

2017, a Year of Positive Progress!

Editorial

I concluded the editorial of the 2016 report by calling on you to remain committed to advancing reforms in our country and winning over the French people. A year later, as we draw up the report for 2017, I note that not only has your involvement remained constant, it has even grown! This what allowed us to make our many positive advances in 2017! For that, I thank you sincerely.

2017 will, we hope, be remembered as a year of lasting change in French economic policy. This year was marked by two periods:

- 1/ A beginning of the year dedicated to both the presidential election campaign and the debates;
- 2/ A latter term devoted to reforms.

Throughout the year, MEDEF has been very present, very active and has been able to advance its ideas extensively, thanks in particular to your actions on the ground.

First of all, thank you for your help during the election campaign. We spared no effort to put forth and explain our actions: Our “white paper” presenting ambitions for France, followed by a “blue book” of crucial reforms for achieving those ambitions, have greatly inspired many political agendas. Our operation “The Real Issue” [Le vrai débat], established the main themes of the reforms. Our “political auditions” allowed us to clarify the economic agendas of the candidates; our numerous proposals were generally accepted...but we have also been active to counter dangerous ideas: Rising public expenditures, robot tax, closing our borders and turning inward, the destruction of Europe. All these debates have finally led to the election of a young, pro-European and pro-business President with a stable majority in Parliament. Proof that our arguments, strengthened and repeated, have won out.

Then, in the second half of the year, the reform package fell through and the new government chose to move forward quickly and boldly. The work regulations took effect, as well as the first significant tax measures (removal of the wealth tax [ISF], a *flat tax* on income from savings, cuts to corporate income tax, etc.) Discussions of vocational training, apprenticeships and unemployment insurance are being initiated. Not everything is in line with our expectations (the CICE, a temporary surcharge on large companies, withholding tax, etc.), but we now have a calm, constructive and frank dialogue with the executive branch.

For too long, our country has been stuck in a fatal stalemate. Our actions over the past few years have helped get it moving again, and we should be proud! Nevertheless, let us remain involved, vigilant and active. Much remains to be done!

The Highlights of 2017

1/ A MEDEF at the heart of debates and programmes

For several years now, the MEDEF has been working tirelessly to remind us of the importance of business and the need to build an economic, social and societal environment which is good for the economy.

The electoral cycle in the first half of 2017 was an opportunity to emphasize the need for reforms to be carried out through various candidates, including those for the Presidency, the legislatures, the senatorial positions...The work begun in 2016 with The Real Question and the "doctrine" write-ups (the "white paper" on an ambition for France in Europe, the "blue book" of reforms to be carried out to make this ambition credible) has been adapted into events and practical instructions for the various candidates.

2017 Presidential Elections: Debating and Convincing

Based on a transformative vision for our economy and businesses, the MEDEF proposed four sets of reforms, to be implemented quickly and with determination: building the skills of tomorrow, renewing the social model, simplifying and modernising the business environment and orienting the tax policy towards competitiveness. The MEDEF has also proposed a shift towards future-oriented policies: digital technology, attractiveness, environmental transitions, linking employees to performance, innovation, Europe, globalisation, etc.

With this pragmatic body of proposals, the MEDEF was firmly involved with the presidential debate: Both to explain and convince, but also to counter anti-economic or dogmatic proposals: taxes on robots, "universal income", closing borders, withdrawal from the Euro, etc.

Highlights of this work included the **Business & Policy Mornings on March 28th and April 5th 2017**, where all candidates for the Presidency of were invited and which were broadcast live.

Thus, the following appeared on the Elysées Biarritz stage: Jacques Cheminade, Marine Le Pen, Emmanuel Macron, François Fillon, François Asselineau and Nicolas Dupont-Aignan. For an hour, they discussed and debated with business leaders, centring on four main themes:

- Globalisation/Europe: The role of France in the world, opportunities, growth, European construction, the Euro zone, respect for European commitments, sustainable development, etc.
- Education/Training: Apprenticeships, continuing education.
- Social Sphere: The labour market, the organisation of labour talks, unemployment insurance, retirement, etc.
- Funding the economy: The taxation of capital/labour, wealth tax, taxation to encourage risk taking, cuts in public spending, energy prices, etc.

Parliament 2017: A Movement in Every Region

For the parliamentary elections, the MEDEF put together a **brochure presenting the ideal programme for businesses**. This was divided into seven urgent areas, four major structural reforms

and one strategy. The regional MEDEF branches then organised meetings, breakfasts, meet-ups and speed dating with the candidates. Drawn up in collaboration with the regional MEDEFs and federations, in the end these elements were for the most part included in the programmes of the party candidates.

In addition, as of January 2017, the “**an adviser for every representative**” project was established under the leadership of the regional MEDEFs. An active business owner, employer, and member of the MEDEF, this economic adviser commits to be the preferred regional communicator to one or more elected representative. The aim is not to engage in partisan politics, but to allow representatives of the people to have someone who is able to speak with them about working relations and legal constraints, and also about his or her hopes for the business of tomorrow. This network continues to grow each week.

2/ A MEDEF which ushers in reforms

The election of a new President who is young, knows business and is willing to make pragmatic reforms is good news. The stable and comfortable majority from which he benefits in the National Assembly is also a guarantee of effectiveness.

The MEDEF thus worked, as soon as the elections were over, to support the government in its desire for rapid reforms, while maintaining our alertness and critical ability. Although not everything is perfect, it is clear that several important reforms have been implemented.

For years, the MEDEF has regularly and relentlessly pointed out the rigidity of our Labour Code and our high level of taxation, which together are responsible for our companies’ loss of competitiveness and the stalling of our economy. This perseverance has borne fruit. The reform of the Labour Code and the 2018 Finance Act once again allow French companies conditions under which they can develop and compete, as well as the flexibility needed to adapt to evolution and transformations of the economy and markets.

The **Reform of the Labour Code** marks a profound change by modernising the system of labour relations and giving businesses the opportunity to adapt more easily. Business owners are now able to secure recruitment and to control the risks of termination: The damages granted by Industrial Tribunals in the event of unlawful dismissal will be capped, the deadline for disputing a dismissal will be shortened, and the official dismissal letter will be shortened in order to prevent challenges on technicalities. The newly-created collective contract termination procedure, which secures voluntary departure plans, also allows companies to evolve and to offer special voluntary departure conditions to employees. Lastly, the creation of a construction contract, the term of which is set at the end of the relevant project, allows companies to adapt to their markets. Another major advance is the limitation of the scope of the company’s economic difficulties when assessing the possibility of a redundancy plan. Assessed at the global level up to now, companies’ financial standing will henceforth be considered based on national-level performance.

To enable greater efficiency, labour relations, a vital force in any company, will also be simplified and re-energised. Companies in which no unions operate and where total staffing does not exceed 50 will be able to negotiate majority-approved agreements with employee representatives. **This is the major step forward of a reform which places employee-elected representatives at the centre of the**

dialogue process, regardless of whether they have a union affiliation. In companies with fewer than 20 employees, the employer will be able to organise an employee consultation in the form of a simplified referendum. In companies with more than 50 employees, the decision to the merge worker representation bodies such as employee delegations, works councils and health, safety and working conditions committees into a single “company works council” will make it possible for company leaders and employee representatives to engage in dialogue which begins from an all-encompassing view of company operations and to identify avenues for improvement through a coherent strategy. By bridging the gap between labour relations and company operations, these measures will make it possible to adjust work organisation procedures to each company’s sector, calmly and with true employee involvement.

The new clarity brought to the delineations between law, industry and company follows the same principle of autonomy by giving company leaders appreciable room for manoeuvre. Bonuses, for instance, previously determined at the industry level, can now be discussed and set within businesses. It should also be noted that works councils will now be expected to cover the cost of any expert services which they request, whereas up to now, those expenses were provided for by the company.

The 2018 budget is consistent with the same logical desire to restore our economy and make France more attractive. This is a key step in the necessary transformation of our country, which now faces an economic and technological revolution of never-before-seen magnitude.

If we wish to gain from this technological revolution, we will need to invest and, thus, first direct savings to companies. This is the idea of the capital tax reform. The draft budget for 2018 provides that all income from capital, for example capital gains earned upon resale, will no longer be subject to income tax, but to a single-rate levy of 30% via the new **single flat-rate deduction** [PFU]. Tax relief on capital will also come through the repeal of the wealth tax [ISF], to be replaced by a tax on real estate assets alone (IFI). These reductions in capital taxes will not have an immediate effect, but they will encourage investment and activity in France, a welcome message in the context of Brexit. Similarly, the multi-year decrease in corporate tax sends out a strong signal about France’s intention to align with other European countries. It is regrettable, however, that maintaining a property wealth tax does not recognise real estate as a major economic activity.

Vocational Training and Apprenticeship:

These reforms, although they constitute a true change in philosophy, culture and guidance, will not allow our country to benefit fully from the upturn in growth due to one major problem: a shortage of skills, despite the fact that our unemployment rate remains high and the renewed confidence of entrepreneurs is generating new jobs. Building growth that is rich in jobs is entirely a matter of **the ongoing reform of vocational training, which includes apprenticeships and unemployment insurance.** The common denominator of these reforms must be training. Training of young people in high-demand trades *via* in particular apprenticeships, which must be reformed, training employees so that they can improve their employability at the pace of technological developments and training job seekers with recognised and useful skills so that they can find sustainable employment. It is in this spirit that we recommend the idea, taken up by the government, of transferring to professional industries the management of apprenticeships and strengthening the incentive to return to work. This involves monitoring and tracking job seekers in order to better support them. This reform must

lead to a revamped system which enables entrepreneurs to more easily find the skills they need to grow.

Reforms to be carried out in 2018:

Much has been achieved in recent months, but there is still much to do if we want to achieve solid and sustainable growth. The reduction in expenditures on labour costs must be continued. Likewise, the pressure of taxes on factors of production remains an issue. These projects presuppose an ambitious policy of reducing public spending and shrinking the budget deficit. The MEDEF continues and will continue to appeal for this. The growth outlook and the renewed confidence of business owners and the French generally – 59% say they are optimistic for 2018 – are genuine points of support around which we can open and advance these projects. This concerns the development of businesses and lowering unemployment: without a reduction in costs, there will not be sufficient margins for investment. Without investments, there is no job creation.

Future laws on growth and business transformation also attract our attention. We made public 120 proposals to this effect. In particular, we consider it pertinent to begin a discussion of the relationships between corporations and stakeholders, and of a better link between employees and the company's performance. However, we do not believe that a legislative change to the company's corporate objective is the right tool. Business must now claim its social and societal function, but the government's desire to enshrine this in law would be ineffective, counter-productive and contrary to the policies put forward in recent months.

3/ A MEDEF Out to Conquer

2017 was marked by numerous events demonstrating the MEDEF's commitment to the main priorities of our economy: Apprenticeship and training, the digitisation of the economy, the fight against global warming, Africa, etc. We are equally committed to entrepreneurship in all its forms and to the spirit of business.

January 3rd-6th 2017 - MEDEF promotes the French ecosystem and assets at CES Las Vegas

For the fourth consecutive year, MEDEF has gone to support our start-ups at the Consumer Electronics Show, where France now has a choice spot. In 2017, our country was the third largest nation in terms of number of businesses exhibiting, just behind the United States and China. The delegation, led by Pierre Gattaz, visited Silicon Valley on January 3rd and 4th before visiting the CES on January 5th and 6th. They were accompanied by a delegation from the French Insurance Federation and a one from Christian Entrepreneurs and Leaders. The event culminated in the France evening, organised in partnership with the French Alliance of Digital Industries (AFNUM), which took place on January 5th at the Paris Hotel. This evening brought together French start-ups and companies, regional representatives and politicians attending the show.

January 12th-14th: France Africa Summit in Mali

Pierre Gattaz led a major delegation from 70 French companies to Bamako to participate in the Economic Forum, co-organised with the Mali Employers (CNPM) alongside The 27th Africa-France Summit, which gathered forty heads of state in the Malian capital on January 13th and 14th 2017. This was an opportunity to show that Africa has become a major priority for the MEDEF.

March 9th-11th – WorldSkills National Finals in Bordeaux

Bordeaux hosted the 44th national finals of the Business Olympics: Three days of competition for 630 young people in 51 different professions. Pierre Gattaz, President of the MEDEF, was of course present to support this important competition, as was Emmanuel Macron, who at that time was a presidential candidate.

March 15th and 16th 2017 – Digital University – “Data in all its States”

The MEDEF is convinced that the digital revolution represents a major upheaval for all companies, regardless of their size or sector of activity. For this reason, the MEDEF has dedicated a major meeting to the question every March for the past three years in order to better raise awareness and support French companies, particularly micro-enterprises and SMEs. The Digital University also allows us to draw up a situational analysis of the digital transformation of French companies, sector by sector, and to promote our country’s strengths in this area. The theme chosen for the 2017 edition was "Data in all its states!" This theme allowed us to show how the data collected, generated or produced by businesses becomes a powerful tool for value creation. The next edition of the DU will take place on March 21st and 22nd 2018, with the theme "Digital Revolution: How can we meet the skill challenge?"

July 2017 - Good Work took over the Tour de France route

As part of the Good Work programme, launched in 2014 to promote work-linked training courses among struggling trades, the MEDEF took over the Tour de France route. This programme enabled hundreds of young apprentices to demonstrate their creativity and know-how through a major competition organised in each region. The young apprentices were able to make their bike of the future using materials and techniques from their speciality. The bikes were presented each day in the departure village. This is a new way to show that learning is synonymous with excellence, and that it leads to exciting and fulfilling jobs.

August 29th and 30th 2017 - Summer University "Confidence and Growth - The Future is France"

A current of optimism and good humour ran through the 19th edition of the Summer University, held on August 29th and 30th at the Jouy-en-Josas campus of HEC. The event experienced a record attendance of over 7,000 participants. This is a sign of confidence in the new economic and political directions our country has taken. Over a period of two days, more than 150 French and foreign speakers, including 11 members of government, have expressed their confidence in the future and in France as we face major changes in the world. In this rapidly-changing universe, it is up to businesses

to turn uncertainties into competitive advantages, to educate and to put in place the safeguards that will make globalisation acceptable and profitable for all. The next edition of the Summer University will take place on August 28th and 29th, 2018. This will be the twentieth anniversary of the MEDEF Summer University.

October: Launch of MAI - MEDEF, Accelerator of Investment

Last October, the MEDEF launched “MEDEF accelerating investment” (MAI), in collaboration with the representatives of the financial institutions (BEI-FEI, FBF, FFA, AFG and Afic). This is a platform aimed at bringing SMEs closer to financing adapted to their growth needs. It targets solvent SMEs with a turnover of €1 million to €100 million and helps them find long-term financing through investment funds. The aim of MAI is to provide 500 million EUR in funding for 500 companies per year.

The Determined: three new groups in 2017

In 2017, for the first time, the Determined association formed two groups of future young entrepreneurs in rural areas (Lyon and Nancy). These two new groups are in addition to the fifth Île-de-France group, formed last April. In total, since its launch in 2015 by MEDEF and Act for Success, the Determined association has trained 98 future young entrepreneurs, aged 18 to 35, from at-risk areas.

October 15th-18th 2017 - MEDEF supports young French champions at the WorldSkills Competition in Abu Dhabi

The WorldSkills Competition, hosted every two years by the WorldSkills International Association, took place in Abu Dhabi from October 15th to 18th. It ended in an excellent result for the French team who achieved a total of 12 medals, including 5 gold medals. The MEDEF was there to support all our talented youths, who once again demonstrated French excellence. The young champions will soon be welcomed in a reception at our Avenue Bosquet headquarters. Apprenticeships suffer from a bad reputation in France. The MEDEF's ambition is to ensure that everyone, youth, teachers and parents, realise that apprenticeship is a path to excellence.

December 11th- French Business Climate Pledge-Businesses Commit to the Climate

On the eve of the One Planet Summit, organised by the President on December 12th, 91 French companies of all sizes and sectors gathered at the MEDEF around Nicolas Hulot to announce the signing of a joint commitment to the climate entitled the French Business Climate Pledge. These companies have announced that they will strengthen their commitments for the next three years. They represent a total of 6 million jobs and a global total of 1,500 billion in turnover or net banking income. This means that more than 320 billion EUR in financing, research and development and

innovation will be committed to a low-carbon society from 2016 to 2020. With this new commitment, the private sector demonstrates that the challenge of the environmental transition has passed to the stage of financing and practical implementation.

December 20th 2017 - The Digital Disruption Lab mission draws its conclusions

Since March 2016, the aim of the Digital Disruption Lab mission has been to provide the best support for our businesses and to turn France into the Silicon Valley of Europe. Entrusted to Olivier Midière, MEDEF's ambassador for digital technology, this mission has visited 22 countries (Estonia, Israel, the United States, Singapore, Sweden, Finland, Canada, Japan, South Korea, China, Germany, the United Kingdom, Lithuania, Jordan, Mexico, South Africa, Hong Kong, Morocco, the Philippines, Argentina, Colombia, and Kenya) to initiate partnerships with foreign ecosystems, to create and put into practice communication and awareness programmes in France, and to design educational programmes or *learning expeditions* around these ecosystems. After 180 days of missions during which over 700 participants were interviewed, the mission submitted its final report on December 21st. A report showing that although their ecosystems are mature, Europe and France still have room for improvement to become fully-fledged smart nations.

Numerous trips abroad and in the provinces

In 2017, Pierre Gattaz led several corporate delegations abroad. In addition to visiting the US for the CES and Bamako for the France-Africa Summit, Pierre Gattaz led a delegation to Indonesia, Malaysia and Singapore last February, as well as a delegation to India (New Dehli, Mumbai and Bangalore) in September. Next March, he will visit Kenya and Ethiopia. He has also increased his travel in Europe: Germany, the United Kingdom, Italy, Estonia, Belgium... to meet his European counterparts and represent the voice of French companies.

At the national level, Pierre Gattaz visited 28 regional MEDEFs in 2017 over the course of around twenty trips, to share the reform proposals recommended by the MEDEF with local entrepreneurs.

A strong presence at events organised by the professional federations affiliated with MEDEF

Pierre Gattaz took part in 26 events organised by professional federations, including the International Aeronautics and Space Trade Fair (SIAE) of Paris-Le Bourget, organised by the Association of French Aerospace and Space Industries (Gifas), the gas congress organised by the French Association of Gas (Afgaz), the global congress of the World Federation of Direct Selling Associations (WFDSA 2017) organised by the Federation of Direct Selling (FVD), and, more recently, the annual General Assembly of the National Union of Private Establishments and Residences for Elderly (Synerpa), which joined the MEDEF in 2017.

Publications for teaching

In 2017, the MEDEF produced numerous publications and practical guides on subjects relating to the daily life of businesses.

Of note is the last edition of *Cards on the Table, Facts for action*, which provides a diagnosis of the French economic and social situation and compares it to those of our main partners and competitors. Also significant is the publication of three editions of the magazine *France 2020*: "Together, let's move France!", "The future is Europe!" and "All apprentices!"

What about 2018?

2018 is an important year for the MEDEF.

Firstly, because it is going to be a year during which reforms continue and wherein we must continue to work with focus and determination to progress our ideas: Reform for apprenticeships, vocational training and unemployment insurance; an action plan for the growth and transformation of businesses; the energy planning act; discussion of an ambitious reform of pensions; re-launch of European construction... the subjects are endless.

But 2018 will also be an election year for the MEDEF, as a new chairperson will be elected. This election will present an opportunity for internal discussion of the role and position of the MEDEF, its governance and its goals. As France has changed and political atmosphere is less hostile, this discussion appears key to our future. Let us take advantage of this moment to calmly discuss our core, our governance, the place of the professional federations and the regions, our collective actions, our role in society... Here too, there are no shortage of subjects, and the coming period will be an exciting and important one. So, let us debate, discuss and put ourselves in order to help our country accelerate growth, build employment and achieve our shared goals!