



NEW DIRECTION
THE FOUNDATION FOR EUROPEAN REFORM

100 days
to
REFORM
FRANCE

A study by the iFRAP Foundation



FONDATION POUR LA RECHERCHE
SUR LES ADMINISTRATIONS ET
LES POLITIQUES PUBLIQUES

100 days to reform France

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France's credit rating has been placed on negative outlook. Will there be a downgrade? Everything depends on the measures announced just after the presidential and legislative elections. Hence the importance of setting out a carefully thought-out timetable of reforms for the first 100 days of the 2012-2017 presidency. Whether it comes to reviving growth or reducing public spending, the candidates standing for President of the Republic have not been very forthcoming with regard to specific proposals and the impact of these measures.

In a numerical and well-argued study entitled '100 days to reform France', the iFRAP Foundation has risen to the challenge of prioritising the reforms needed to see a return to growth and a balanced budget. The study aims to alert the candidates to the importance of undertaking major reforms, as Mario Monti is doing in Italy, between 18 June and 25 September 2012.

During the first hundred days, the focus will have to be on two areas: creating growth and reducing public spending. To achieve this, as of 19 June, an initial package of reforms would be unveiled which we have called the "growth stimulus". These reforms (labour market flexibility, reforming employment contracts and simplifying the Labour Code, every day shop openings, establishing working times and minimum wages that have been negotiated at a level other than at national level, changes to employer contributions over other forms of taxation, an ambitious fiscal plan for the creation of start-ups, etc.) are aimed at releasing the energy for growth that is currently being restrained and multiplying the creation of new businesses. Thanks to our detailed proposals including figures, we estimate that this growth stimulus would allow the creation of 1.7 million new commercial jobs in five years.

From 26 June 2012, legislation to this end would be discussed in the Parliament. In the second phase, during discussions beginning on 3 July 2012 at the National Assembly, it would be public spending that would have to be rebalanced over a five-year period thanks to a plan for reducing spending that targets public employees, State operators, local authorities and the social sector with three

major laws: a general review of the State's public policy (RGPP2), a general review of social policy and a general review of local policy. This plan would allow a total of 129 billion euros in savings to be made between now and 2017.

In order to achieve this, the efforts driven by the general review of public policy at State and operator level should continue and be extended to local authorities and social security bodies. Alongside this, we propose a reduction in transfers to administrations of savings made within the framework of 'one in two' from 50% to 20%, a lowering of operational expenditure (-15%), public procurement (-5%) and the streamlining of local and social housing stock. Regarding local expenditure, an ONDAL (national objective of local government expenditure) based on the model of the ONDAM (national objective of health insurance expenditure) would be put in place by working in a targeted way on grants to local authorities through the intermediary of a bonus/penalty system respecting the principle of autonomy.

Furthermore the iFRAP Foundation proposes that on 16 September 2012, a referendum is put to the French people containing two questions: the first on the status of public employees and the second on the financing of trade unions. In August, experiments with alternative forms of managing public services would be launched for schools, hospitals or museums in certain departments or regions.

Following the scenario proposed by the iFRAP Foundation, according to our assessment, in 2016 France would no longer have a public deficit of 114 billion but "only" 27 billion and, for the first time in thirty years, there would be a primary surplus. Clearly, the deficit would no longer only be generated by the cost of the debt. According to our estimates, these reforms carried out in the first one hundred days would allow budgetary surpluses to be maintained and therefore the debt could begin to be paid back as of 2019.

Récapitulatif du plan de la Fondation iFRAP

En milliards d'euros	2013	2014	2015	2016	2017	Total
Effet du plan en recettes nettes	10,94	12,18	14,56	17,01	18,39	70,08
Économies sur les dépenses	16,86	21,2	26,55	30,32	34,17	129,1
Plan de cessions	8,65	4,83	2,6	2,1	2,1	20,28
Déficit spontané	- 131,6	- 125,2	- 118,9	- 114,8	- 110,6	
En % de PIB	- 6,21 %	- 5,69 %	- 5,21 %	- 4,85 %	- 4,51 %	
Déficit avec le Plan de la Fondation iFRAP	- 82,8	- 71,7	- 55,8	- 37,2	- 27,0 ⁴	
En % de PIB	- 3,93 %	- 3,30 %	- 2,49 %	- 1,60 %	- 1,13 %	
Déficit primaire spontané ³	- 82,1	- 75,7	- 69,4	- 65,3	- 61,1	
Déficit primaire avec le Plan de la Fondation iFRAP	- 33,3	- 22,2	- 6,3	12,3	22,5	
En % de PIB	- 1,58 %	- 1,02 %	- 0,28 %	0,53 %	0,94 %	
Déficit au sens de Maastricht	- 91,5	- 76,5	- 58,4	- 39,3	- 29,1	
En % de PIB	- 4,34 %	- 3,52 %	- 2,60 %	- 1,69 %	- 1,21 %	

² Il s'agit des recettes générées par le plan « stimulus package » minorées des coûts supplémentaires induits par ce plan.

³ Hors paiement de la charge de la dette, fixé sur la période à 49,5 milliards d'euros par an.

⁴ Objectif équilibre 2019.

Les calculs de la Fondation iFRAP tiennent compte des économies prévues par le Plan Fillon, mais notre prévision de croissance, moins forte que celle retenue dans le cadre du plan Fillon, nous a conduits à des économies supplémentaires sur les dépenses publiques.

The proposals for growth in figures:

- Fixed-term contract of 36 months
- Reauthorize redundancies on economic grounds
- Establish flexible working *times*
- Raise social thresholds
- 24/7 opening of shops and services
- Lower employers' contributions
- Institute statutory minimum wages (SMIC/s)

And a Start-Up Plan for France to boost productive investment

Objective: multiply by 10 the number of “Business Angels” in France in 5 years i.e. an investment of 22.5 billion euros in 5 years in the creation of businesses, 130,000 jobs in 5 years and 2.94 billion euros of employer social contributions in 5 years. To achieve a rate of 9 billion euros of investment per year and 130,000 jobs per year as of the sixth year.

Cost: 6.75 billion euros of uncollected tax revenue in 5 years, partially recoverable as of the 6th year.

Stimulus package measures in figures:

According to our estimates, the measures in the stimulus package would allow for additional growth of 67 billion euros which, through a multiplier effect, would generate approximately 33 billion euros of additional GDP, **i.e. 100 billion euros of supplementary resources for the country, 1 percentage point of economic growth per year.** All together this would represent tax and social revenues of approximately 43 billion euros, or a **net gain of 28 billion euros** (43 billion-15 billion) and 1.3 million full-time equivalent employment positions in the non-financial commercial sector. In total, this additional growth point combined with trend growth allows us to estimate **the total effect on employment as being 1.7 million net jobs created** full-time equivalent in the commercial sector within 5 years.

The proposal to reduce public spending in figures:

Objective: Restore a primary surplus before 2017 and generate surpluses as of 2021 in order to reduce the debt ratio and the burden of debt.

All of the savings that could potentially be mobilised (State, local authorities and social security) and proceeds from disposals:

State							
Savings	2013	2014	2015	2016	2017	Total	
Managing the wage bill (State+Operators)	1.624	2.248	3.872	3.496	4.12	15.36	
Streamlining the management of operators	2.056	2.216	2.376	2.536	2.696	11.88	
Streamlining procurement (-5% State, -10% operators)	0.29	0.58	0.87	1.16	1.45	4.35	
Further streamlining of State property	-0.2	-0.1	0	0.2	0.2	0.1	
Carrying out the reform of local authorities	2.5	2	1.5	1	0	7	
Total	6.27	6.944	8.618	8.392	8.466	38.69	
Proposal 6 bis: Ringfenced precautionary reserve (on the 2011 basis)	6	6	6	6	6	30	
Total savings	12.27	12.944	14.618	14.392	14.466	68.69	
Local authorities							
Savings	2013	2014	2015	2016	2017	Total	

Proposal no 7 managing the wage bill of local authorities	1.8	2.4	3.05	3.05	3.45	13.75
Proposal no 8: 10% effort on running costs	0.74	1.48	1.82	2.16	2.5	8.7
Proposal 10: reducing interventions aimed at associations	0.17	0.48	0.82	0.82	0.82	3.11
Total savings	2.71	4.36	5.69	6.03	6.77	25.56
Social security						
Savings	2013	2014	2015	2016	2017	Total
Proposal 12: Pension reform	0.12	0.46	1.02	1.8	2.6	6
Proposal 13: Health insurance reform	1.36	2.64	4.02	5.6	6.98	20.6
Proposal 14: Reform of unemployment benefits	0.4	0.8	1.2	2.5	3.35	8.25
Total	1.88	3.9	6.24	9.9	12.93	34.85
Grand total	16.86	21.20	26.55	30.32	34.16	129.1
Disposal measures						
Supplementary gains	2013	2014	2015	2016	2017	Total
Proposal 4: Asset disposal and government funding plan	1.8	2.1	1.1	0.6	0.6	6.2
Proposal 9: Asset disposal plan for local authorities	0.34	0.68	0.5	0.5	0.5	2.52
Privatisation plan:	6.50	2.05	1	1	1	11.55
High-speed train lines	1	1	1	1	1	5
EDF	2.75	0.52				3.28
GDF Suez	2.75	0.52				3.27
Total	8.64	4.83	2.6	2.1	2.1	20.28
Grand total including asset disposals	25.50	26.03	29.14	32.42	36.26	149.3



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The iFRAP Foundation is a think tank that specialises in public administration and policy. The foundation has been recognised as a public entity since 2009 and its objective is to “carry out scientific studies and research into the effectiveness of public policy, especially those aimed at achieving full employment and economic development, to make the results of these studies known to the general public, propose improvement measures and undertake all possible activities in view of the government and parliament implementing the proposed measures”.

The iFRAP Foundation is managed by a board of directors chaired by Olivier Mitterrand and with Agnès Verdier-Molinié as director. Bernard Zimmern is Honorary President. The team of researchers conduct their investigative work based on objective facts and figures as well as the results of economic and econometric research. Actively working with the media and decision-makers on a daily basis, the iFRAP Foundation publishes its work on their website and in their monthly review *Société Civile*.