDARITY INCOME)**

2% IN SEPTEMBER 2014

**2 EXCEPTIONAL REVALUATIONS**
AT 1 APRIL 2014 THE FAMILY SUPPORT ALLOWANCE FOR SINGLE PARENTS (APPROXIMATELY +€60 PER YEAR), AND THE FAMILY SUPPLEMENT FOR THE POOREST LARGE FAMILIES (APPROXIMATELY +€216 PER YEAR).

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**THE GOVERNMENT’S PROJECTS TO SUPPORT PURCHASING POWER**

- Rent regulation is now a reality. The fees charged to tenants are about to be cut in half, those charged by banks, driving schools and retirement homes have been more strictly regulated, and the opening of competition will enable the price of glasses, contact lens solutions, pregnancy tests, etc. to be lowered.

- The new school year allowance has been increased by €75 per child (+25%), student grants have been significantly increased, by €800 for students from low-income families.

- The price of gas and electricity: 8 million French citizens now benefit from social energy tariffs. People wanting to enhance the thermal insulation of their homes can benefit from assistance covering up to 80% of the expenses.
The responsibility and solidarity pact commits the State, the social partners, businesses and territories until 2017 and even beyond. It continues the efforts for employment and purchasing power initiated 2 years ago.

THE PACT: MOBILISATION AT ALL LEVELS AND MUTUAL COMMITMENTS IN RETURN

The social partners are on the front line for the implementation of these commitments:

- In the branches, with negotiations under way and focused on all levers that create employment (training, apprenticeships), particularly for young people and seniors. As a result: quantitative and qualitative objectives for job creation and training for young people, adapted to the specific situation of each business sector. Objectives that commit and mobilise.

- At the national level, with the Great Social Conference on 7 and 8 July which will be an opportunity for a first "review meeting" on the Pact with the representative organisations. Public authorities, trade unions and employers’ organisations are equipped with an observatory which makes it possible to regularly assess the implementation of the Pact-related commitments. In addition, the social partners will lead a negotiation programme for the modernisation and quality of social dialogue, and for youth employment, in the second half of the year.

For businesses to invest and create jobs: this is the government's priority, because it is in the interest of all.
The government’s projects to support employment and prepare the future

Beyond the Pact and the CICE, the following measures have also been taken:

**The public investment bank**, bpifrance, meets companies’ immediate cash requirements (for small companies in particular). Created at the end of 2012 for the development of French businesses, it will have helped 1,000 companies with their export sales by the end of 2014.

**34 industrial plans** have been launched in order to outline the industrial France of tomorrow. The State is therefore investing public money to support innovative projects (e.g. vehicles that consume less than 2 litres per 100 km, environmentally friendly ships, industrial plant of the future, etc).

The social partners have reformed the labour market and increased employment. This is the aim of the agreements on **job protection, vocational training and the quality of working life**.

The government has also pursued a policy of direct support for employment:

**The jobs of the future**: 120,000 have already been created, thus contributing to the continuing fall in unemployment among young people over the last year.

**The generation contracts** concern permanent employment contracts for young people and the retention of senior citizens in employment.

The measures for **productive recovery** have enabled 200,000 industrial jobs to be maintained between July 2012 and May 2014.

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